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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tack Fat Group International Limited (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or 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

A letter from the board of directors of the Company is set out on pages 4 to 8 of this circular.

18 June 2007

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DEFINITIONS

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

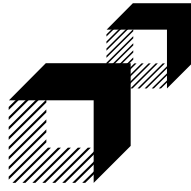
“Acquisition”	the acquisition of the Sales Shares by the Purchaser
“Agreement”	the conditional agreement dated 25 May 2007 entered into between the Purchaser, the Vendor and the Guarantor relating to the sale by the Vendor to the Purchaser of 90% of the total issued share capital of Best Favour
“Best Favour”	Best Favour Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 23 February 2007 and holding the entire issued share capital of both New Profit and Think Tank
“Best Favour Group”	Best Favour together with its subsidiaries, namely, New Profit, New Profit (Shenzhen), New Profit (Luo Ding), Think Tank and XS Image or, where context so requires, in respect of the period before Best Favour became the holding company of its current subsidiaries, such subsidiaries as if they were Best Favour’s subsidiaries at that time
“Board”	the board of directors of the Company
“Company”	Tak Fat Group International Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Zhang Wen Kai, the ultimate beneficial owner of the entire issued share capital of the Vendor and a third party independent of the Company and its connected persons (as defined in the Listing Rules)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Dollars” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

DEFINITIONS

“Latest Practicable Date”	15 June 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Profit”	New Profit Holdings Limited, a company incorporated in Hong Kong with limited liability on 22 March 2007 and owned as to 100% by Best Favour and holding 100% of the equity interests of New Profit (Shenzhen) and New Profit (Luo Ding) respectively
“New Profit (Luo Ding)”	New Profit Garment (Luo Ding) Company Limited, a company established under the laws of the PRC with limited liability on 21 August 2002 and owned as to 100% by New Profit
“New Profit (Shenzhen)”	New Profit Garment (Shenzhen) Company Limited, a company established under the laws of the PRC with limited liability on 31 August 2005 and owned as to 100% by New Profit
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Anway Limited, a wholly-owned subsidiary of the Company incorporated as an international business company with limited liability under the laws of the British Virgin Islands
“Sale Shares”	9 shares of US\$1.00 each in the issued share capital of Best Favour, representing 90% of the total issued share capital of Best Favour
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Think Tank”	Think Tank Holdings Limited, a company incorporated in the British Virgin Islands on 10 June 2002 and owned as to 100% by Best Favour and holding the entire issued share capital of XS Image
“Vendor”	Xbert Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and a third party independent of the Company and its connected persons (as defined under the Listing Rules)
“XS Image”	XS Image Limited, a company incorporated in the British Virgin Islands with limited liability on 26 April 2002 and owned as to 100% by Think Tank
“%”	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)
(Stock Code: 928)

Executive Directors:

Mr. Kwok Wing (*Chairman*)
Mr. Lee Yuk Man
Mr. Ho Yik Kin, Norman
Mr. Kwok Kam Chuen

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Leung Yiu Wing, Eric
Mr. Ching Kwok Ho, Samuel
Mr. Heng Kwoo Seng

*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

18 June 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 29 May 2007 in which the Board announced that on 25 May 2007, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares, subject to the terms and conditions as set out therein, at a consideration of HK\$330 million.

The transactions contemplated under the Agreement constitute a discloseable transaction on the part of the Company under the Listing Rules. The purpose of this circular is to provide you with further details of the Agreement and the transactions contemplated thereunder.

LETTER FORM THE BOARD

AGREEMENT DATED 25 MAY 2007

Parties:

- (i) Anway Limited, a wholly-owned subsidiary of the Company, as Purchaser;
- (ii) Xbert Investments Limited, as Vendor; and
- (iii) Mr. Zhang Wen Kai, as Guarantor.

The Vendor is an investment holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Guarantor are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Guarantor is entering into the Agreement to guarantee the performance by the Vendor of its obligations under the Agreement.

Conditions of the Agreement:

Completion is conditional upon:

- (i) the warranties, undertakings and representations made by the Vendor remaining true, correct and accurate up to and including the date of the fulfillment of all the other conditions set out in the Agreement;
- (ii) due diligence on each of Best Favour Group companies (including without limitation the state of affairs, assets and liabilities, financial position and business operation of each of the Best Favour Group companies) being satisfactorily completed by the Purchaser and/or its agents and/or professional advisers and there being no matter appearing to the Purchaser from the due diligence which in the sole and absolute opinion of the Purchaser may materially and adversely affect the value of the Sale Shares; and
- (iii) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereby having been obtained.

If any of the above conditions has not been fulfilled and/or waived (as the case may be) on or before 5:00 pm on 15 June 2007 or such later date as the parties may agree in writing, the Agreement shall automatically lapse and terminate and none of the parties to the Agreement shall have any claim and/or recourse against the others save and except any antecedent breach of the terms including but not limited to the warranties set out in the Agreement. All the conditions have been fulfilled as at the Latest Practicable Date. Completion is expected to take place on 18 June 2007.

LETTER FORM THE BOARD

The Assets to be acquired:

9 shares of US\$1.00 each of the total issued share capital of Best Favour, representing 90% of the total issued share capital of Best Favour. Best Favour is the sole and beneficial owner of the entire issued share capital of both New Profit and Think Tank. New Profit in turn owns 100% of equity interests in New Profit (Shenzhen) and New Profit (Luo Ding) respectively, while Think Tank is the sole and beneficial owner of the entire issued share capital of XS Image. The remaining 10% of the total issued share capital of Best Favour is owned by Noble Group Investment Limited, a company independent of the Company and its connected persons (as defined in the Listing Rules).

Information on Best Favour Group:

The Best Favour Group is principally engaged in the fashion design and management of its XXESS brand of smart casual wear, which is one of the leading apparel brands in the PRC. The target group of customers of Best Favour Group are young and fashion-conscious consumers. Its operations, through a chain of over 200 self-operated and franchised retail apparel stores, have been widely established across the north-eastern region of the PRC covering cities such as Beijing, Shanghai, Tianjin, Dalian and Harbin.

The Best Favour Group have a team of dedicated and experienced management who have been focusing on the management of the XXESS brand in terms of design, marketing and promotion in order to build up customer goodwill and brand loyalty. The Best Favour Group employs an experienced design team to bring up impressive image and design to its stores and products.

Turnover of the Best Favour Group is primarily derived from the retailing and distribution of smart casual wear in the PRC. The Best Favour Group is now expanding its business and operations to the southern part of the PRC.

According to the unaudited consolidated accounts of Best Favour Group prepared in accordance with the accounting principles generally accepted in Hong Kong, Best Favour Group recorded an unaudited profit before taxation of approximately HK\$24.6 million and unaudited profit after taxation of approximately HK\$21.7 million for the year ended 30 June 2005; and unaudited profit before taxation of approximately HK\$37.3 million and unaudited profit after taxation of approximately HK\$31.7 million for the year ended 30 June 2006.

The unaudited consolidated net assets of the Best Favour Group as at 30 June 2006 were approximately HK\$87.6 million.

LETTER FORM THE BOARD

Basis of Consideration:

The terms of the Agreement were arrived at after arm's length negotiations between the Company and the Vendor based on normal commercial terms. The consideration of HK\$330 million, to be satisfied by the Purchaser in cash to the Vendor upon Completion, was determined with reference to the followings:

- (i) the unaudited consolidated net profit of Best Favour Group for the year ended 30 June 2005 and 2006 which were approximately HK\$21.7 million and HK\$31.7 million respectively;
- (ii) the unaudited consolidated net assets of Best Favour Group of approximately HK\$87.6 million as at 30 June 2006; and
- (iii) the valuation of 100% equity interest in Best Favour of HK\$384,000,000, conducted by BMI Appraisals Limited, an independent valuer on 30 April 2007, based on the market approach, which means that the valuer has selected listed companies that had similar business operation and determined their price multiples including "price to sales", "price to earnings" and "price to book value", and then applied those price multiples to the related historical financial data of Best Favour and determined the concluded value of Best Favour.

Taking into account the growth potential of the Best Favour Group and the extensive retail network currently in operation, the Directors believe that the consideration, which will be financed by internal resources and/or available banking facilities of the Group, is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE TRANSACTION

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

The Board considers that the transactions contemplated under the Agreement will provide the Group with a good opportunity to participate in the PRC consumer retail sector through an investment in a business with a well known apparel brand and an established distribution network currently operated by Best Favour Group.

LETTER FORM THE BOARD

FINANCIAL EFFECT

After Completion, Best Favour Group will become indirect owned subsidiaries of the Company and their results will be consolidated into the consolidated financial statements of the Group. The consideration for the Acquisition will be settled in cash. As the business of Best Favour Group is complementary to the existing business of the Group, the Directors expect that the Acquisition should have a positive effect on the earnings of the Group.

Assets and Liabilities

Based on the unaudited consolidated accounts of Best Favour Group prepared in accordance with the accounting principles generally accepted in Hong Kong for the year ended 30 June 2006, both the consolidated total assets and total liabilities of the Group would increase as a result of the Acquisition and the transactions contemplated thereunder.

Earnings

The financial results of Best Favour, as a subsidiary, will be consolidated into the consolidated financial statements of the Group. There will be a positive impact on earnings of the Group as a result of the Acquisition, the Directors expect that Best Favour, as a subsidiary of the Group, will enhance the earning base of the Group and contribute positively to the results of the Group.

ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board
Tack Fat Group International Limited
Kwok Wing
Chairman

1. RESPONSIBILITY STATEMENT

This document 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 document 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	31.93%
Kwok Wing	2	Corporate	109,624,000	Long	5.36%
			762,424,000		37.29%

Notes:

- The Shares are owned by Efulfilment Enterprises Limited (“**Efulfilment**”), a company incorporated in the British Virgin Islands which is owned by Mr. Kwok Wing and Mr. Kwok Chiu, who is the elder brother of Mr. Kwok Wing, in equal proportion.
- 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	Nature of interest	Position	Approximate percentage of issued share capital
Efulfilment	<i>1</i>	652,800,000	Beneficial	Long	31.93%
Kwok Chiu	<i>1</i>	652,800,000	Interest in controlled corporation	Long	31.93%
Sansar Capital Management, LLC	–	273,296,000	Investment Manager	Long	13.37%
McCarthy Kent C.	<i>3</i>	286,280,000	Interest in controlled corporation	Long	14.00%
Jayhawk China Fund (Cayman), Ltd.	<i>3</i>	266,498,000	Investment manager	Long	13.03%

Name of Shareholder	<i>Note</i>	No. of Shares held	Nature of interest	Position	Approximate percentage of issued share capital
SinoPac Capital Limited	2	176,601,200	Person having security interest	Long	8.62%
Templeton Asset Management Limited	–	180,018,000	Investment Manager	Long	8.80%
Sansar Capital Master Fund, LP	–	151,104,800	Beneficial	Long	7.39%
Sharp Asset Holdings Limited	4	109,624,000	Beneficial	Long	5.36%
Sansar Capital Special Opportunity Master Fund, LP	–	123,380,400	Investment manager	Long	6.03%
Allianz SE	5	103,790,000	Interest in controlled corporation	Long	5.08%
Dresdner Bank Aktiengesellschaft	5	103,790,000	Interest in controlled corporation	Long	5.08%
Veer Palthe Voute NV	5	103,790,000	Investment manager	Long	5.08%
Wan Lai Ngan	1, 4 & 6	762,424,000	Family interest	Long	37.29%

Notes:

1. The issued share capital of Efulfilment is beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, the chairman and an executive Director, in the proportion of 50:50. Mr. Kwok Chiu is therefore deemed to be interested in the Shares held by Efulfilment under the SFO.
2. Out of the 176,601,200 Shares, 179,400,000 Shares represent Shares to be issued upon exercise of the conversion rights attaching to the convertible bonds of the Company issued in 2004.
3. According to the form filed pursuant to Part XV of the SFO Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) by McCarthy Kent C. and Jayhawk China Fund (Cayman) Ltd., the Shares are held by Jayhawk China Fund (Cayman), Ltd. as investment manager which is owned 100% by McCarthy Kent C.
4. The entire issued share capital of Sharp Asset Holdings Limited is owned by Mr. Kwok Wing, the chairman and an executive Director of the Company.
5. According to the form filed pursuant to Part XV of the SFO Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) by Allianz SE, Dresdner Bank Aktiengesellschaft and Veer Palthe Voute NV, the Shares are held by Veer Palthe Voute NV in the capacity of an investment manager, which is 100% owned by Dresdner Bank Aktiengesellschaft, which in turn, is owned 81.1% by Allianz SE.
6. Ms. Wan Lai Ngan is the spouse of Mr. Kwok Wing and is there deemed to be interested in the Shares held by Efulfilment and Sharp Asset Holdings Limited under 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. 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.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 13th Floor, Roxy International Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.
- (c) Tengis Limited, the transfer office of the Company in Hong Kong is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Chu Kin Wah, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Associate of Chartered Certified Accountants in the United Kingdom.
- (e) The qualified accountants of the Company is Mr. Siew Chun Fai, who is also members of Hong Kong Institute of Certified Public Accountants; Institute of Chartered Accountants of Australia and Certified Public Accountants of Australia.
- (f) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.