

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 162 OF 2010

IN THE MATTER OF THE COMPANIES LAW (2009 REVISION)

IN THE MATTER OF TACK FAT GROUP INTERNATIONAL LIMITED (PROVISIONAL LIQUIDATORS APPOINTED).



PETITION

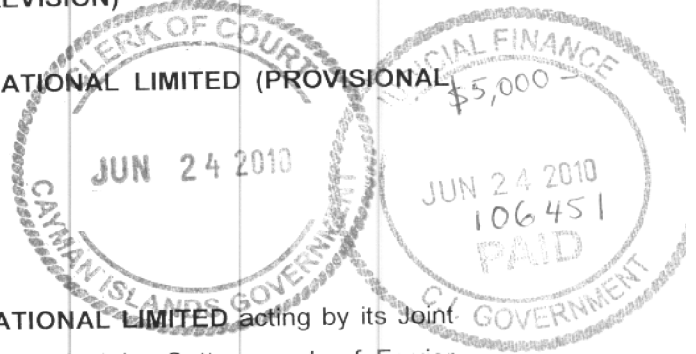
To: The Grand Court of the Cayman Islands

The humble petition of **TACK FAT GROUP INTERNATIONAL LIMITED** acting by its Joint Provisional Liquidators, Messrs Fok Hei Yu and Roderick John Sutton, each of Ferrier Hodgson Limited (together the "**Applicants**") shows that:

- 1 The object of this Petition is to seek the sanction of the Court pursuant to section 86 of the Companies Law (2009 Revision) of a proposed Scheme of Arrangement (the "**Scheme**") between the above named Tack Fat Group International Limited (Provisional Liquidators appointed) (the "**Company**") and its Scheme Creditors (as defined). A true copy of the Scheme is annexed to this Petition by way of Schedule. Save where otherwise defined, capitalized terms in this petition shall have the same meaning as in the Scheme and its Explanatory Statement.

THE PETITIONER

- 2 The Company was incorporated in the Cayman Islands on 12 March 2001 as an exempted limited liability company with registration number 108722. The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman. The Company's principal place of business is 13/F, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.
- 3 The Company was registered in Hong Kong as an overseas company under Part XI of the Companies Ordinance on 18 April 2002 and was listed on the main board of The Stock Exchange of Hong Kong Limited (the "**HKEX**") on 29 April 2002 with stock code 00928. On 30 July 2008, at the request of the Company, trading of the Shares on the HKEX was suspended.



- 4 The Company is an investment holding company and is the ultimate holding company of a number of subsidiaries (together with the Company, "the **Group**") which were principally engaged in the manufacture and retail of casual clothing and swimwear. The Group's manufacturing bases were in the Peoples Republic of China (the "**PRC**").
- 5 The present authorised share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 ordinary shares of a nominal value of HK\$0.10 each. As at the date of the presentation of this Petition, 2,212,606,800 of the 4,000,000,000 ordinary shares of HK\$0.10 each have been issued and are fully paid up or credited as fully paid up and the remainder remain unissued.
- 6 Pursuant to a Petition seeking, inter alia, the Company's winding up, presented by the Company and a subsequent application by one of the company's creditors, Bank of America N.A. seeking the appointment of provisional liquidators in relation to the Company the Applicants were appointed as Joint Provisional Liquidators of the Company by the High Court of Hong Kong on 11 September 2008.

OBJECT OF THE SCHEME

- 7 The object and the purpose of the Scheme is to effect a restructuring of the Company's debt so that, when combined with other measures, the Company has sufficient funding to allow it to continue to operate on a going concern basis.
- 8 The terms of the proposed restructuring of the Company are set out in the restructuring agreement entered into between (inter alia) the Company, the Applicants, and Radford Developments Limited (the "**Investor**") on 26 May 2010.
- 9 The proposed Scheme has, inter alia, the following features:
- (a) With effect from the Effective Date, each Scheme Creditor discharges and waives all of its Claims against the Company in consideration of the right to participate with each other Scheme Creditor in the distribution of the Creditor Bond Consideration (and/or Proceeds of Sale) and Scheme Funds in the terms of the Schemes.
 - (b) All funds in the Scheme Trust Account, which shall include (i) any cash held by or for the account of the Company at the time of issue of the Closing Notice; (ii) five sevenths of the Cash Consideration; and (iii) realisations from all rights, title and interest in the companies transferred to Key Winner by

Ever Century on or about 29 May 2009 and from any assets (including Company Claims and receivables but not the XEZZ Assets) transferred by the Company to Key Winner with effect from the Closing Date, shall be applied towards payment of Dividends to Scheme Creditors with Admitted Claims in accordance with the terms of the Scheme.


- (c) Five sevenths of the Creditors Convertible Bonds shall be issued immediately after the Closing Date to Key Winner for the benefit of the Scheme Creditors (other than Scheme Creditors with Preferential Claims) who deliver a Notice of Claim before the Cut-Off Date. Any proceeds arising out of the sale any or all of the Creditor Convertible Bonds, effected in accordance with the terms of the Scheme, shall be paid to the Scheme Administrators for deposit into the Scheme Trust Account for distribution to the relevant Scheme Creditor, and such distribution shall be in full satisfaction of its rights to the Creditor Bond Entitlement;

Subject to the approval of the requisite statutory majority required pursuant to section 86 of the law.

YOUR PETITIONER, THE COMPANY, THEREFORE HUMBLY PRAYS:

- 1 That the Scheme set out in the Schedule hereto be sanctioned by the Court so as to be binding on the Company and the Scheme Creditors.
- 2 Such other orders as may be made in the premise as this Honourable Court shall deem fit.

Dated this 24 day of June 2010



WALKERS

Attorneys-at-Law for the Petitioner

Note: It is not intended that this Petition be served on anyone.

ENDORSEMENT

This Petition has been presented to the Grand Court of the Cayman Islands on the 24th day of June 2010 and will be heard by the Grand Court of the Cayman Islands on the day of 2010 at 10:00 a.m. in the fore/after noon (or as soon thereafter as the Petition can be heard).

This Petition was presented by Walkers, Attorneys-at-Law for the Petitioners, whose address for service is that of its said Attorneys-at-Law, Walker House, PO Box 265GT, Mary Street, George Town, Grand Cayman, Cayman Islands.

SCHEDULE – SCHEME
THE TACK FAT GROUP INTERNATIONAL LIMITED (IN PROVISIONAL LIQUIDATION)
SCHEME

TACK FAT GROUP INTERNATIONAL LIMITED SCHEME
IN THE GRAND COURT OF THE CAYMAN ISLANDS **CAUSE NO: FSD OF 2010**
FINANCIAL SERVICES DIVISION
IN THE MATTER OF TACK FAT GROUP INTERNATIONAL LIMITED
AND
IN THE MATTER OF THE COMPANIES LAW (2009 REVISION)

SCHEME OF ARRANGEMENT
Under Section 86 of the Companies Law (2009 Revision) of the Cayman Islands and Section 166 of
the Companies Ordinance (Cap. 32) of Hong Kong

Between

TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)
(incorporated in the Cayman Islands with limited liability)

and

its
SCHEME CREDITORS

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THE SCHEME OF ARRANGEMENT

1. Scheme Administrators and Scheme Creditors' Committees

- 1.1 Fok Hei Yu and Roderick John Sutton are appointed as Scheme Administrators of the Cayman Scheme and Hong Kong Scheme jointly and severally. If at any time either Scheme Administrator wishes to resign or is incapable of acting, he will be replaced as Scheme Administrator by a suitably qualified Person nominated by the remaining Scheme Administrator (if any) or, failing which, by such other Person as the Scheme Creditors' Committee established under the Schemes will nominate or, if there is no Scheme Creditors' Committee or the Scheme Creditors' Committee fails to make a nomination, as may be nominated by a simple majority of the directors of the Company. Any Scheme Administrator so appointed will, as soon as practicable following his appointment, give written notice of his appointment to all Scheme Creditors.
- 1.2 The Scheme Administrators will be entitled to exercise such rights and powers as are necessary or desirable to give effect to the provisions of the Schemes and matters incidental thereto, and will, without limitation, also be vested with powers equivalent to those vested in a liquidator in a winding up of a company by the Hong Kong Court and in the case of the Cayman Scheme, powers equivalent to those vested in a liquidator in a winding up of a company by the Cayman Court, save that in the case of the Hong Kong Scheme any power exercisable by such a liquidator only with the sanction of a committee of inspection will, in the case of the Scheme Administrators, be exercisable only with the sanction of the Scheme Creditors' Committee and in the case of the Cayman Scheme, any such powers will be exercisable only with the sanction of the Scheme Creditors Committee (which sanction will not be unreasonably withheld) without requiring the sanction of the Cayman Court.
- 1.3 A Scheme Creditors' Committee will be formed in respect of the Schemes as soon as practicable after the Effective Date. The initial members of the Scheme Creditors' Committee are proposed to include Bank of America N.A., Citic Bank International (formerly Citic Ka Wah Bank) and Coöperatieve Centrale Raiffeisen - Boerenleenbank B.A., Hong Kong Branch.
- 1.4 The Scheme Creditors' Committee will comprise a maximum of three (3) members in respect of each Scheme. Each corporate member will be represented by a Nominated Representative. The Scheme Creditors' Committee will act in the best interests of the general body of Scheme Creditors. The quorum for meeting at which any decision is to be made by the Scheme Creditors' Committee under the Schemes will be two (2) members. A casting vote will be held by the member with the highest value Admitted Claim. If there is any change of the identity of any Nominated Representative, the relevant Scheme Creditor will notify the Scheme Administrators in writing as soon as practicable.
- 1.5 The Scheme Creditors' Committee will receive oral and written reports from the Scheme Administrators and meet with the Scheme Administrators as often as reasonably necessary and will consider any requests by the Scheme Administrators for approval of the Restructuring Costs (if any) and the Scheme Costs which may only be paid by the Scheme Administrators in such amount as is approved by the Scheme Creditors' Committee (or taxed by the Hong Kong Court). The Scheme Administrators will provide to the Scheme Creditors' Committees such relevant information as they may from time to time reasonably require in relation to any decision which the Scheme Creditors' Committee is required to make.
- 1.6 Each member of the Scheme Creditors' Committees (in its capacity as such):
- (a) will have only those duties and responsibilities expressly specified in this Document and will not have any implied duties or responsibilities whatsoever; and

- (b) may refrain from doing anything which would or might in its opinion be contrary to any law, directive or regulation of any applicable jurisdiction and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation and such Scheme Creditors' Committee member will not be liable for any loss occasioned thereby.
- 1.7
- (a) A member of the Scheme Creditors' Committee may give notice at any time to the Scheme Administrators that it wishes to resign from the Scheme Creditors' Committee.
 - (b) Upon receipt of such notice of intended resignation, the Scheme Administrators will in writing appoint another Scheme Creditor to be the resigning Scheme Creditor's successor.
 - (c) The resignation of any member of the Scheme Creditors' Committee and the appointment of any successor member will become effective only upon the successor member notifying the Scheme Administrators that it accepts its appointment.
 - (d) Any Scheme Creditor so appointed to the Scheme Creditors' Committee agrees, from the date of appointment, to be bound by all of the duties and responsibilities of the Scheme Creditors' Committee expressly specified in this Document.
 - (e) The resigning member will, at its own cost, make available to the successor member such documents and records and provide such assistance as the successor member may reasonably request for the purposes of performing its functions as a member of the Scheme Creditors' Committee under this Document.

2. Constitution of Scheme Funds

- 2.1 The Scheme Administrators will on, or as soon as reasonably practicable after, the Effective Date open the Scheme Trust Account and will deposit all monies paid to or realised by them in their capacity as Scheme Administrators other than payments to them in respect of approved or taxed Restructuring Costs or Scheme Costs into the Scheme Trust Account.
- 2.2 All property received by the Scheme Administrators in their capacity as such, including the Scheme Funds, will be held on trust to pay the Restructuring Costs (if any), the Preferential Claims (if any), the Scheme Costs and Dividends in the order of priority referred to in Clause 6.2.
- 2.3
- (a) Any cash held by or for the account of the Company at the time of issue of the Closing Notice will be transferred by the Company to or for the benefit of the Scheme Administrators and will be paid by the Scheme Administrators into the Scheme Trust Account;
 - (b) As soon as practicable after the Closing Date, the Scheme Administrators will deposit five sevenths of the Cash Consideration into the Scheme Trust Account; and
 - (c) All rights, title and interest in the companies transferred to Key Winner by Ever Century on or about 29 May 2009 and any assets (including Company Claims and receivables but not the XXEZZ Assets) transferred by the Company to Key Winner with effect from the Closing Date will be dealt with by the Scheme Administrators so as to generate a realisation as soon as practicable following which any Realisation Proceeds will be paid by the Scheme Administrators into the Scheme Trust Account.
- 2.4 On the Closing Date, the Company will issue the Creditor Bond Allocation to Key Winner, or as the Scheme Administrators may otherwise direct, to be held pending distribution to Scheme Creditors for the benefit of the Scheme Creditors in accordance with the provisions of Clause 5.

3. Proof and determination of Claims

3.1 On or as soon as practicable after the Effective Date, the Scheme Administrators will give notice to all Scheme Creditors of the Company of whom they are aware by letter and by advertisement (in one English language newspaper and one Chinese language newspaper in Hong Kong and one English language newspaper in the Cayman Islands) that Scheme Creditors must submit a Notice of Claim to the Scheme Administrators on or before the Cut-Off Date unless a Person claiming to be a Scheme Creditor has already submitted a Notice of Claim, provided that if such Person submits a further Notice of Claim on or before the Cut-Off Date, such further Notice of Claim will supersede any prior Notice of Claim.

3.2 Each Scheme Creditor will deliver to the Scheme Administrators at its own expense:

- (a) on or before the Cut-Off Date, a Notice of Claim in respect of the amount of the indebtedness claimed to be owed to it by the Company, calculated as to principal and interest on the Petition Date, completed substantially in accordance with the instructions printed on such Notice of Claim; and
- (b) such other documents or other evidence as the Scheme Administrators may consider necessary for the purpose of substantiating its Claim.

Any notification in writing of a Claim to the Provisional Liquidators by a Person claiming to be a Scheme Creditor substantially in the form set out in **Error! Reference source not found.** to this Document on or before the Cut-Off Date will be deemed to be delivery of a Notice of Claim to the Scheme Administrators in compliance with this Clause. Any Notice of Claim delivered to the Scheme Administrators in compliance with this Clause will supersede any prior Notice of Claim.

3.3 (a) Unless a Secured Scheme Creditor has agreed a value for its Security Interest pursuant to sub-clause (b) below or released its Security Interest pursuant to sub-clause (d) below, the Admitted Claim of that Secured Scheme Creditor will be determined as soon as practicable after realisation of its Security Interest and the net proceeds of such realisation will be deducted from its Claim in determining the amount of its Admitted Claim.

(b) A Secured Scheme Creditor may agree with the Scheme Administrators a value for its Security Interest for the purposes of determining the amount of its Admitted Claim, which agreed value will be deducted from its Claim for the purposes of determining the amount of its Admitted Claim.

(c) A Secured Scheme Creditor will account to the Scheme Administrators for any amounts received in excess of its Claim from the net proceeds of realisation of its Security Interest and distributions received by it under the Schemes.

(d) A Secured Scheme Creditor may release its Security Interest in which case no deduction on account of its Security Interest will be made from its Claim for the purpose of calculating the amount of its Admitted Claim.

3.4 A Scheme Creditor may claim in full in respect of any guarantee given by the Company except that the amount of its Admitted Claim will be reduced by the amount of its receipts from the primary obligor or any co-surety prior to the later of the date on which it submits or is deemed to have submitted a Notice of Claim pursuant to Clause 3.2 and the Effective Date.

3.5 The Scheme Administrators will examine every Notice of Claim and the related evidence and will as soon as practicable decide whether to admit or reject the Claim, in whole or in part, or require further evidence in support of it. The Scheme Administrators will send to each Scheme Creditor

notice in writing of their decision relating to that Scheme Creditor's Claim. Where the decision is to reject the Claim in whole or in part, the Scheme Administrators' notice of decision is to be accompanied by written reasons for the decision.

- 3.6 Any amount of an Admitted Claim which is in a currency other than Hong Kong Dollars will for all purposes be converted to Hong Kong Dollars based on the rate for the purchase of the relevant currency quoted by the Hong Kong Association of Banks at the close of business on the Petition Date or, in the event of manifest error or non-publication, such other offered rate for the purchase of the relevant currency of any licensed bank in Hong Kong as the Scheme Administrators will select and will, for the purpose of the Schemes, be due in Hong Kong Dollars.
- 3.7 Interest on any amount of the indebtedness owing under a Claim which is payable at a certain time or otherwise will not be admitted as part of the Admitted Claim unless arising out of a contract or judgment and only for a period ending on or before the Petition Date.
- 3.8 Where there have been mutual credits, mutual debts or other mutual dealings between the Company and any Scheme Creditor before the Petition Date, an account will be taken of what is due from each party to the other in respect of such mutual dealings and the sums due from one party will be set off against the sums due from the other party and only the balance of the account, if any, will be admitted.
- 3.9 (a) If a Scheme Creditor is dissatisfied with the Scheme Administrators' decision in respect of his Notice of Claim, he may within fourteen (14) days from the date of service of the notice of the decision as provided in Clause 3.5, apply in writing to the Adjudicator for a review of such decision. The Scheme Creditor must pay to the Adjudicator on account of the Adjudicator's costs the sum of HK\$50,000 (or such other amount as the Scheme Administrators and the Scheme Creditor may agree), failing which the Scheme Creditor's application for review will be invalid.
- (b) The Adjudicator, acting as an expert and not as an arbitrator, will adopt such procedures as the Adjudicator may think fit, to enable him to decide whether the decision should be upheld, reversed or varied. The Scheme Administrators will use reasonable endeavours to procure that the Adjudicator delivers notice of his decision to the relevant Scheme Creditor and the Scheme Administrators as soon as practicable after the Scheme Creditor's application for review. The Adjudicator's decision will be final, conclusive and binding on the Scheme Creditor.
- (c) If no valid application for a review of the Scheme Administrators' decision is served on the Adjudicator by the Scheme Creditor to whose Claim that decision relates within fourteen (14) days of service of notice of the Scheme Administrators' decision, that decision will be binding on the Scheme Creditor.
- (d) The Adjudicator's costs will be paid by the relevant Scheme Creditor to the Adjudicator on demand. For the avoidance of doubt, the Adjudicator will be entitled to set off the payment on account referred to in Clause 3.9(a) above to satisfy the Adjudicator's costs.
- 3.10 (a) A Notice of Claim may be withdrawn or varied at any time with the prior written agreement of the Scheme Administrators.
- (b) The Scheme Administrators will not consider Notices of Claim received after the Cut-Off Date except in exceptional circumstances. The Scheme Administrators may accept a Notice of Claim received after the Cut-Off Date but before the First Distribution Calculation Date only if they are satisfied, in their absolute discretion, that there is a reasonable explanation by the Scheme Creditor for the failure to deliver the Notice of Claim by the Cut-Off Date.

3.11 For the avoidance of doubt and unless otherwise permitted by law, any Claim or part of a Claim which is not proved in accordance with this Part or which is rejected by the Scheme Administrators or the Adjudicator, as the case may be, will be treated (and, if rejected in part, as to that part only) for all purposes as having been wholly and irrevocably discharged and released and no Scheme Creditor will be entitled to payment thereof or to make any Claim or initiate any proceedings against the Company in relation thereto.

4. Bar to further proceedings and waiver

4.1 Save as provided in Clause 4.2, from the Effective Date Scheme Creditors and Secured Scheme Creditors will not make any demand or exercise any right of set off (other than in accordance with Clause 3.9) against the Company in respect of any Claim, nor be able to seek to enforce any Claim from the Company by legal process or otherwise, or to take any step or proceedings against the Company or its assets for the purpose of enforcing or recovering any Claim by way of execution or otherwise, or to commence or prosecute or join in any proceedings to wind up the Company.

4.2 A Secured Scheme Creditor will be able to take any steps reasonably necessary to enforce any Security Interest.

4.3 With effect from the Effective Date (provided that all those matters contemplated to occur on the Closing Date have occurred), each Scheme Creditor discharges and waives all of its Claims against the Company in consideration of the right to participate with each other Scheme Creditor in the distribution of the Creditor Bond Allocation (and/or Proceeds of Sale) and Scheme Funds on the terms of the Schemes. Each Secured Scheme Creditor will discharge and waive its Claim against the Company in respect of its Secured Claim Amount upon realisation or release of its Security Interest or upon agreement with the Scheme Administrators on a value for its Security Interest.

5. Distribution of Creditor Bond Allocation

5.1 On the Closing Date, the Company will issue to Key Winner at the direction of the Scheme Administrators, the Creditor Bond Allocation to be held by Key Winner to the order of the Scheme Administrators solely for the benefit of Scheme Creditors (other than Scheme Creditors to the extent they have Preferential Claims) who deliver a Notice of Claim on or before the Cut-Off Date. The Company will issue to New Profit for the benefit of the New Profit Stakeholders the remaining Creditor Convertible Bonds

5.2 On or as soon as practicable after the Effective Date, the Scheme Administrators will determine the Creditor Bond Entitlement of each Scheme Creditor who has delivered a Notice of Claim on or before the Effective Date by dividing each Scheme Creditor's Admitted Claim by the total of Admitted Claims and Unadmitted Claims referred to in all Notices of Claim by then delivered and multiplying that fraction by the Creditor Bond Allocation and will notify each Scheme Creditor accordingly.

5.3 The Scheme Administrators may in their absolute discretion procure Key Winner to sell in whole or in part the number of Creditor Convertible Bonds equal to its Creditors Bond Entitlement at such time on or after the Effective Date and at such price not less than par plus 2% as the Scheme Administrators will determine in their sole discretion after consultation with the Scheme Creditors' Committee. The Proceeds of Sale of the relevant Creditor Convertible Bonds will be paid by Key Winner to the Scheme Administrators for deposit in the Scheme Trust Account for distribution to the relevant Scheme Creditor as soon as practicable. Payment of the Proceeds of Sale to that Scheme Creditor will be in full satisfaction of its rights to the Creditor Bond Entitlement.

- 5.4 The Scheme Administrators will reserve any part of the Creditor Bond Allocation or (following a sale of the Creditor Bond Entitlement) the Proceeds of Sale attributable to an Unadmitted Claim, pending the Unadmitted Claim becoming an Admitted Claim.
- 5.5 A Late Scheme Creditor whose Notice of Claim is delivered on or before the Cut-Off Date will be entitled to a rateable proportion of the Creditor Bond Allocation and Proceeds of Sale held by the Scheme Administrators and the Creditor Bond Entitlements and Proceeds of Sale distributed to other Scheme Creditors will be reduced accordingly.
- 5.6 If an Unadmitted Claim becomes an Admitted Claim in whole or in part then the Scheme Administrators will, subject to Clause 6.8, procure the transfer of the Creditor Bond Entitlement or Proceeds of Sale, as the case may be, in respect of the amount of the Admitted Claim to the relevant Scheme Creditor as soon as practicable after the Cut-Off Date.
- 5.7 When distributing Creditor Bond Entitlements and Proceeds of Sale, the Scheme Administrators will also account to each Scheme Creditor for, in the case of a Creditor Bond Entitlement, all distributions of interest received on that Scheme Creditor Bond Entitlement or, in the case of that Scheme Creditor's Proceeds of Sale, the interest received on the Proceeds of Sale attributable to the amount of the Admitted Claim as determined by the Scheme Administrators acting reasonably.
- 5.8 If the Scheme Administrators reject an Unadmitted Claim, in whole or in part, for which part of the Creditor Bond Allocation or the Proceeds of Sale thereof have been reserved and that rejection is not reviewed or is upheld by the Adjudicator then any such Creditor Bond Allocation will be sold by the Scheme Administrators as soon as practicable and such Proceeds of Sale will be Scheme Funds.
- 5.9 The Scheme Administrators may take such additional steps as they consider reasonable and practicable in order to facilitate the distribution of the Creditor Bond Allocation or Proceeds of Sale to the Scheme Creditors.

6. Distribution of Scheme Funds in the Scheme Trust Account

- 6.1 The Scheme Funds will be used solely for the purposes of the Schemes including the payment of the costs of the Restructuring Costs (if any), the Preferential Claims (if any), Scheme Costs and Dividends.
- 6.2 The Scheme Funds, whilst controlled by the Scheme Administrators, will be applied in or towards payment (in the following order); firstly the Restructuring Costs, if any; secondly Preferential Claims, if any; thirdly the Scheme Costs, and, thereafter, the balance will be applied towards payment of Dividends to Scheme Creditors with Admitted Claims ranking *pari passu* and rateably amongst them as determined by the Scheme Administrators pursuant to Clause 6.4 hereof.
- 6.3 After payment of the Restructuring Costs (if any) and known Preferential Claims (if any), the Scheme Administrators will reserve in the Scheme Funds an estimated sum sufficient for the payment of all Scheme Costs (including anticipated Scheme Costs). As soon as practicable after the Effective Date, the Scheme Administrators will determine the amount of Scheme Funds available for distribution, having regard to the reserve required for payment of Scheme Costs and the aggregate amount of Unadmitted Claims. On or as soon as practicable after the First Distribution Calculation Date, the Scheme Administrators will then pay Dividends to Scheme Creditors with Admitted Claims in amounts determined in accordance with Clause 6.4.
- 6.4 The Scheme Administrators will set the Dividend at a percentage which will enable them to pay a Dividend to all the Scheme Creditors with Admitted Claims and at the same time reserve out of the Scheme Funds an amount equal to the amount required to pay the same percentage Dividend on the full amount of any Unadmitted Claims. As soon as practicable after an Unadmitted Claim becomes

an Admitted Claim, the Scheme Administrators will distribute to the Scheme Creditor whose Claim has become an Admitted Claim a percentage Dividend in respect of that Admitted Claim equal to the percentage paid to all other Scheme Creditors with Admitted Claims.

- 6.5 The Scheme Administrators will review from time to time what Scheme Funds are available to pay Dividends and will pay further Dividends at such times the Scheme Administrators determine in their absolute discretion in consultation with the Scheme Creditors Committee that sufficient Scheme Funds are available and at the termination of the Schemes.

7. Payment and delivery of Dividends

- 7.1 All Dividends payable to the Scheme Creditors may be paid by cheque or other generally accepted banking method drawn or made in favour of the relevant Scheme Creditor and may be delivered or sent by post (or, at the Scheme Administrators' discretion, by ordinary airmail if posted to an address outside Hong Kong).

- 7.2 The posting or delivery of a cheque under Clause 7.1 will be posted at the risk of the Scheme Creditor and will represent a good discharge to the Scheme Administrators.

- 7.3 Neither the Company nor the Scheme Administrators will be liable to a Scheme Creditor for any loss in transmission of a cheque drawn and sent in accordance with Clause 7.1. If a cheque in favour of a Scheme Creditor which is despatched in accordance with Clause 7.1 is not encashed within six (6) months of the date of issue of the cheque, that Scheme Creditor's entitlement under the Scheme in the amount of such cheque will cease and determine and the amount thereof will become Scheme Funds.

8. Termination of the Schemes

- 8.1 The Schemes will cease to have effect if the Scheme Administrators, with the consent of the Scheme Creditors' Committees, give notice that they are satisfied that the continuation of the Schemes is no longer beneficial to the general body of Scheme Creditors and that accordingly the Scheme be terminated.

- 8.2 The Scheme Administrators will give notice of the date of termination of the Schemes to the Scheme Creditors as soon as practicable after such termination.

9. Liability and indemnity

- 9.1 None of the Provisional Liquidators or their firm or any of their representatives, partners, staff, agents or advisers (including legal advisers) will have or incur any liability for actions taken or omitted to be taken in good faith under or in connection with the negotiation and preparation of the Schemes or otherwise.

- 9.2 None of the Scheme Administrators or their firm or any of their representatives, partners, staff agents or advisers (including legal advisers) will incur any personal liability under the terms of the Schemes or otherwise.

- 9.3 None of the Scheme Creditors or the Company will be entitled to challenge the validity of any acts done or omitted to be done in good faith by the Scheme Administrators, the Adjudicator or by any member of the Scheme Creditors' Committee or their Nominated Representatives in accordance with and to implement the provisions of the Schemes or the exercise by any such Person in good faith of any power conferred upon it or him for the purposes of the Schemes and no such Person will be liable for any loss of any kind whatsoever unless such loss is attributable to its or his own wilful default, fraud, dishonesty or wilful breach of duty or trust.

9.4 The Scheme Creditors and the Company will, out of the Scheme Funds only, indemnify the Scheme Administrators against all expenses and against all costs, claims, proceedings, expenses, losses, damages and liabilities of any description which may be incurred or suffered by the Scheme Administrators in good faith in the performance of their role.

10. Modification of Schemes

10.1 Prior to the Closing Date the Company, acting by the Provisional Liquidators, and the Investor may jointly consent, for and on behalf of all concerned, to all modifications or additions to the Schemes or to any condition which the Courts may see fit to approve or impose. On or after the Effective Date the Scheme Administrators may, acting on the instructions of the Scheme Creditors' Committee or, in respect of any matter which affects the Company, acting on the joint instructions of the Scheme Creditors' Committee and the Company (acting reasonably), at any time if they consider it expedient to do so and it is in the mutual interests of the Scheme Creditors or, in respect of any matters which affect the Company, the Scheme Creditors and the Company, apply to the Courts for the purpose of modifying the provisions of the Schemes or to obtain directions from the Courts on how to deal with any matters or disputes arising in respect of the Schemes. If the Courts approve a modification to the Schemes or give a direction in relation to any matters or disputes arising in respect of the Schemes it will be binding on the Company and the Scheme Creditors.

11. General

11.1 The rights of the Scheme Creditors under the Schemes will be assignable, subject to:

- (a) any assignment being subject to Clause 3.8; and
- (b) the Scheme Administrators receiving written notice of the assignment from the assignee and such other documentation as may be reasonably necessary in the opinion of the Scheme Administrators to satisfy them of the validity of the assignment.

11.2 (a) Save as otherwise provided in the Schemes, any notice or demand hereby required to be given will be sufficiently given by posting the same by ordinary post (or airmail if outside Hong Kong) or transmission by fax or by leaving the same at:

- (i) in the case of the Company, c/o Ferrier Hodgson Limited at 14th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong (fax number: (852) 2521 7632);
- (ii) the Scheme Administrators, c/o Ferrier Hodgson Limited at 14th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong (fax number: (852) 2521 7632);
- (iii) in the case of the Adjudicator, the offices of Messrs Henry Wai & Co at Rooms 1604-5 Wheelock House, 20 Pedder Street, Central, Hong Kong (Attn: Henry Y H Wai) (fax number (852) 3102 1811); and
- (iv) in the case of any Scheme Creditors, the Scheme Creditor's address or his fax number as set out in its Notice of Claim.

(b) If such notice or demand is posted, it will be deemed to have been received by the addressee 48 hours (or 72 hours, if to be sent outside Hong Kong) after the same will have been posted and proof that an envelope containing such notice was properly addressed, prepaid and posted will be sufficient evidence that such notice or demand has been duly served or given. If such notice or demand is delivered by hand, it will be deemed to have been received by

the addressee when the same is left at the relevant address and proof that the same was so left will be sufficient evidence that such notice or demand has been duly served or given. If such notice or demand is transmitted by fax, it will be deemed to have been received at the time of transmission, save that if such transmission is effected otherwise than between 9:00 a.m. and 4:00 p.m. on a business day in the territory in which the person to whom such transmission is effected is located, such transmission will be deemed to have been received at 9:00 a.m. on the next business day in such territory and proof that such notice or demand was successfully transmitted to the correct fax number (by way of transmission confirmation or otherwise) will be sufficient evidence that such notice or demand has been duly served or given.

- 11.3 If any provision in the Schemes is held to be illegal, invalid or unenforceable under Hong Kong law then the offending provision will (insofar as it is illegal, invalid or unenforceable) be deemed to have no effect and will not affect or impair the remaining provisions of the Schemes.
- 11.4 The Cayman Scheme will be subject to the laws of the Cayman Islands and the Scheme Creditors will submit to the non-exclusive jurisdiction of the Cayman Court in respect thereof.
- 11.5 The Hong Kong Scheme will be subject to the laws of Hong Kong and the Scheme Creditors will submit to the non-exclusive jurisdiction of the Hong Kong Court in respect thereof.

12. Definitions

In this Scheme the following expressions will, unless the context otherwise requires, have the meanings respectively set opposite such expressions:

Adjudicator

Mr Henry Y H Wai of Messrs Henry Wai & Co, located at Rooms 1604-5, Wheelock House, 20 Pedder Street, Central, Hong Kong or failing him, such other Person as the Scheme Administrators will nominate.

Admitted Claims

all Claims of Scheme Creditors which have been admitted by the Scheme Administrators in accordance with the terms of the Scheme.

Business Day

a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong.

Cash Consideration

HK\$50,000,000.

Cayman Court

the Grand Court of the Cayman Islands.

Cayman Scheme

the proposed scheme of arrangement pursuant to Section 86 of the Companies Law and made between the Company and the Scheme Creditors and sanctioned by the Cayman Court.

Claim	any debt, liability or obligation of the Company as at the Petition Date, whether known or unknown, certain or contingent, whether liquidated or unliquidated and which will include without limitation any debt or liability to pay money or money's worth; any liability under any statute or enactment; any liability for breach of trust; any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution, together with all interest on such debt, obligation or liability up to the Petition Date.
Closing	completion of the transactions under the Restructuring Agreement in accordance with clause 6 of the Restructuring Agreement.
Closing Date	the date on which Closing takes place under the Restructuring Agreement or such other date as the Provisional Liquidators, the Company and the Investor may agree in writing.
Closing Notice	the written closing notice to be given by the Provisional Liquidators to the Investor in accordance with the terms of the Restructuring Agreement.
Companies Ordinance	Chapter 32 of the Laws of Hong Kong.
Company Claim(s)	all claims (including receivables) which the Company may have against any Person, including any claims against its present or former directors, officers, auditors and other advisors.
Companies Law	the Companies Law (2009 Revision) of the Cayman Islands as amended from time to time.
Company	Tack Fat Group International Limited (Provisional Liquidators Appointed), a company incorporated in the Cayman Islands with limited liability.
Conversion Share(s)	new ordinary share(s) of the Company to be issued and allotted by the Company upon conversion of the Convertible Bonds.
Convertible Bonds	Collectively Creditor Convertible Bonds and Investor Convertible Bonds.
Court	the Hong Kong Court.
Creditor Convertible Bonds	convertible bonds to be issued by the Company to Key Winner on the Closing Date for the benefit of the Scheme Creditors (other than Scheme Creditors to the extent they have Preferential Creditors) and to New Profit for the benefit of the New Profit Stakeholders providing for payment of HK\$20,000,000 one year after the Closing Date bearing interest at the rate of 2% per annum and convertible into New Shares at a conversion price of HK\$0.01 per share.

Creditors Bond Allocation	allocation of five sevenths of the Creditor Convertible Bonds to be issued immediately after the Closing Date to Key Winner for the benefit of the Scheme Creditors (other than Scheme Creditors with Preferential Claims) pursuant to Clause 5 of the Schemes.
Creditor Bond Entitlement	the number of Creditor Convertible Bonds to which a Scheme Creditor is entitled as calculated by dividing the amount of that Scheme Creditor's Admitted Claim by the total amount of all Admitted Scheme Claims and Unadmitted Claims and then multiplying that fraction by the Creditors Bond Allocation.
Cut-Off Date	the date to be determined by the Scheme Administrators which is fourteen (14) days after the date of the advertisements referred to in Clause 3.1 of this Scheme.
Dividend(s)	the proportions, expressed as a percentage, of Admitted Claims, payable to the Scheme Creditors out of Scheme Funds under the Schemes.
Document	this document containing the Explanatory Statement, the Schemes and the appendices.
Effective Date	the date on which the Schemes become effective by virtue of the delivery of an office copy of the order of the Cayman Court sanctioning the Cayman Scheme to the Registrar of Companies in the Cayman Islands for registration and the delivery of an office copy of an order of the Hong Kong Court sanctioning the Hong Kong Scheme to the Registrar of Companies in Hong Kong for registration.
Escrow Agent	Ferrier Hodgson Limited, a company incorporated in Hong Kong with limited liability.
Explanatory Statement	the explanatory statement at Part II of the Document.
First Distribution Calculation Date	the date, after the Cut-Off Date, which is three (3) Business Days before the date on which the Scheme Administrators intend to pay the first Dividend to Scheme Creditors.
Group	the Company and its subsidiaries set out in Schedule 1 of these Schemes.
Group Company	a company in the Group.
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China.
Hong Kong Court	the High Court of Hong Kong.
HKS or Hong Kong Dollars	the lawful currency for the time being of Hong Kong.

Hong Kong Scheme	the proposed scheme of arrangement pursuant to Section 166 of the Companies Ordinance made between the Company and the Scheme Creditors and sanctioned by the Hong Kong Court.
Investor	Radford Developments Limited, a company incorporated with limited liability under the laws of BVI whose registered office is Sea Medal House, Blackburne Highway, PO Box 116, Road Town, Tortola, BVI.
Late Scheme Creditor	a Scheme Creditor with an Admitted Claim who has delivered a Notice of Claim after the Effective Date.
Nominated Representative	the employee of a corporate member of the Scheme Creditors' Committees nominated by notice in writing to the Scheme Administrators.
Notice of Claim	a Claim in writing made by any Person claiming to be a Scheme Creditor substantially in the form set out at Error! Reference source not found. to this Document or a Notice of Claim submitted to the Provisional Liquidators for the purposes of the Scheme Meeting, whichever is delivered later.
Person	an individual, partnership, company, body corporate, joint stock company, trust, unincorporated association or body of persons (including a partnership or consortium), joint venture or other entity, or a government or any political subdivision or agency thereof.
Petition Date	10 September 2008 being the date of filing of the petition to wind up the Company.
Preferential Claim	any Claim which would be treated as a preferential claim and have priority in a winding up in Hong Kong pursuant to Section 265 of the Companies Ordinance or would have priority in the Cayman Islands pursuant to Section 141 of the Companies Law and of which the Scheme Administrators have notice prior to the First Distribution Calculation Date.
Preferential Claim Amount	the amount of a Preferential Claim.
Proceeds of Sale	the net proceeds of a sale of a Creditor Bond Entitlement sold pursuant to Clause 5 of the Schemes or a sale of part of the Creditor Bond Allocation reserved for a rejected Unadmitted Claim (or part thereof) sold pursuant to Clause 5 of the Schemes in each case after deducting the cost of realisation and payment of any applicable taxes.
Proposal	the proposal to re-organise the Group, including the Schemes.
Provisional Liquidators	Fok Hei Yu and Roderick John Sutton, the joint and several provisional liquidators of the Company.

Restructuring Agreement	the agreement dated 26 May 2010 between the Company, the Investor, the Provisional Liquidators and the Escrow Agent as amended from time to time.
Restructuring Costs	any costs, charges, expenses and disbursements properly incurred by the Provisional Liquidators before the Effective Date in connection with the investigation, negotiation and implementation of the Proposals or otherwise in the course of the provisional liquidation, including the fees and expenses of the advisors to the Provisional Liquidators, to the extent that they are approved by the Scheme Creditors' Committee in accordance with the Scheme and not paid by the Investor.
Realisation Proceeds	the proceeds of realisation of the assets sold pursuant to Clause 2 of the Schemes.
Schemes	collectively, the Cayman Scheme and the Hong Kong Scheme.
Scheme Administrators	Fok Hei Yu and Roderick John Sutton.
Scheme Costs	costs, charges, expenses and disbursements necessary and properly incurred after the Effective Date, in connection with the administration and implementation of the Schemes including the fees and remuneration of the Scheme Administrators and the Adjudicator, to the extent approved by the Scheme Creditors' Committee.
Scheme Creditor	any Person (other than the Investor and persons with Preferential Claims to the extent of their Preferential Claim Amount or Secured Scheme Creditors, to the extent of their Secured Claim Amount) with the benefit of a Claim against the Company which arose on or before the Effective Date.
Scheme Creditors' Committee	the committee of Scheme Creditors to be formed pursuant to each of the Schemes responsible for approving the Scheme Costs and for sanctioning the exercise of certain powers by the Scheme Administrators the initial members of which are proposed include Bank of America N.A., Citic Bank International (formerly Citic Ka Wah Bank) and Coöperatieve Centrale Raiffeisen - Boerenleenbank B.A., Hong Kong Branch and others to be announced.
Scheme Funds	all funds from time to time credited to the Scheme Trust Account, including any interest thereon.
Scheme Meetings	the meetings of the Scheme Creditors to be convened at the direction of the Cayman Court and the Hong Kong Court respectively for the purpose of considering and, if thought fit, approving the Schemes.

Scheme Trust Account

the interest bearing trust account to be opened in the names of the Scheme Administrators with a licensed bank in Hong Kong for the purposes of and for the benefit of those Persons entitled to benefits under the Schemes.

Secured Claim Amount

an amount equal to the agreed value of, and upon realisation, the net proceeds of realisation of a Security Interest.

Secured Scheme Creditor

a creditor of the Company with the benefit of a Security Interest in respect of its Claim.

Security Interest

any mortgage, pledge, lien, charge, assignment, hypothecation or security interest, or any other agreement or arrangement having the effect of conferring security, held by or for a Scheme Creditor to secure the obligations of the Company, including for the avoidance of doubt, any proceeds of realisation of any of the above.

Unadmitted Claims

any Claim which has not been admitted or rejected by the Scheme Administrators.

