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)

Final Results Announcement
for the year ended 31 March 2007

The Board of Directors (the "Board") of Tack Fat Group International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007 with comparative figures for the previous corresponding year, prepared in accordance with the basis of preparation as set out in note 1, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2007
(Expressed in Hong Kong dollars)

	Note	**2007** **$'000**	2006 $'000
Turnover	*3*	**1,942,545**	1,655,166
Cost of sales		**(1,415,714)**	(1,216,749)
Gross profit		**526,831**	438,417
Other revenue		**9,167**	7,728
Other net loss		**(840)**	(704)
Distribution costs		**(208,440)**	(137,855)
Administrative expenses		**(47,634)**	(45,240)
Profit from operations		**279,084**	262,346
Finance costs	*4(a)*	**(65,839)**	(63,189)
Share of profits less losses of associates		**114,084**	(35,752)
Profit before taxation	*4*	**327,329**	163,405
Income tax	*5*	**(12,690)**	(30,779)
Profit attributable to equity shareholders of the Company		**314,639**	132,626
Dividends payable to equity shareholders of the Company attributable to the year	*6*		
Interim dividend declared and paid during the year		**21,303**	18,200
Final dividend proposed after the balance sheet date		**42,267**	31,569
		63,570	49,769
Earnings per share			
Basic	*7(a)*	**17.64 cents**	8.74 cents
Diluted	*7(b)*	**16.07 cents**	8.21 cents

CONSOLIDATED BALANCE SHEET

	Note	2007 $'000	2006 $'000
Non-current assets			
Fixed assets			
– Other property, plant and equipment		**363,869**	293,346
– Interests in leasehold land held for own use under operating leases		**102,410**	86,439
		466,279	379,785
Interest in associates		**546,497**	432,413
Other financial assets		**94,100**	94,100
		1,106,876	906,298
Current assets			
Inventories		**313,670**	248,069
Trade and other receivables	*8*	**833,108**	570,859
Cash and cash equivalents		**340,335**	176,686
		1,487,113	995,614
Current liabilities			
Trade and other payables	*9*	**108,099**	82,473
Bank loans and overdrafts		**287,188**	230,954
Obligations under finance leases		**6,914**	10,989
Current tax payable		**34,227**	33,844
		436,428	358,260
Net current assets		**1,050,685**	637,354
Total assets less current liabilities		**2,157,561**	1,543,652
Non-current liabilities			
Bank loans		**384,000**	475,384
Convertible bonds		**157,720**	187,776
Obligations under finance leases		**37,932**	37,736
Provision for long service payments		**1,800**	1,800
Deferred tax liabilities		**237**	2,756
		581,689	705,452
NET ASSETS		**1,575,872**	838,200
CAPITAL AND RESERVES			
Share capital		**200,000**	151,666
Reserves		**1,375,872**	686,534
TOTAL EQUITY		**1,575,872**	838,200

Notes:
(Expressed in Hong Kong dollars)

1 Basis of preparation

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries. The financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2006, except for the changes in accounting policies set out below. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 March 2007, but is derived from those financial statements.

2 Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective or available for early adoption for the current accounting period of the Group. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in the financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Financial guarantees issued (Amendments to Hong Kong Accounting Standard ("HKAS") 39, Financial instruments: Recognition and measurement: Financial guarantee contracts)

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKAS 37 *"Provisions, contingent liabilities and contingent assets"*. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 April 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37.

During the years ended 31 March 2006 and 2007, financial guarantees are issued by the Company in respect of bank facilities granted to its subsidiaries. Due to the related party nature of these instruments, the directors considered it is not meaningful and practicable to estimate the fair values of the financial guarantees and therefore they have not been recognised in the Company's financial statements. As a result, the adoption of amendments to HKAS 39 has no impact on the Company's and the Group's net assets and results for the current and prior years.

3 Turnover

The principal activities of the Group are manufacturing and sale of garments.

Turnover represents the aggregate of the invoiced value of goods sold and is stated after deducting goods returned, trade discounts and sales tax.

The Group has been predominately operating in one single business segment, i.e. the manufacturing and sale of garments. An analysis of the Group's turnover by geographical location of the customers is set out below:

	2007	2006
	$'000	*$'000*
North America	**1,558,529**	1,363,627
Europe	**229,665**	215,765
Other regions	**154,351**	75,774
	1,942,545	1,655,166

4 Profit before taxation

Profit before taxation is arrived at after charging:

	2007	2006
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**55,990**	55,143
Finance charges on obligations under finance leases	**760**	1,240
Bank charges	**5,655**	5,526
Other borrowing costs	**3,434**	1,280
	65,839	63,189

	2007	2006
	$'000	*$'000*
(b) Staff costs:		
Contributions to defined contribution retirement plan	**1,616**	1,349
Equity-settled share-based payment expenses	**–**	5,670
Salaries, wages and other benefits	**166,416**	136,685
	168,032	143,704

	2007	2006
	$'000	*$'000*

(c) Other items:

Cost of inventories	**1,415,714**	1,216,749
Depreciation		
– owned assets	**50,044**	36,369
– assets held under finance leases	**2,890**	6,053
Amortisation of land lease premium	**2,377**	2,010

5 Income tax

	2007	2006
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**8,739**	12,879
Under-provision in respect of prior years	**13,954**	14,605
	22,693	27,484
Current tax – Overseas		
Provision for the year	**46**	8,067
Over-provision in respect of prior years	**(7,507)**	–
	(7,461)	8,067
Deferred tax		
Origination and reversal of temporary differences	**(2,542)**	(4,772)
	12,690	30,779

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

The Group's subsidiaries in the PRC are subject to PRC income tax at the rate of 33%.

Pursuant to the tax exemption certificates issued by the Cambodia tax authority, Tack Fat Garment (Cambodia) Ltd. and Cambodia Sportswear Mfg. Ltd. have become exempted from Cambodia income tax during the periods from 1 April 2005 to 14 June 2008 and from 1 April 2005 to 14 June 2007 respectively. Accordingly, the provisions for Cambodian income tax totalling HK$7,507,000 made in the previous year ended 31 March 2006 was written back to the income statement for the year. In addition, the tax holidays of Supertex Limited was extended for a further two years and accordingly this subsidiary is exempted from Cambodian income tax during the period from 8 July 2004 to 7 July 2010.

6 Dividends

	2007	2006
	$'000	$'000
Interim dividend declared and paid of 1.2 cents per ordinary share (2006: 1.2 cents per ordinary share)	**21,303**	18,200
Final dividend proposed after the balance sheet date of 2 cents per ordinary share (2006: 1.81 cents per ordinary share)	**42,267**	31,569
	63,570	49,769

(a) Pursuant to a resolution passed at the directors' meeting on 26 July 2007, a final dividend of 2 cents per share totalling approximately $42,267,000 was recommended to be paid to shareholders, subject to shareholders' approval at the forthcoming Annual General Meeting. This final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2007	2006
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.81 cents (2006: 2 cents) per share	**31,851**	30,333

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $314,639,000 (2006: $132,626,000) and the weighted average of 1,783,858,000 (2006: 1,516,664,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the adjusted profit attributable to ordinary equity shareholders of the Company of $326,918,000 (2006: $145,043,000) and the weighted average of 2,034,507,000 (2006: 1,767,605,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

8 Trade and other receivable

Included in trade receivables are balances (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The group	
	2007	2006
	$'000	*$'000*
Within 3 months	**472,474**	264,673
More than 3 months but less than 6 months	**860**	227,184
	473,334	491,857

Credit terms granted by the Group to customers generally range from one to six months.

9 Trade and other payables

Included in trade and other payables are trade and bills payables with the following ageing analysis as of the balance sheet date.

	The group	
	2007	2006
	$'000	*$'000*
Due within 1 month or on demand	**24,036**	25,722
Due after 1 month but within 3 months	**41,696**	37,207
Due after 3 months but within 6 months	**14,605**	8,276
	80,337	71,205

The credit terms obtained by the Group generally range from 30 days to 180 days.

DIVIDEND

The Board resolved that a final dividend of 2.00 cents per share be payable on or before 5 October 2007. The shareholders' register will be closed on 8 August 2007. In order to qualify for final dividend, transfers must be lodged at the Company's branch register, Tengis Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong, not later than 4:30 p.m. on 8 August 2007.

BUSINESS REVIEW AND PROSPECTS

Apparel Manufacturing Business

The Group's core business of apparel manufacturing recorded a total turnover of HK$1,853 million, a healthy double-digit year-on-year increase of 12%. Casual wear and swimwear, the Group's two core products, contributed 77% and 21% of the total turnover respectively, while sportswear made up the remaining 2%. ODM and OEM businesses totally accounted for 84% of the Group's total turnover respectively, while the subcontracting business of Mudd (USA) LLC ("Mudd USA") accounted for the remaining 11%. The Group continued to maintain a balanced and global client base of premium brand-owners and customers, of which the top five customers accounted for 63% of the total turnover for the year. In addition, the US remained our major market, accounting for about 80% of our total turnover. It was followed by Europe and other regional markets, representing 12% and 8% of our total turnover respectively.

The increase in total turnover was mainly attributable to the outsourcing production strategy from US and EU brand-owners and the Group's scalable production facilities in both Cambodia and China. As of 31 March 2007, the Group's scalable and highly efficient production bases in Cambodia and China had a gross floor area of over 130,000 sq.m., a skilled workforce of over 19,000 employees and an overall utilization rate of over 97%. These figures highlight the fact that the Group had successfully executed its production expansion plan in both countries with a view to meeting increased demand for quality apparel from premium brand-owners and customers. As a result, the Group's total production capacity grew by approximately 21% to 2,857,000 dozens as of 31 March 2007, including 1,268,000 dozens of swimwear, 1,513,000 dozens of casual wear and 76,000 dozens of sportswear. Order flow was stable throughout the year and the overall sales volume reached 3,975,000 dozens, of which the sales volume of swimwear, casual wear and sportswear were 1,234,000 dozens, 2,677,000 dozens and 64,000 dozens respectively, representing respective year-on-year increases of 9%, 27% and 16%.

Tack Fat's production volume and sales orders also saw growth as a result of the Group continuing to benefit from the prevailing trend of outsourcing to Asian countries despite challenges and uncertainties relating to the ongoing trade disputes between China and the US. This is because unlike other garment manufacturers who were and continue to be exposed to quota risks and other uncertainties brought about by concentrating their production facilities in China, Tack Fat has successfully minimized this geographic risk through its unique production strategy of having dual production facilities in Cambodia and China. Currently, Cambodia is home to our core manufacturing facilities, accounting for more than 70% of the Group's total production capacity.

In addition, an abundant labour supply and relatively lower costs there have not only further sharpened the Group's competitive edge in the market but have enabled stable production and timely delivery of quality apparel products to our customers without any export quota or trade dispute issues. Finally, despite an upsurge in raw material costs, wage inflation and the appreciation of the Renminbi, the Group has maintained an effective control on costs.

Wholesale Business

The Group has a 50% stake in Sino Legend Limited ("Sino Legend") which directly holds a 80% interest in Mudd USA. With effectively a 40% indirect interest in Mudd USA, the Group engaged in the design and wholesale of girls' and young women's apparel under the brand name "Mudd" in the US.

The wholesale business ran smoothly during the year, this is caused by the improved operating efficiency and a streamlining of the management team in US. In April 2006, Iconix Brand Group, Inc ("Iconix"; NASDAQ: ICON) acquired marketing, licensing, brand management and trademarks of the "Mudd" brand worldwide (excluding Greater China) from Mudd USA. Upon the acquisition, Mudd USA continued to own exclusive rights in the design, manufacturing, sale and distribution of "Mudd" apparel in the Greater China region.

Retailing Business in China

As the China retail market continues to grow at a rapid pace coupled with the rising purchasing power of the country's population, we have leveraged on various market opportunities in order to achieve further expansion and profitability.

The performance of "Mudd" retail operation in the first year was well above Group expectations, making the retailing business an important growth driver for Tack Fat. By holding 70% effective interest in Mudd China, the Group recorded revenue of HK$89 million from Mudd retailing business.

As at 31 March 2007, the number of directly managed "Mudd" retail outlets reached a total of 60, covering more than 20 mainland cities nationwide. Of the outlets, 3 were flagship stores while 57 were shops. Geographically, the Group had outlets covered key cities in Mainland China, including Beijing, Shanghai, Tianjin, Shenyang, Chengdu, Chongqing, Wuhan and Nanjing.

With an eye on changing trends in consumer behavior and in order to better match our customers' buying habits, all "Mudd" stores are strategically located in fashionable shopping malls in residential and commercial areas that have high traffic, such as Beijing Oriental Plaza, New World Department Stores, Parkson Department Stores, Printemps-Shanghai and Jiu Guang Department Store. Our presence in these prime locations enables us to have a deeper market penetration and higher brand visibility.

The Group took a series of marketing initiatives to proactively promote the “Mudd” brand in China. Such initiatives include “come in and feel it” approach and point-of-sales promotions that aim to extend our market reach and boost our brand image cost-effectively.

Future Prospects

Although quotas have again been imposed by the US and Europe, China’s textile and clothing exports continue to show healthy growth. However, other developing countries in Asia have started to gain ground thanks to significantly lower production costs. Cambodia, along with China, is one of the true winners in the region. In 2006, Cambodia took advantage of a strong rise in shipments (in US$ terms) to both EU and US markets with year-on-year growth of 19% and 25% respectively, according to Global Trade Atlas and Eurostat.

With a backdrop of escalating fuel prices, an appreciating Renminbi and a reduction in tax rebates for PRC export products, the management will continue to closely monitor the situation in the coming years. However, as market consolidation and global outsourcing trends further intensify, the management remains extremely positive and optimistic with regard to Tack Fat’s business performance and future outlook.

Looking ahead, Tack Fat will continue to expand its production capability and improve its production efficiency in Cambodia and China in order to meet market demands. In this endeavour, the Group plans to invest HK$100 million in capital expenditures in the coming year and at the production facilities in Cambodia, the Group has already commenced an expansion plan with a view to increase overall production capacity by 15% by the end of March 31, 2008 (“FY2008”). The Group will also upgrade its production plants and machinery to enhance product offerings and production efficiency. All of these additions will help to boost the manufacturing capabilities and operating efficiency of the Group so as to sustain its competitive advantage and future growth.

In addition, the management will continue to optimize its production mix in both Cambodia and China and fully capitalize on the advantages it enjoys in Cambodia, such as a tariff and quota-free environment and low-cost production.

In order to accommodate China’s dynamic apparel retailing market, the Group will focus on achieving high performance standards and executing timely store expansion initiatives there. The Group expects its “Mudd” retail outlets in China to reach 200 by the end of FY2008 through a mix of direct ownership and franchising arrangements.

Following the success of its “Mudd” outlets, the Group added another up-and-coming apparel brand “XXEZZ” to its retailing business in China through the acquisition of The Best Favour Group (“Best Favour”) in May 2007 at a consideration of HK$330 million. Best Favour is principally engaged in the design and management of its “XXEZZ” brand of smart casual wear, which is one of the leading apparel brands in the PRC. With over 200 self-operated and franchised retail apparel outlets, covering all major PRC northeastern cities, such as Beijing, Shanghai, Tianjin, Dalian and Harbin, the “XXEZZ” brand already has a significant presence. However, it still plans to expand its sales network to 300 stores by the end of FY2008 through franchising and direct ownership.

With “Mudd” and “XXEZZ”, Tack Fat’s retailing business will own and operate more than 500 retail outlets in China by the end of FY2008, thus making the retailing arm a major growth driver of the Group in the years to come.

Finally, the Group will continue to deploy its efforts towards enhancing and enriching its product portfolio in order to better satisfy the demand of its targeted segments and bring young and trendy lifestyle fashions at affordable prices to a new generation of consumers in Greater China.

SUBSEQUENT EVENTS

Subsequent to the balance sheet date on 18 June 2007, Tack Fat completed the acquisition of the 90% equity interest of XXEZZ retail chain including its brand name at a consideration of HK$330,000,000. XXEZZ is primarily engaged in the selling and distribution of the smart casual wear in China through its self owned selling points and franchise. At the time of completion, the retail chain operated a total 140 self-operated outlets and 80 franchised outlets.

In April 2007, 12,734,000 shares were placed at issue price of HK$1.09 per share. The placement was the second tranche subscription and the first tranche subscription was completed in February 2007 for 165,266,000 shares at issue price of HK$1.09 per share.

FINANCIAL REVIEW

The Board of Directors resolved to declare a final dividend of 2.0 cents per share together with an interim dividend of 1.2 cents per share. The total dividend of the year 2006/07 was 3.2 cents (2005/06: 3.01 cents).

Employees

As at 31 March 2007, the Group employed over 19,000 full time employees in Hong Kong, Cambodia and the PRC. The Group remunerates its employees based on performance and experience.

Charges on Group Assets

As at 31 March 2007, none of the owned fixed assets of the Group were utilized as security for the Group’s borrowings.

Exposure to Fluctuations in Exchange Rates

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi, which were relatively stable during the year. The Group is not exposed to material exchange risks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Throughout the year ended 31 March 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance. During the year, the Company has compiled with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of Rules Governing the Listing of Securities on SEHK with the following exception:

Mr Kwok Wing is the chairman of the board of directors and also assumes the role of managing director. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operations of the Group.

Detailed information on the Group's corporate governance practices is set out in the corporate governance report included in the Company's 2006/2007 annual report to be despatched to the shareholders in due course.

AUDIT COMMITTEE

The Board of Directors maintains an audit committee comprising three independent non-executive directors. The audit committee has been convened for the purpose of reviewing the Company's financial reporting and internal control systems.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the SEHK in due course.

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

Hong Kong, 26 July 2007

As at the date of this announcement, the executive directors of the Company are Mr. Kwok Wing, Mr. Lee Yuk Man, Mr. Ho Yik Kin, Norman and Mr. Kwok Kam Chuen and the independent non-executive directors are Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel and Mr. Heng Kwoo Seng.