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TACK FIORI INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 928)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CHINA EDUCATION MEDIA LIMITED

THE ACQUISITION

The Board is pleased to announce that after the trading hours of the Stock Exchange on 19 August 2014, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire equity interest in the Target, and the Sale Loan at an aggregate cash consideration of HK\$60 million.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. By virtue of the relationship between the Vendor and Mr. Wang, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Agreement and the transactions contemplated thereunder are therefore subject to the approval of the Independent Shareholders by way of poll at the EGM. Mr. Wang and his associates shall abstain from voting on the resolution(s) approving the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee has been established to give a recommendation to the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, details of the Agreement and the transactions contemplated thereunder, financial information of the Group and the Target Group, the unaudited pro forma financial information of the Group assuming Completion, the advice of Gram Capital to the Independent Board Committee and the Independent Shareholders relating to the Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders relating to the Acquisition, the notice convening the EGM and other information as required under the Listing Rules is required to be despatched by the Company to the Shareholders. Taking into account the time needed to finalise the information in the circular such as the audited financial information of the Target Group and the pro forma financial information of the Group assuming Completion, the circular is expected to be despatched by the Company on or before 12 September 2014.

Reference is made to the announcement of the Company dated 10 June 2014 relating to the memorandum of understanding dated 10 June 2014 entered into between the Company and the Vendor with respect to the Acquisition. The Board is pleased to announce that after the trading hours of the Stock Exchange on 19 August 2014, the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor formalising the terms of the Acquisition. Details of the Agreement are set out below.

THE AGREEMENT

Date:

19 August 2014

Parties:

- (i) Tack Fiori International Group Limited (a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company), being the Purchaser; and
- (ii) Mr. Wong Lik Ping, being the Vendor.

The Vendor is the father of Mr. Wang who is an executive Director and the Chairman of the Company and a Substantial Shareholder holding 604,610,860 Shares, representing approximately 28.19% of the existing issued share capital of the Company as at the date of this announcement. The Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired:

Pursuant to the terms of the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire equity interest in the Target, and the Sale Loan. Details of the Target are set out in the section headed "Information about the Target" below.

Consideration:

The aggregate consideration for the Sale Share and the Sale Loan is HK\$60 million, which has been agreed by the Purchaser and the Vendor after arm's length negotiations taking into account the unaudited consolidated net asset value of the Target Group as at 30 June 2014, the value of the Sale Loan as at 30 June 2014, and the historical financial performance and future prospects of the Target Group. The aggregate consideration shall be satisfied by the Purchaser in cash within 30 days from Completion.

The Company intends to fund the aggregate consideration for the Acquisition by the Group's internal resources.

Conditions:

Completion is subject to the fulfilment of the following conditions:

- (i) the Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM;
- (ii) the Company having obtained the clearance from the Stock Exchange of the announcement and the circular in relation to the Agreement and the transactions contemplated thereunder;
- (iii) the Purchaser having received and being satisfied with the legal opinion issued by its PRC legal adviser confirming that (a) BJ Xinzhitang has been validly established under the laws of the PRC; (b) the operation and business of BJ Xinzhitang complies with the relevant PRC laws and regulations; (c) BJ Xinzhitang has obtained all licenses, permits or consents from the relevant PRC government authorities necessary for its business and operations; (d) BJ Xinzhitang is entitled to use the leased office premise during the term of the lease contract; and (e) the Acquisition does not require approval from the relevant PRC government authorities and does not violate applicable PRC laws and regulations;
- (iv) the Purchaser being satisfied with the results of a due diligence review (including legal, financial, business or any other relevant matters) on the Target Group;
- (v) the Purchaser being satisfied that each of the warranties given by the Vendor being true and accurate in all material respects and not misleading as at the date of the Agreement and remaining true and accurate in all material respects and not misleading prior to Completion; and
- (vi) there having been no material adverse change to the Target Group since the date of the Agreement until Completion.

In the event that the above conditions (other than conditions in (i) and (ii) above) are not fulfilled on or before six months from the date of the Agreement (or such other date that may be agreed by the Purchaser in writing), the Agreement shall lapse.

Completion:

Completion shall take place on the same day as the fulfillment of the last of the conditions above.

Upon Completion, the Target shall become a wholly-owned subsidiary of the Company and the financial statements of the Target Group shall be consolidated into the Group after Completion.

INFORMATION ABOUT THE TARGET

The Target is a company incorporated in the BVI which is wholly owned by the Vendor. The Target is an investment holding company and its principal asset is the entire equity interest in BJ Xinzhitang. BJ Xinzhitang is a company established in the PRC and is principally engaged in the business of development and promotion of education software in the PRC. The original investment cost for the Target Group paid by the Vendor was US\$3 million (equivalent to approximately HK\$23.3 million), representing the registered and paid-up capital of BJ Xinzhitang.

Core business

BJ Xinzhitang is principally engaged in the business of development and promotion of education software under the names of 劍橋少兒英語多媒體教學輔助系統 (Cambridge Young Learners English Multimedia Teaching System*) and 劍橋少兒英語考級全接觸 (Cambridge Young Learners English Exam Centre*) (collectively, the “**English Programs**”) and 電子商務系列實踐模擬系統軟件 (E-commerce Series Practice Simulation System Software*) (the “**E-commerce Program**”). BJ Xinzhitang sells the English Programs and the E-commerce Program mainly through distributors across the PRC.

BJ Xinzhitang develops, designs and sells the English Programs, which are interactive English educational software for children in the PRC. The English Programs provide interactive, multimedia learning materials mainly to complement the New Cambridge Young Learners English designated as exclusive publication by 教育部考試中心中英教育測量交流中心 (Sino-British Academic Exchange Centre on Education Measurement, the NEEA of Ministry of Education*) and are published by 西安交通大學出版社 (Xi’an Jiaotong University Press*).

BJ Xinzhitang also develops, designs and sells the E-commerce Program to facilitate users to obtain the 電子商務認證證書 (Electronic Commerce Certificate*) under 國際電子商務培訓認證項目 (International E-Commerce Engineer Training & Certificate Program*) issued by 中國電子商務協會 (China Electronic Commerce Association*).

BJ Xinzhitang also designs, implements and tests specific software and systems according to its clients’ requests and provides training, technical support and after-sale services to users.

Financial information

Set out below is the unaudited consolidated financial information of the Target Group:

	For the year ended 31 December	
	2012	2013
	(HK\$'000)	(HK\$'000)
Profit before taxation	2,846	6,497
Profit after taxation	2,474	5,666

The unaudited consolidated net asset value of the Target Group as at 30 June 2014 amounted to approximately HK\$29.0 million.

As at the date of the Agreement, the Sale Loan amounted to approximately HK\$24.4 million (comprising a US\$ loan of approximately US\$3.0 million and a HK\$ loan of approximately HK\$1.0 million).

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in apparel retail business in the PRC and securities trading and investment in Hong Kong.

As disclosed in the annual report of the Company for the year ended 31 March 2014, apparel retail business recorded a loss of HK\$63.87 million as compared to HK\$58.34 million of the previous year, representing a loss increase of approximately 9.47% for the year ended 31 March 2014. Such increase was primarily related to the impairment on property, plant and equipment and provision for onerous lease contracts of apparel retail shops recorded during the year. With a view to curbing losses, the Board intended to close down those loss-making shops and retail outlets and develop e-commerce as other sales channel for the Group's apparel business. Since 1 April 2014, the Group has closed down 26 out of 35 shops and retail outlets in the PRC. In addition to the above, the Board has been identifying opportunities to expand the Group's business portfolio and increase the income stream of the Group.

The principal asset of the Target is its entire equity interest in BJ Xinzhitang, which is principally engaged in the business of development and promotion of education software in the PRC. According to reports published on the website of 中華人民共和國教育部 (Ministry of Education of the PRC*), the national expenditure on education program in the PRC was approximately RMB2,223.6 billion (equivalent to approximately HK\$2,779.5 billion) in 2012 as compared to approximately RMB1,045.0 billion (equivalent to approximately HK\$1,306.3 billion) in 2008, representing a compound annual growth rate of approximately 20.8% from 2008 to 2012. The national expenditure on education program in the PRC in 2012 accounted for approximately 4.28% of the gross domestic product of the PRC and represented an increase by approximately 0.80 percentage point as compared to approximately 3.48% in 2008.

In view of the growing prospects in the education industry of the PRC, the Directors believe that BJ Xinzhitang is expected to be able to take advantage of such industry growth and enhance its profitability. The Directors also consider that the Acquisition, if materialises, represents a good opportunity for the Group to diversify into a profitable business with growth prospects and build up a new revenue stream. The Directors (other than the independent non-executive Directors who shall form their view on the Acquisition after receiving the advice from Gram Capital) are of the view that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition” the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement

“Agreement”	the conditional sale and purchase agreement dated 19 August 2014 entered into between the Purchaser and the Vendor in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“BJ Xinzhitang”	北京新知堂教育科技開發有限公司 (Beijing Xinzhitang Educational Technology Development Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Target
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Tack Fiori International Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 928)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if appropriate, approve the Agreement and the transactions contemplated thereunder
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors (namely, Dr. Leung Shiu Ki, Albert, Mr. Yau Yan Ming, Raymond and Mr. Lau Yu) established to give a recommendation to the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Wang and his associates

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Liang, an executive Director and the Chairman of the Company and a Substantial Shareholder
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Purchaser”	Tack Fiori International Group Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Sale Loan”	the entire amount of shareholder’s loan due by the Target Group to the Vendor
“Sale Share”	one share with par value of US\$1 in the capital of the Target, representing the entire issued share capital of the Target as at the date of the Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Target”	China Education Media Limited, a company incorporated in the BVI with limited liability, the entire equity interest of which is owned by the Vendor
“Target Group”	the Target and its subsidiary (i.e. BJ Xinzhitang)
“Vendor”	Mr. Wong Lik Ping, the sole and ultimate beneficial owner of the Target and BJ Xinzhitang
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percentage

* *For identification purpose only*

In this announcement, amounts in RMB have been translated into HK\$ at the rate of RMB1=HK\$1.25 and amounts in US\$ have been translated into HK\$ at the rate of US\$1=HK\$7.75. The translation rates are for illustration purpose only and should not be taken as a representation that RMB and US\$ could actually be converted into HK\$ at the respective rates or at all.

By Order of the Board
Tack Fiori International Group Limited
Wang Liang
Chairman and Executive Director

Hong Kong, 19 August 2014

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Wang Liang (*Chairman*)

Mr. Zhang Bao Yuan

Mr. Huang Limin

Independent non-executive Directors:

Dr. Leung Shiu Ki, Albert

Mr. Yau Yan Ming, Raymond

Mr. Lau Yu