

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)

**VERY SUBSTANTIAL ACQUISITION  
AND  
PROPOSED PLACEMENT OF CONVERTIBLE NOTES**

On 26th July, 2004, Newest Global, a wholly owned subsidiary of the Company, as a purchaser, entered into the Agreement with Lung Investment, as a vendor, in relation to the proposed acquisition of 516,667 Preferred Shares in Sino Legend for a cash consideration of US\$53.0 million (equivalent to approximately HK\$413.4 million). Sino Legend is an investment holding company incorporated in the British Virgin Islands with limited liability. Sino Legend, through its subsidiary, holds 72% of the membership units of Mudd (USA).

Pursuant to the Agreement, Lung Investment also agreed to grant to Newest Global the Option for a cash consideration of US\$10.0 million (equivalent to approximately HK\$78.0 million). Pursuant to the Option, Newest Global is entitled to require Lung Investment to sell a further 250,000 Preferred Shares in Sino Legend to Newest Global for an additional cash consideration of US\$15.65 million (equivalent to approximately HK\$122.1 million).

The Company entered into the Heads of Placement Agreement with the Placing Agent on 26th July, 2004 in relation to the proposed placement of the Notes in the principal amount of US\$30.0 million (equivalent to approximately HK\$234.0 million) to not less than six places who are Independent Third Parties. On a fully converted basis, approximately 234 million new Shares will be allotted and issued, subject to adjustment, upon exercise of the conversion rights attaching to the Notes which represent approximately 16.5% of the total number of Shares in issue as at the date of this announcement and approximately 14.2% of the issued share capital of the Company as enlarged by the new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Notes. The new Shares which may be allotted and issued upon exercise of the conversion rights attaching to the Notes will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 22nd August, 2003.

The Acquisition, the Option and the acquisition of the Option Shares will be financed partly by the proceeds received from the issue of the Notes and partly by the internal resources of the Group.

The proposed acquisition of 516,667 Preferred Shares, the Option and the possible acquisition of 250,000 Preferred Shares pursuant to exercise of the Option together constitute a very substantial acquisition on the part of the Company and are subject to the disclosure and Shareholders' approval requirements under the Listing Rules. A circular of the Company containing, among other things, further information on the Acquisition, the Option, the Notes and the notice of the Extraordinary General Meeting will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on Monday, 26th July, 2004 at the request of the Company and application has been made for the resumption of trading in the Shares on the Stock Exchange at 9:30 a.m. on Monday, 2nd August, 2004.

## **THE AGREEMENT DATED 26TH JULY, 2004**

### **Parties:**

**Purchaser** Newest Global Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company.

**Vendor** Lung Investment Holding, LLC, a company incorporated in the State of Delaware, USA as a limited liability company. Lung Investment and its beneficial owners are Independent Third Parties and do not hold any Shares.

### **Asset to be acquired**

#### *Sales Shares*

516,667 Preferred Shares, representing approximately 43.06% of the voting rights in the general meeting of Sino Legend. Sino Legend is a company incorporated in the British Virgin Islands with limited liability, the sole asset of which is its indirect holding of 72% of the membership units of Mudd (USA). Further information on Sino Legend and Mudd (USA) is set out below under the sections headed "Information on Sino Legend" and "Information on Mudd (USA)" respectively.

#### *Option and the Option Shares*

Lung Investment granted to Newest Global the Option for a premium of US\$10.0 million (equivalent to approximately HK\$78.0 million) which entitles Newest Global to require Lung Investment to sell to Newest Global a further 250,000 Preferred Shares, representing approximately 20.8% of the voting rights in the general meeting of Sino Legend. The Option is exercisable by Newest Global at any time within two years from the date of Completion (or such later date as may be agreed between Newest Global and Lung Investment). Upon exercise of the Option, Newest Global will pay to Lung Investment a further US\$15.65 million (equivalent to approximately HK\$122.1 million) in cash upon completion of the acquisition of the Option Shares.

### **Principal terms of the Agreement**

#### *Consideration for the Sale Shares*

The consideration for the Acquisition is US\$53.0 million (equivalent to approximately HK\$413.4 million) and is payable in cash at Completion. It is the present intention of the Directors that the consideration will be funded as to approximately US\$29.8 million (equivalent to HK\$232.4 million) by the net proceeds from the issue of the Notes and as to the remaining US\$23.2 million (equivalent to HK\$181.0 million) by internal resources of the Group.

The consideration was arrived at after arm's length negotiations between the Group and Lung Investment with reference to the international reputation of the "Mudd" brandname, the prospects of the business of Mudd (USA) and the Profit Guarantee. Pursuant to the Agreement, Lung Investment has guaranteed that the audited consolidated/combined net profits before tax, charges for goodwill, minority interests and any extraordinary or exceptional items of the Sino Legend Group for the period commencing from 21st May, 2004 to 31st March, 2005 will not be less than US\$36 million (the "Guaranteed Profit"). The consideration for the Sale Shares would represent approximately 2.95 times the Guaranteed Profit attributable to the Sale Shares on an annualised basis. In view of the Profit Guarantee, the prospects and potential of the consumer market in the USA for the apparel, accessories and footwear in future and in particular, the increase in purchase orders placed by Mudd (USA) since 21 May 2004 (further details of which are set out under the section headed "Reasons for the Acquisition" below), the Directors consider that the consideration of the Acquisition is fair and reasonable.

The Agreement also provides that if the audited consolidated/combined net profits before tax, charges for goodwill, minority interests and any extraordinary or exceptional items of the Sino Legend Group for the period ending 31st March, 2005 falls short of the Guaranteed Profit, Lung Investment shall compensate Newest Global by paying to Newest Global in cash an amount equal to 2.95 times of the annualised short fall attributable to the Sale Shares within seven days after the delivery of the audited accounts of the Sino Legend Group for the period ending 31st March, 2005, which is expected to be available to the Company on or before 30th June, 2005.

#### *Consideration for the Option and the Option Shares*

At Completion, the Group shall pay a cash premium of US\$10.0 million (the "Option Premium") for the Option, which entitles Newest Global to require Lung Investment to sell to it a further 250,000 Preferred Shares for total consideration of US\$25.65 million (equivalent to approximately HK\$200.1 million). If the Option is exercised, the Option Premium of US\$10.0 million will be applied as part payment for the consideration for the Option Shares. The remaining US\$15.65 million will be payable by the Group to Lung Investment in cash upon completion of the acquisition of the Option Shares. Should the Option not be exercised by the Group within the option period, the Option Premium will not be refunded to the Group. Payment for the Option Premium will be financed by internal resources of the Group.

Although the Option Premium is substantial, the Directors consider it reasonable as it enables the Group to secure the right to assume control in Mudd (USA) upon exercising the Option. In addition, after taking into account the exercise price for the Option Shares and the Option Premium, the price for each Option Share, which also represents approximately 2.95 times the Guaranteed Profit attributable to the Option Shares, is the same as the price payable by the Group for each of the Sale Shares. On such basis, the Directors (including the independent non-executive Directors) consider that the consideration for the Option and the exercise price for the Option Shares are fair and reasonable.

#### *Conditions*

The Agreement is conditional upon:

1. the Group being satisfied at its sole and absolute discretion with the results of the due diligence review, to be conducted by the Group or its agent on the asset, liabilities, operations and affairs of Sino Legend Group;

2. the Shareholders passing an ordinary resolution at the Extraordinary General Meeting approving the Agreement and the transactions contemplated thereunder (including the exercise of the Option for the purchase of the Option Shares);
3. the warranties as described under the Agreement remaining true and accurate in all respects up to Completion;
4. all necessary approvals, consents, authorisations and licences in relation to the transactions contemplated under the Agreement having been obtained;
5. the Group having received a US legal opinion in form and substance satisfactory to the Group covering such matters of US laws in relation to, among other matters, the Agreement and the transactions contemplated thereunder; and
6. the issue of the Notes by the Company in accordance with the terms and conditions of the Heads of Placement Agreement and the formal agreement(s) to be entered into by the Company and the Placing Agent in relation to such issue of the Notes.

### *Completion*

Completion will take place on the second Business Day after the conditions set out above having been fulfilled or waived at or before 12:00 noon on 31st October, 2004 or such later date as the Group may agree, otherwise the Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Agreement save for any antecedent breaches of the terms thereof.

### **Information on Sino Legend**

Sino Legend is an investment holding company incorporated in the British Virgin Islands with limited liability on 8th January, 2004. Sino Legend Group had not carried out any business since its incorporation until it entered into subscription agreements with Lung Investment, Newest Global and Grandwell Investment Limited, an Independent Third Party, on 21st May, 2004 for acquisition of its present equity interest in Mudd (USA) for a consideration of US\$40.0 million (equivalent to approximately HK\$312.0 million). The principal asset of Sino Legend is its indirect holding of 72% of the membership units of Mudd (USA). No audited financial statements of Sino Legend have been prepared since its incorporation. It is provided in the Agreement that Lung Investment shall provide the management accounts of the Sino Legend Group for the period from 21st May, 2004 to 30th June, 2004 to the Group within seven days from the date of the Agreement, and the relevant disclosure will be made in the circular to be issued by the Company to the Shareholders in relation to, among other things, the Acquisition.

As at the date of this announcement, Sino Legend is beneficially owned as to approximately 2.81% by Grandwell Investment Limited, as to 90.25% by Lung Investment and as to 6.94% by Newest Global. Upon Completion, Newest Global will be interested in 50.0% of voting rights in the general meeting of Sino Legend and will be entitled to appoint three representatives, out of a total of six members, to the board of directors of Sino Legend. No member of the board of directors of Sino Legend will have a casting or second vote. As the Group will not have majority control over Sino Legend, Sino Legend will not be treated as a subsidiary of the Company. Upon exercise of the Option, Newest Global will be interested in approximately 70.8% of the voting rights in the general meeting of Sino Legend. The Group will then be entitled to appoint one additional representative to the board of directors of Sino Legend, which will then be treated as a subsidiary of the Company.

## **Information on Mudd (USA)**

Mudd (USA) was formed on 9th March, 2004 for the purpose of acquiring all the property and assets (except certain liabilities and the business under the Paper, Denim & Cloth brand) of Mudd, LLC (now known as Paper, Denim and Cloth, LLC), which is a New York limited liability company established in 1996 as a designer and seller of girls and young women's jeans and licensor of its trademark to manufacturers and distributors of girls and women's clothing, shoes and accessories. The acquisition was completed on 21st May, 2004.

Since completion of the aforesaid acquisition, Mudd (USA) has been principally engaged in the business of designing, manufacturing and selling of denim jeans and other apparel and accessories products as well as licensing related products through brands including the Mudd brand and the MM Couture brand. As at the date of this announcement, Mudd (USA) is beneficially owned as to 72% by Sino Legend and as to 28% by Independent Third Parties. Interests in Mudd (USA) held by its holders are divided into and represented by membership units. Each membership unit held by Sino Legend is entitled to one vote on all matters requiring the vote of the unit holders.

## **Reasons for the Acquisition**

The Group is principally engaged in the design and manufacture of jeans, pants, shorts, swimming apparel and sportswear for men, women and children on OEM and ODM basis. In May 2004, the Group entered into a subscription agreement to subscribe for 83,333 Preferred Shares, which represents approximately 6.94% of the voting rights in the general meeting of Sino Legend. As stated in the Circular, according to the USA Department of Commerce, consumer spending on apparel, accessories and footwear amounted to approximately US\$324.3 billion in 2002 in the USA. With an estimated population of the USA of approximately 288 million in 2002, the consumer spending on apparel, accessories and footwear was approximately US\$1,125 per capita for that year. With the gradual recovery of the economy in the USA, the Directors believe that the prospects and potential of the consumer market in the USA for the apparel, accessories and footwear industry will continue to grow. Given the above and after further review of the operation and performance of Mudd (USA) subsequent to the Subscription, in particular, the increase in purchase orders placed by Mudd (USA) which amounted to approximately US\$13.0 million (equivalent to approximately HK\$101.4 million) during 21st May, 2004 to 30th June, 2004 as compared to approximately US\$9.0 million (equivalent to approximately HK\$70.2 million) for the corresponding period in 2003, the Directors believe that the acquisition of additional interests in Sino Legend will be in the interests of the Group.

It was stated in the Circular that the Group entered into a manufacturing agreement with Mudd (USA) on 21st May, 2004 pursuant to which the Group shall provide exclusive manufacturing services to Mudd (USA), either through the Group's facilities or through other subcontractors to be sourced and recommended by a committee comprising representatives of the Group and Mudd (USA), in respect of the orders placed by Mudd (USA) for denim products and other items required to be manufactured by or on behalf of Mudd (USA) for an initial fixed term of five years commencing from 21st May, 2004. Based on the Group's existing production capacity, approximately 10%-15% of the Mudd (USA) total orders will be produced at the Group's production facilities with the remaining to be out-sourced to other manufacturers with a 5%-6% commission payable to the Company. It is the intention of the Group to invest approximately HK\$100 million, which will be financed by internal resources of the Group, for expanding its production capacity in the near future in order to absorb as many orders as may be placed by Mudd (USA). The Acquisition enables the Group to consolidate control in Mudd (USA) and in turn to secure its position as the exclusive provider of manufacturing services to Mudd (USA) in the future.



In view of the above, the Directors believe that the Acquisition, the Option and the proposed acquisition of the Option Shares are beneficial to the Group and the Shareholders as a whole.

## **HEADS OF PLACEMENT AGREEMENT**

The Company entered into the Heads of Placement Agreement with the Placing Agent on 26th July, 2004 relating to the Placement of the Notes to not less than six places who are Independent Third Parties. The principal terms of the Placement are set out below:

<b>Principal amount</b>	US\$30.0 million
<b>Denomination</b>	US\$200,000 per Note
<b>Placing Agent</b>	SinoPac Securities (Asia) Limited
<b>Maturity date</b>	Five years from the issue date of the Notes
<b>Placing conditions</b>	the Placement is subject to: <ol style="list-style-type: none"><li>1. the Agreement being entered into by the Company;</li><li>2. formal documentation for the issue of the Notes being entered into between the Company and the Placing Agent; and</li><li>3. the Listing Committee of the Stock Exchange granting approval for listing of and permission to deal in the new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Notes.</li></ol>
<b>Conversion date</b>	The Notes, at the option of the relevant Note Holder(s), can be converted into the Shares at the conversion price as stated below at any time after three months from the date of issue provided that up to one-half of the Notes may be converted from the beginning of the fourth month to the first anniversary from the date of issue.
<b>Conversion price</b>	HK\$1.00 per Share, subject to adjustment for, among other things, subdivision or consolidation of shares, rights issues, extraordinary distributions, stock and cash dividends (if cash dividend accounts for more than 50% of the net profit for the corresponding period) and other dilutive events.  The conversion price represents: <ol style="list-style-type: none"><li>1. approximately 38.9% premium over the closing price per Share of HK\$0.72 as quoted on the Stock Exchange on 23rd July, 2004, being the last day of trading in the Shares on the Stock Exchange before its suspension on 26th July, 2004 (the “Last Trading Day”);</li><li>2. approximately 42.9% premium over the average closing price per Share of HK\$0.70 for the five consecutive trading days up to and including the Last Trading Day; and</li></ol>

3. approximately 47.1% premium over the average closing price per Share of HK\$0.68 for the 10 consecutive trading days up to and including the Last Trading Day.

**Early redemption**

The Company may at its sole discretion redeem, at 100% of the principal amount in cash, all outstanding Notes if 90% or more of the principal amount of the Notes have been redeemed, repurchased or converted.

The Note Holder(s) has/have the put option such that the Company may, upon the exercise of the option by the Note Holder(s), redeem the Notes, at 100% of the principal amount in cash, either (i) on the third and the fifth anniversaries from the date of issue; or (ii) if the Shares are delisted or suspended for trading on the Stock Exchange for more than 14 trading days; or (iii) if there is a change of control of the Company.

**Final redemption**

The outstanding Notes that have not been redeemed or in respect of which conversion rights have not been exercised shall mature and be redeemed on the maturity date of the Notes by the Company at 100% of the outstanding principal amount of the Notes in cash.

**Interest**

The Notes carry interest at the rate of 1% per annum to be payable to the Note Holder(s) by quarters, i.e. on 31 March, 30 June, 30 September and 31 December.

**Transferability**

The Notes may not be assigned or transferred by the Note Holder(s) to any party. No listing will be sought for the Notes, but listing application will be made to the Stock Exchange for the new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Notes.

**Completion**

The Placement will be completed within one month from the date of the Heads of Placement Agreement.

On the assumption that all the Notes are converted in full, approximately 234 million new Shares will be allotted and issued, representing approximately 16.5% of the total number of Shares in issue as at the date of this announcement and approximately 14.2% of the issued share capital of the Company as enlarged by the new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Notes. Upon completion of the Placement, any one of the placees may hold 10% or more of the enlarged issued share capital of the Company upon exercise of its/his/her conversion right attaching to the Notes. The Company will make necessary disclosure as and when appropriate in compliance with the Listing Rules.

The new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Notes will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 22nd August, 2003. No new Shares have been issued under the general mandate from its date of grant up to and including the date of this announcement.

## Reason for issue of the Notes

The net proceeds from the issue of the Notes will be approximately US\$29.8 million (equivalent to approximately HK\$232.4 million). The entire proceeds will be used for the Acquisition. The issue of the Notes is solely for the purpose of financing the Acquisition. The Directors consider that the issue of the Notes to finance the Acquisition is appropriate as it minimises the impact on the Group's cashflow after the Acquisition.

The Company has not carried out any capital raising activities during the past twelve months immediately before the date of this announcement.

## Changes of shareholding in the Company

As at the date of this announcement, the substantial Shareholders are Efulfilment Enterprises Limited (“**Efulfilment**”), Sharp Asset Holdings Limited (“**Sharp Asset**”), Value Partners Limited (“**Value Partners**”) and Templeton Asset Management Limited (“**Templeton Asset**”). The approximate shareholdings of the substantial Shareholders as at the date of this announcement and immediately after full conversion of the Notes are as follows:

	As at the date of this announcement		Immediately after full conversion of the Notes	
	%	Number of Shares held	%	Number of Shares held
Mr. Kwok Wing ( <i>Note 1</i> )	51.55	732,424,000	44.26	732,424,000
Value Partners	11.00	156,296,000	9.44	156,296,000
Templeton Asset	10.90	154,818,000	9.36	154,818,000
Public ( <i>Note 2</i> )	26.55	377,278,000	36.94	611,278,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total ( <i>Note 2</i> )	<u>100.00</u>	<u>1,420,816,000</u>	<u>100.00</u>	<u>1,654,816,000</u>

*Note 1:* 652,800,000 Shares are held by Efulfilment, the issued share capital of which is beneficially owned by Mr. Kwok Wing and Mr. Kwok Chiu in equal proportion. 71,200,000 Shares are held by Sharp Asset, the issued share capital of which is beneficially owned by Mr. Kwok Wing. 8,424,000 Shares are held by Mr. Kwok Wing personally.

*Note 2:* on the assumption that 234 million new Shares will be allotted and issued upon exercise of the conversion rights attaching to the Notes.

**The Placement is subject to a formal agreement to be entered into between the Placing Agent and the Group, and one of the conditions precedent of the Agreement is the issue of the Notes as referred to under the section headed “Conditions” above. The formal agreement for the Placement may or may not be entered into and therefore the Placement may or may not proceed. Shareholders and public investors are advised to exercise caution when dealing in the Shares.**

## GENERAL

The Acquisition, the Option and the acquisition of the Option Shares pursuant to exercise of the Option together constitute a very substantial acquisition on the part of the Company and are therefore subject to the disclosure and Shareholders' approval requirements under the Listing Rules. A circular of the Company containing, among other things, further information on the Acquisition, the Option, the Notes and the notice of the Extraordinary General Meeting will be



despatched to the Shareholders as soon as practicable. It is the intention of the Board to seek approval from the Shareholders at the Extraordinary General Meeting on, among other things, the Acquisition, the Option and exercise of the Option.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange have been suspended with effect from 9:30 a.m. on Monday, 26th July, 2004 at the request of the Company and application has been made to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on Monday, 2nd August, 2004.

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of 516,667 Preferred Shares subject to and upon the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 26th July, 2004 and entered into between Newest Global and Lung Investment in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company dated 14th June, 2004 in relation to the Subscription
“Company”	Tack Fat Group International Limited, a company incorporated in the Cayman with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement
“Directors”	directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Acquisition, the Option and the acquisition of the Option Shares upon exercise of the Option
“Group”	the Company and its subsidiaries
“Heads of Placement Agreement”	the legally binding agreement entered into between the Company and the Placing Agent on 26th July, 2004 in relation to the principal terms and conditions of the proposed issue of the Notes
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) not connected with the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lung Investment”	Lung Investment Holding, LLC, a company incorporated in the State of Delaware, USA as a limited liability company
“Mudd (USA)”	Mudd (USA) LLC, a company incorporated in the State of Delaware, USA as a limited liability company
“Newest Global”	Newest Global Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Note(s)”	the note(s) with an aggregate principal amount of US\$30.0 million to be issued by the Company which is convertible into new Shares in accordance with the terms under the Heads of Placement Agreement
“Note Holder(s)”	holder(s) of the Note(s)
“ODM”	original design manufacturing
“OEM”	original equipment manufacturing
“Option”	the option granted by Lung Investment to Newest Global to acquire the Option Shares pursuant to the Agreement
“Option Shares”	a further 250,000 Preferred Shares as may be acquired by Newest Global upon exercise of the Option
“Placement”	proposed placement of the Notes
“Placing Agent”	SinoPac Securities (Asia) Limited
“Preferred Share(s)”	class A preferred shares of US\$0.01 each in the share capital of Sino Legend, holder of which is entitled to, among other things, (i) a dividend equals to 8% per annum of the issue price of US\$40 per preferred share out of the surplus of Sino Legend; (ii) convert at any time at its option into the shares of Sino Legend; (iii) the number of votes equal to the number of shares of Sino Legend into which such preferred shares may be converted; and (iv) any distribution of any surplus of Sino Legend in preference to the holders of the shares of Sino Legend in the event of any liquidation, dissolution or winding up
“Profit Guarantee”	the guarantee provided by Lung Investment under the Agreement that the audited consolidated/combined net profits before tax, charges for goodwill, minority interests and any extraordinary or exceptional items of the Sino Legend Group will not be less than US\$36 million for the period commencing from 21st May, 2004 to 31st March, 2005
“Sale Shares”	516,667 Preferred Shares to be acquired by Newest Global pursuant to the Agreement

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sino Legend”	Sino Legend Limited, a company incorporated in the British Virgin Islands with limited liability
“Sino Legend Group”	Sino Legend and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Newest Global of 83,333 Preferred Shares pursuant to the subscription agreement dated 21st May, 2004
“USA” or “US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the USA
“%”	per cent.

*The exchange rate used in this announcement of US\$1 to HK\$7.8 is for illustration purpose only.*

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

Hong Kong, 30th July, 2004

*As at the date of this announcement, the Board comprised Mr. Kwok Wing, Mr. Lee Yuk Man, Mr. Ho Yik Kin, Norman, Mr. Kwok Kam Chuen as executive Directors, and Mr. Leung Yiu Wing, Eric and Mr. Ching Kwok Ho, Samuel as independent non-executive Directors.*

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