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TACK FAT GROUP INTERNATIONAL LIMITED **德發集團國際有限公司**

(incorporated in the Cayman Islands with limited liability)

EXERCISE OF OPTION UNDER THE SUBSCRIPTION AGREEMENT

The Company has received a written notice from CSFB to require the Company to issue the Additional Tranche 1 Bonds of an aggregate principal amount of US\$4,000,000 (equivalent to approximately HK\$31,200,000) on 3 October 2003.

The Additional Tranche 1 Bonds are convertible into new Shares at the option of CSFB at either (i) the Fixed Conversion Price, or (ii) the Floating Conversion Price.

The net proceeds derived from the issuance of the Additional Tranche 1 Bonds are intended to be used by the Group for general working capital purposes.

Reference is made to the announcement of the Company dated 19th December 2002 (“Announcement”) in relation to the issuance by the Company of up to an aggregate amount of US\$12,000,000 2.5 per cent. unlisted and unsecured redeemable convertible bonds to Credit Suisse First Boston (Hong Kong) Limited (“CSFB”). Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the Announcement.

Pursuant to the Subscription Agreement, the Company has granted CSFB an option to require the Company to issue up to US\$4,000,000 2.5 per cent. convertible bonds due 2005 (the “Additional Tranche 1 Bonds”) exercisable from the First Closing Date, being 19 December 2002 to the third anniversary of the First Closing Date.

EXERCISE OF OPTION BY CSFB UNDER THE SUBSCRIPTION AGREEMENT

The Directors wish to announce that the Company has received a written notice from CSFB that CSFB wishes to exercise the option granted by the Company under the Subscription Agreement to require the Company to issue the Additional Tranche 1 Bonds of an aggregate principal amount of US\$4,000,000 (equivalent to approximately HK\$31,200,000) on 3 October 2003 (the “Additional Closing Date”) on substantially the same terms as the Original Tranche 1 Bonds save for, among other things, the date of issue, the first interest payment date and the number of Shares to be issued upon conversion.

The exercise of the option by CSFB to require the Company to issue the Additional Tranche 1 Bonds is conditional, among other things, upon the delivery by the Company to CSFB certain documents specified in the Subscription Agreement, including but not limited to certain legal opinions and the execution of the Escrow Agreement (as defined below) by the Additional Closing Date. All of the conditions for the issue of the Additional Tranche 1 Bonds have been satisfied.

Pursuant to the Subscription Agreement, the Additional Tranche 1 Bonds are convertible into new Shares at the option of CSFB at either (i) the Fixed Conversion Price, being HK\$0.62 or (ii) the Floating Conversion Price, being 93 per cent. of the average of any five consecutive closing prices per Share as selected by CSFB during the 30 consecutive business days immediately preceding the Conversion Date, at any time from and including the Additional Closing Date up to the day falling one week prior to the Maturity Date, being 19 December 2005. Shares which fall to be issued on conversion of the Additional Tranche 1 Bonds shall rank pari passu in all respects with Shares in issue on the date of issue of such Shares pursuant to the conversion.

ESCROW ARRANGEMENT

An escrow agreement (the “Escrow Agreement”) was entered into among the Company, CSFB and Bermuda Trust (Hong Kong) Limited as escrow agent (the “Escrow Agent”) on 2 October 2003 in connection with the arrangement of payment of the subscription funds of the Additional Tranche 1 Bonds. CSFB will deposit any subscription funds required to an account of the Escrow Agent. The subscription funds will be released by the Escrow Agent to the Company subject to the terms and conditions set out in the Escrow Agreement.

USE OF PROCEEDS

The net proceeds of approximately HK\$30,400,000 derived from the issuance of the Additional Tranche 1 Bonds are intended to be used by the Group for general working capital purposes. The Company has not identified any specific uses of the net proceeds.

SHAREHOLDING STRUCTURE

If the maximum possible number of Shares are issued pursuant to the full conversion of the Additional Tranche 1 Bonds based on the Fixed Conversion Price, 48,840,360 new Shares will be issued, representing approximately 3.51 per cent. and approximately 3.39 per cent. of the existing issued share capital and the enlarged issued share capital of the Company respectively. The Shares to be issued upon full conversion of the Additional Tranche 1 Bonds will be issued under the general mandate to issue or deal with 20 per cent. of the issued Shares granted by the Shareholders to the Directors on 28 August 2002, approval for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Additional Tranche 1 Bonds has been granted by the Stock Exchange on 30 December 2002.

As at the date of this announcement, the substantial shareholders of the Company are Efulfilment Enterprises Limited (“Efulfilment”), Wisehead Group Limited (“Wisehead”) and Sharp Asset Holdings Limited (“Sharp Asset”). The approximate shareholdings of the substantial shareholders of the Company and CSFB immediately before and after the full conversion of the Additional Tranche 1 Bonds are as follows:

	Immediately before the full conversion of the Additional Tranche 1 Bonds		Immediately after the full conversion of the Additional Tranche 1 Bonds	
	Approximate %	Number of Shares held	Approximate %	Number of Shares held
Efulfilment (Note)	46.90	652,800,000	45.31	652,800,000
Wisehead (Note)	5.11	71,200,000	4.94	71,200,000
Sharp Asset (Note)	5.11	71,200,000	4.94	71,200,000
CSFB	0.09	1,224,978	3.47	50,065,338
Public	42.79	595,727,022	41.34	595,727,022

Note: The issued share capital of Efulfilment is beneficially owned by Mr Kwok Wing and Mr Kwok Chiu in equal proportion. The entire issued share capitals of Wisehead and Sharp Asset are beneficially owned respectively by Mr Kwok Chiu and Mr Kwok Wing.

By Order of the Board
Tack Fat Group International Limited
Kwok Wing
Chairman

Hong Kong, 3 October 2003

Please also refer to the published version of this announcement in The Standard.