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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tack Fat Group International Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**TACK FAT GROUP INTERNATIONAL LIMITED****德發集團國際有限公司***(incorporated in the Cayman Islands with limited liability)**(stock code: 928)***DISCLOSEABLE TRANSACTION:****SUBSCRIPTION OF PREFERRED SHARES IN SINO LEGEND LIMITED**

A letter from the board of directors of the Company is set out on pages 3 to 6 of this circular.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Company”	Tack Fat Group International Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	11 June 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mudd (USA)”	Mudd (USA) LLC, a Delaware limited liability company and an independent third party not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates
“Newest Global”	Newest Global Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, being one of the subscribers under the Subscription Agreement
“ODM”	original design manufacturing
“OEM”	original equipment manufacturing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Sino Legend”	Sino Legend Limited, a company incorporated in the British Virgin Islands with limited liability and an independent third party not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Group of the Subscription Shares subject to and upon the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the class A preferred share purchase agreement dated 21 May 2004 and entered into among Newest Global and Sino Legend
“Subscription Shares”	83,333 class A preferred shares of US\$0.01 each in the share capital of Sino Legend to be subscribed by Newest Global pursuant to the Subscription Agreement
“USA”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the USA
“%”	per cent.



TACK FAT GROUP INTERNATIONAL LIMITED
德發集團國際有限公司

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mr. Kwok Wing (*Chairman*)

Mr. Lee Yuk Man

Mr. Ho Yik Kin, Norman

Mr. Kwok Kam Chuen

Independent non-executive Directors:

Mr. Leung Yiu Wing, Eric

Mr. Ching Kwok Ho, Samuel

Registered office:

Century Yard

Cricket Square

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Cayman Islands

British West Indies

*Head office and principal place of
business in Hong Kong:*

13th Floor

Roxy Industrial Centre

58-66 Tai Lin Pai Road

Kwai Chung

New Territories

Hong Kong

14 June 2004

To the shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION:

SUBSCRIPTION OF PREFERRED SHARES IN SINO LEGEND LIMITED

INTRODUCTION

On 24 May 2004, the Directors announced that the Group entered into the Subscription Agreement with Sino Legend in relation to subscription of the Subscription Shares for an aggregate subscription price of US\$3,333,320 (equivalent to approximately HK\$26 million). Sino Legend is an investment holding company incorporated in the British Virgin Islands with limited liability. Sino Legend, through its subsidiary, holds 72% of the membership units of Mudd (USA).

LETTER FROM THE BOARD

THE AGREEMENT DATED 21 MAY 2004

Parties

- Issuer: Sino Legend Limited
- Subscribers: (i) Newest Global Limited, a wholly owned subsidiary of the Company; and
(ii) an independent third party not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates

Each of Sino Legend and its existing shareholder is an independent third party not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates.

Subscription

Pursuant to the Subscription Agreement, Newest Global agreed to subscribe for the Subscription Shares, representing approximately 6.94% of the voting rights in the general meeting of Sino Legend.

Holder of the Subscription Shares shall be entitled to (i) a dividend equal to 8% per annum of the issue price of US\$40 per Subscription Share out of the surplus of Sino Legend when declared by the board of directors of Sino Legend; (ii) convert at any time at its option into the ordinary shares of Sino Legend; (iii) the number of votes equal to the number of ordinary shares of Sino Legend into which such Subscription Shares may be converted; and (iv) any distribution of any surplus of Sino Legend in preference to the holders of the ordinary shares of Sino Legend in the event of any liquidation, dissolution or winding up.

Sino Legend is an investment holding company incorporated in the British Virgin Islands with limited liability. Sino Legend, through its subsidiary, holds 72% of the membership units of Mudd (USA). Each membership unit shall have one vote on all matters requiring the vote of the members.

Consideration

The aggregate subscription price for the Subscription is US\$3,333,320 (equivalent to approximately HK\$26 million), which shall be paid to Sino Legend in cash upon Completion.

The subscription price for the Subscription was arrived at after arm's length negotiations between the parties to the Subscription Agreement with reference to the past earnings (before tax) of approximately US\$47.4 million and US\$33.7 million for the two years ended 31 December 2003 respectively, the international reputation of the "Mudd" brandname and the prospects of the business of Mudd (USA).

The Directors consider that the subscription price for the Subscription and the terms of the Subscription Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LETTER FROM THE BOARD

Completion

Completion took place on 21 May 2004.

SOURCE OF FUNDING

The subscription price for the Subscription was financed by the Group's internal resources. The Directors confirm that the Subscription will not have any material adverse effect on the working capital position of the Group.

INFORMATION ON SINO LEGEND

Sino Legend is an investment holding company incorporated in the British Virgin Islands with limited liability. Sino Legend, through its subsidiary, holds 72% of the membership units of Mudd (USA). Each membership unit shall have one vote on all matters requiring the vote of the members. Upon Completion, the Group shall be entitled to appoint one representative, out of a total of five members, to the board of directors of Sino Legend.

INFORMATION ON MUDD (USA)

To the best knowledge of the Directors, Mudd (USA) is a newly formed company which was formed to acquire all the property and assets (except for certain liabilities and the business under the Paper, Denim & Cloth brand) of Mudd, LLC (now known as Paper, Denim and Cloth, LLC), a New York limited liability company. Mudd, LLC was first established in 1996 as a designer and seller of girls and young women's jeans and licensor of its trademark to manufacturers and distributors of girls and women's clothing, shoes and accessories. Since then, Mudd, LLC has been one of the leaders in a group of brands offering consumers fast-turning fashion looks at prices below US\$30. Through licensing, the brand has been extended into 16 categories, including swimwear, accessories, sunglasses, shoes and outerwear. Immediately after the takeover, Mudd (USA) is principally engaged in the business of designing, manufacturing and selling denim jeans and other products as well as licensing other products through brands including the Mudd brand and the MM Couture brand. The primary customers of Mudd (USA) currently include department stores and specialty retailers across USA and Canada. Based on the condensed proforma financial statements of Mudd (USA), which was prepared based on the audited financial statements of Mudd, LLC and after adjustment for certain liabilities and the business under the Paper, Denim & Cloth brand which were not acquired by Mudd (USA), the net profit before taxation and extraordinary items of Mudd (USA) for the two years ended 31 December 2003 were approximately US\$47.4 million and US\$33.7 million respectively, and the net profit after taxation and extraordinary items of Mudd (USA) for the two years ended 31 December 2003 were estimated to be approximately US\$27.8 million and US\$19.7 million respectively. The unaudited net asset value of Mudd (USA) as at 31 December 2002 and 31 December 2003 based on such condensed proforma financial statements of Mudd (USA) was approximately US\$7.6 million and US\$7.6 million respectively.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION

The Group is principally engaged in the design and manufacture of jeans, pants, shorts, swimming apparel and sportswear for men, women and children on OEM and ODM basis.

According to the USA Department of Commerce, consumers in the USA spent about US\$324.3 billion on apparel, accessories and footwear in 2002. With an estimated USA population of 288 million, the 2002 expenditures equalled about US\$1,125 per person. Standard & Poor's estimates that in 2001, Americans spent about US\$1,100 per capita on apparel, accessories and footwear. With the overwhelming potential of the consumer market in USA, the Directors consider that the Subscription offers the Group a strategic opportunity to invest in garment manufacturing business in the USA.

The Group has also entered into a manufacturing agreement with Mudd (USA) pursuant to which the Group shall provide exclusive manufacturing services to Mudd (USA), either through the Group's facilities or through other subcontractors to be sourced and recommended by a committee comprising representatives of the Group and Mudd (USA), in respect of the purchase orders placed by Mudd (USA) for denim products and other items required to be manufactured by or on behalf of Mudd (USA). The manufacturing agreement shall be for an initial fixed term of five years commencing from 21 May 2004 and shall continue in force thereafter unless and until terminated by either party giving to the other not less than six months' written notice.

In view of the turnover and reputation of Mudd, LLC and in particular its brand recognition in the USA, the Directors believe that the Subscription, together with the manufacturing agreement with Mudd (USA), will broaden the Group's income base and enhance the net asset value of the Group.

LISTING RULES IMPLICATION

The Subscription constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
Tack Fat Group International Limited
Kwok Wing
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Note	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Kwok Wing	1	Corporate	652,800,000	Long	45.95%
Kwok Wing	2	Corporate	71,200,000	Long	5.01%
Kwok Wing	–	Personal	8,424,000	Long	0.59%

Notes:

- The Shares are owned by Efulfilment Enterprises Limited, a company incorporated in the British Virgin Islands and 50% of the issued share capital of which is held by Mr. Kwok Wing.
- The Shares are owned by Sharp Asset Holdings Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by Mr. Kwok Wing.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to

therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	<i>Note</i>	No. of Shares held	Position	Approximate percentage of issued share capital
Efulfilment Enterprises Limited	1	652,800,000	Long	45.95%
Templeton Asset Management Limited	–	154,818,000	Long	10.90%
Mr. Cheah Cheng Hye	2	156,296,000	Long	11.00%
Value Partners Limited	2	156,296,000	Long	11.00%
Wan Lai Ngan	3	732,424,000	Long	51.55%

Notes:

1. The issued share capital of Efulfilment Enterprises Limited is beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, a Director, in the proportion of 50:50.
2. Mr. Cheah is deemed to be interested in these shares by control over Value Partners Limited.
3. Ms. Wan Lai Ngan is the spouse of Mr. Kwok Wing. Ms. Wan is deemed to be interested in the Shares beneficially owned by Mr. Kwok Wing pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, no Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 13th Floor, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.
- (c) The company secretary of the Company is Mr. Chu Kin Wah, who is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.