

**TACK FAT GROUP INTERNATIONAL LTD:  
THIS COMPANY IS ENJOYING A SWIMMING TIME**

The most striking feature of the flotation of Tack Fat Group International Ltd is that its total borrowings appear to be extraordinarily high, relative to the size of the Company.

According to Page 77 of the Placing and Public Offer Prospectus, as at February 28, 2002, *'the Group had outstanding borrowings totalling approximately \$408.5 million.'*

The Turnover of this garment manufacturer for the 2001 Financial Year, ended March 31, 2001, was about \$HK641.11 million, while the Net Profit Attributable to Shareholders was about \$HK61.85 million in that Year.

So the size of the borrowings must be considered of a material nature.

The composition of the borrowings are shown to be as follows:

Secured Short-term Bank Loans and Overdrafts	\$HK226.30 million
Secured Long-term Bank Loans and Mortgaged Property	\$HK 47.00 million
Finance Lease Obligations	\$HK 52.30 million
Unsecured Amount due to the Controlling Shareholder	\$HK 75.10 million
Unsecured Long-term Payables	<u>\$HK 7.80 million</u>
<b>TOTAL</b>	<b><u>\$HK408.50</u></b> <b><u>MILLION</u></b>

The loans were secured, not only by certain Company assets, but also by the personal guarantees of Messrs Kwok Chiu and Kwok Wing, the gentlemen who own, jointly, 75 percent of the Issued and Fully Paid-Up Share Capital of the Tack Fat Group.

Tack Fat went public on the Main Board of The Stock Exchange of Hongkong Ltd on April 16, 2002, when it Offered 64 million New, 10-cent Shares at a Premium of 28.50 cents per share.

The Company, also, Placed 192 million New Shares on the same basis, while Messrs Kwok Chiu and Kwok Wing took the opportunity to Place 64 million of their shares, also on the same basis.

The reason that the Kwoks would want to mess around with a Placing of shares that would gross only about \$HK23 million at the end of the day, TARGET has no idea, because, by all accounts, these gentlemen are not hurting for money.

The reasons that this Company chose to go to the Main Board – the Company is, now, designated as Stock Code Number 928 – are given at Page 96 of the Prospectus.

This entry states that the Net Proceeds from this cash-raising exercise, amounting to about \$HK82.60 million, will be used as follows:

1. \$HK30 million to expand the Company's production capacity in the People's Republic of China (PRC) and Cambodia;
2. \$HK10 million to automate existing production facilities in the PRC and Cambodia;
3. \$HK10 million for the development of retail operations for Blue Cat apparel in the PRC;
4. \$HK5 million for the establishment of production facilities to print and dye fabric; and,
5. \$HK27.60 million to be used as additional Working Capital.

To the extent that the Net Proceeds will not immediately be utilised, it will be placed in short-term deposits with banks in the Hongkong Special Administrative Region (HKSAR) of the PRC, Page 96 states in the final paragraph.

For a company to state that it needs more capital in order to retire debt does not look too good on paper, one may conjecture, so that the above-stated, 5 reasons for raising about \$HK82.60 million look a lot better – especially in a Prospectus of the kind that Tack Fat has produced.

As TARGET has, already, stated, Tack Fat is a garment maker, specialising in the production of jeans, pants, shorts, swimming apparel and sportswear for both males and females.

It produces its garments on an OEM basis (**O**riginal **E**quipment **M**anufacture) and on an ODM basis (**O**riginal **D**esign **M**anufacture).

According to the Prospectus, Tack Fat's customer base is solid, comprising names, such as Sears, Union Bay (of Canada), JC Penney, etc.

### **The History**

The Kwoks started this Company in 1969 when they first determined to design and to manufacture swimwear for export to the US market.

Today, about 33 years later, Tack Fat employs some 11, 748 workers in 3 areas ... [CLICK TO ORDER FULL ARTICLE](#)

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