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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)*

(Stock Code: 928)

### **ANNOUNCEMENT – MAJOR TRANSACTIONS AND RESUMPTION OF TRADING**

#### **THE AGREEMENT**

The Group entered into the Agreement with Lung Investment, Sino Legend and Mudd USA pursuant to which all the Preferred Shares held by the Group shall be redeemed by Sino Legend. The consideration for the Redemption shall be satisfied by the payment of US\$16,000,000 in cash and the transfer of the Sale Shares to the Group.

The Agreement has been entered into in order to resolve all outstanding issues among the parties involved. Upon Completion, the Group will receive US\$16,000,000 (equivalent to HK\$124,800,000) in cash and become the beneficial owner of the New Company which will own the Trade Marks in Greater China and the Joint Venture Rights.

Each of the Redemption and the transfer of Sale Shares constitutes a major transaction on the part of the Company and is 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 Redemption and the transfer of the Sale Shares and the notice of the EGM will be despatched to Shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on Monday, 15 October 2007 at the request of the Company and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Wednesday, 24 October 2007.

Reference is made to the announcements of the Company dated 27 August 2007 and 25 September 2007 in relation to the latest development with respect to Sino Legend. The Board is pleased to inform Shareholders that the Agreement has been entered into with details below:

### **SETTLEMENT AGREEMENT DATED 13 OCTOBER 2007**

- Parties:**
- (i) Newest Global;
  - (ii) the Company;
  - (iii) Lung Investment;
  - (iv) Mudd USA; and
  - (v) Sino Legend

Save and except that (i) Newest Global is the owner of 600,000 Preferred Shares and (ii) Mr. Kwok Wing, the Chairman of the Board, is a director of Sino Legend and Mudd USA, each of Lung Investment, Mudd USA and Sino Legend and their respective ultimate beneficial owners are Independent Third Parties.

#### Assets to be surrendered for Redemption

Subject to the terms and conditions of the Agreement, 600,000 Preferred Shares, representing 50% of the voting rights in the general meeting of Sino Legend held by Newest Global, shall be redeemed by Sino Legend upon Completion.

#### **Consideration for the Redemption**

The consideration for the Redemption shall be satisfied by Sino Legend in the following manner:

1. US\$13,000,000 (equivalent to HK\$101,400,000) shall be paid in cash by 17 October 2007 as deposit (US\$12 million was received on 16 October 2007 and US\$1 million was received on 17 October 2007);
2. US\$3,000,000 (equivalent to HK\$23,400,000) shall be paid in cash on or before Completion; and
3. Sino Legend shall procure the transfer of the Sale Shares to Newest Global or its nominee upon Completion.

Upon Completion, the Group shall own 100% of the entire issued share capital of New Company which shall hold:

- (a) 100% of the Trade Marks in Greater China; and
- (b) the Joint Venture Rights.

The terms with respect to the Redemption have been negotiated on an arm's length basis and on normal commercial terms taking into accounts the following:

- (a) the book value of the 600,000 Preferred Shares in Sino Legend of HK\$545.8 million as at 31 March 2007;
- (b) the consideration of approximately US\$93.8 million (or approximately HK\$732 million) received by the Sino Legend Group on disposition of Mudd family of Marks worldwide (excluding Greater China) in year 2006;
- (c) full refund of US\$10 million paid by the Group in respect of the Option;
- (d) the growth of the PRC market; and
- (e) the performance of the "Mudd" retail operations in the PRC in the past year and its future profit potential.

Taking into account the above factors and the reasons for the Redemption as discussed below, the Directors (including the independent non-executive Directors) consider that the value of the Trade Marks in Greater China of approximately HK\$499 million (please see the accounting treatment below for determination of the said value) and the terms of the Redemption and the Agreement to be fair and reasonable and entering into the Agreement is in the interests of the Company and its Shareholders

### **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 on the Sino Legend Group and the New Company;
2. the Shareholders passing an ordinary resolution at the EGM approving the Agreement and the transactions contemplated thereunder;
3. New Company having acquired the legal and beneficial ownership of the Trade Marks in Greater China;
4. the Joint Venture Rights having been transferred to the New Company with the consent of Iconix;

5. the warranties given by Sino Legend, Mudd USA and Lung Investment under the Agreement remaining true and accurate in all respects;
6. all necessary approvals, consents, authorisations and licences in relation to the transactions contemplated under the Agreement having been obtained including but not limited to the consent from the lenders of a syndicated loan for the amount of HK\$480 million advanced in February 2006 to a member of the Group, which said syndicated loan is guaranteed by the Company;
7. the Group having received a US legal opinion in form and substance satisfactory to the Group in relation to the transactions contemplated under the Agreement; and
8. the deposit of US\$13,000,000 having been received by the Group on or before 17 October 2007.

If the above conditions have not been satisfied (or waived by the Group if applicable) at or before 5:00 p.m. on 31 January 2008 or such later time and date as the Group may agree, the Agreement shall cease and determine in which event the deposit paid by Sino Legend shall be refunded without interest and neither party shall have any obligations and liabilities under the Agreement save for any antecedent breaches of the terms thereof.

### **Completion**

Completion shall take place 10 business days after the conditions set out above have been fulfilled or waived.

### **ACCOUNTING TREATMENT AND USE OF THE CASH RECEIVED FROM THE REDEMPTION**

Subject to review by the auditors of the Company, the following entries will be made to the accounts of the Group as a result of the Redemption:

1. HK\$78 million or US\$10 million as refund of the premium paid in respect of the Option;
2. HK\$545.8 million as the total proceeds for the redemption of all the Preferred Shares held by Newest Global, resulting in no gain or loss as a result of the Redemption, to be satisfied by the following:
  - (a) HK\$46.8 million or US\$6 million, being cash received;
  - (b) HK\$499 million as the value of the Mudd family of Marks in Greater China (note); and
  - (c) Nil as the value of the Joint Venture Right.

*Note: No independent valuation has been obtained as at the date of this announcement but the value of the Trade Marks in Greater China is subject to annual assessment when preparing the annual report for the Group.*

It is the current intention of the Company to apply half of the US\$16,000,000 (equivalent to HK\$124,800,000), which is US\$8 million (equivalent to HK\$62.4 million), received from the Redemption for the repayment of existing loans and the other half, which is also US\$8 million (equivalent to HK\$62.4 million) as general working capital for the Group.

Pursuant to the terms of the Agreement, Lung Investment shall be released and discharged absolutely free from all and any claims, demands, liabilities, obligations, covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever or otherwise arising out of or in connection with its profit guarantee under the 2004 Agreement. Based on the audited consolidated financial statements of Sino Legend for the year ended 31 March 2007, the Group estimated that the Compensation shall be approximately US\$26.6 million (or about HK\$207 million). Reference is made to the paragraph headed “Reasons for the Redemption” below for further discussions with respect to the Compensation. Under the Agreement, the Group shall waive its right in claiming the Compensation. Subject to review by the auditors of the Company, the Compensation will be recorded as an income and the waiver of claiming the Compensation will be recorded as a loss, and accordingly, there will be no net profit or loss effect to the consolidated financial statements of the Group for the year ending 31 March 2008.

## **INFORMATION ON THE SINO LEGEND GROUP**

Sino Legend is an investment holding company incorporated in the British Virgin Islands with limited liability on 8 January, 2004. Since the completion of the 2004 Agreement up to the date of this announcement, the Group is the beneficial owner of 600,000 Preferred Shares and is entitled to exercise 50% voting rights at general meetings of Sino Legend. The principal asset of Sino Legend is its indirect holding of the majority stakes (about 72%) in Mudd USA. Based on the audited financial statements of Sino Legend for the year ended 31 March 2007, Mudd USA is a manufacturer and importer of women’s jeans whose principal customers are retail chains and department stores located throughout the US and Canada.

As stated in the Sino Legend 2007 Accounts, on 11 April 2006, the Sino Legend Group sold all of “Mudd” brand worldwide trademarks, licensing agreements and customer relationships, excluding all trademarks in Greater China, under an asset purchase agreement to Iconix payable in cash of US\$45,000,000 and 3,269,231 shares of Iconix common stock valued, pursuant to an appraisal at 11 April 2006, to equal US\$48,871,900 (totalling about US\$93.9 million) and a gain on the sale of trademarks and customer relationships of US\$23,485,095 was recorded in the Sino Legend 2007 Accounts. According to the Sino Legend 2007 Accounts, about 2.1 million shares of Iconix common stock were sold for a net proceeds of about US\$36 million, resulting in a gain on the sale of marketable securities of about US\$8.9 million.

Upon completion of the Iconix Agreement, Mudd USA retained the rights to the Mudd family of Marks and related names in Greater China. Pursuant to the Iconix Agreement, Mudd USA and Iconix agreed to negotiate in good faith to enter into commercially reasonable arrangements for the exploitation of the Marks in Asia (outside of Greater China) and the Middle East (the “Exploitation Territory”) providing for an equal sharing of costs and royalties (the “JV Arrangements”). As part of the JV Arrangements, Mudd USA and Iconix agreed to take all reasonable steps necessary to implement and maintain product

identification and inventory control systems to monitor Mudd USA's manufacture, distribution, offer for sale and sale of merchandise in accordance with and subject to the terms and conditions of the License Agreement. Mudd USA, or one of its affiliates, is free to enter into supply agreements, supply chain management agreements, turnkey retail agreement or other arrangements with licensees in the Exploitation Territory. To the best understanding of the Directors, the terms (which shall include the period of the JV Arrangements) with respect to the JV Arrangements have not yet been finalised as at the date of this announcement. As part of the terms of the Agreement, the rights with respect to the JV Arrangements will be transferred to the New Company with the consent of Iconix. Upon Completion, the Company will have the ownership of the entire issued share capital of the New Company and the Company will endeavour to finalise the terms of the JV Arrangements with Iconix to the best interests of the Company and its Shareholders.

Upon Completion, the New Company will own (a) 100% of the Mudd family of Marks in Greater China (which shall be an absolute and permanent assignment); and (b) the Joint Venture Rights, and to the best understanding of the Directors, Mudd USA will no longer have any rights to the Mudd family of Marks and related names or other trade marks.

Sino Legend is treated as an associated company in the books and accounts of the Company. The following was stated in the annual report of the Company for the year ended 31 March 2007 in relation to Sino Legend:

1. interests in associates of about HK\$546.5 million, comprising share of net assets of Sino Legend of about HK\$285.5 million and goodwill of about HK\$261 million; and
2. other financial asset of HK\$78 million, which represent the premium of US\$10 million paid to Lung Investment with respect to the Option.

Save for certain trade receivables due from Mudd USA which amounted to approximately HK\$181 million as at 30 September 2007, the Group does not have any loan to or/and from the Sino Legend Group and guarantee for the Sino Legend Group.

The following information is extracted from the audited financial statements of Sino Legend for the year ended 31 March 2007, as prepared under US GAAP:

	<b>Year ended 31 March 2007</b>		
		<b>Equivalent</b>	<b>The Group's</b>
		<b>to</b>	<b>share</b>
	<i>US\$'000</i>	<i>HK\$'000</i>	<b>(i.e 50%)</b>
			<i>HK\$'000</i>
Gross sales	128,534	1,002,565	501,283
Income before gain on sales of assets, taxes and minority interest	17,738	138,356	69,178
Gain on sale of trademarks and customer relations	23,485	183,183	91,592
Gain on sale of marketable securities	8,929	69,646	34,823
Income before taxes and minority interest	50,152	391,186	195,593
Income before minority interest	36,565	285,207	142,604
Income after taxes and minority interest	29,252	228,168	113,094
Total assets as at 31 March 2007	119,686	933,550	466,775
Total liabilities as at 31 March 2007	34,175	266,565	133,282
Net assets (after net of minority interest of about US\$70 million) as at 31 March 2007	69,927	545,431	272,716

The following information is extracted from the audited financial statements of Sino Legend for the year ended 31 March 2006, as prepared under US GAAP :

	<b>Year ended 31 March 2006</b>		
		<b>Equivalent</b>	<b>The Group's</b>
		<b>to</b>	<b>share</b>
	<i>US\$'000</i>	<i>HK\$'000</i>	<b>(i.e 50%)</b>
			<i>HK\$'000</i>
Gross sales	79,661	621,356	310,678
Loss before taxes and minority interest	(10,378)	(80,948)	(40,474)
Loss before minority interest	(10,166)	(79,294)	(39,647)
Loss after taxes and minority interest	(7,599)	(59,272)	(29,636)
Total assets as at 31 March 2006	98,653	769,493	384,747
Total liabilities as at 31 March 2006	52,936	412,900	206,450
Net assets (after net of minority interest of about US\$11 million) as at 31 March 2006	34,446	268,678	134,339

## **SHAREHOLDING OF SINO LEGEND GROUP BEFORE AND AFTER COMPLETION**

As at the date of this announcement and before Completion, the Group, through Newest Global, holds 600,000 Preferred Shares, which entitles the Group to exercise 50% voting rights at general meetings of Sino Legend, and Lung Investment and Grandwell Investment Limited (each of which and their respective ultimate beneficial owners are Independent Third Parties) are entitled to exercise about 47% and 3% voting rights at general meetings of Sino Legend respectively. Sino Legend holds about 72% shareholding interest of Mudd USA. To the best understanding of the Directors, the remaining shareholding interest of Mudd USA, which is about 28%, is held by 9 parties, all of which and their respective ultimate beneficial owners are Independent Third Parties.

Prior to Completion, the New Company will be incorporated and Mudd USA will transfer its entire interest, rights and benefits in the Trade Marks in Greater China and the Joint Venture Rights to the New Company.

Upon Completion, (a) the Group will no longer hold any equity interest in the Sino Legend Group and Sino Legend will cease to be an associated company of the Group; and (b) the Group will hold 100% of the issued share capital of the New Company, which will become a subsidiary of the Company.

## **REASONS FOR THE REDEMPTION**

The Group is principally engaged in the design and manufacture of jeans, pants, shorts, swimming apparel and sportswear for men, women and children.

Reference is made to the profit guarantee given by Lung Investment in the 2004 Agreement pursuant to which Lung Investment has guaranteed that the aggregate audited consolidated/combined net profits before tax, charges for goodwill, minority interest and any extraordinary or exceptional items of the Sino Legend Group (the "Audited Profits") for the period commencing from 21 May 2004 up to and including 31 March 2007 (the "Guaranteed Period") will not be less than US\$108 million. According to the financial information available to the Group, the actual net profits before tax of Sino Legend Group for the Guaranteed Period are less than US\$108 million as guaranteed. Since mid-September 2007, negotiations have been actively taken place between the Group and Lung Investment as to the terms of settlement. As stated in the Company's announcement of 27 August 2007, based on the financial information available to the Group, the Group estimated that Lung Investment would be required to pay to the Group approximately US\$12.8 million (or approximately HK\$100.2 million) as Compensation. Nevertheless, the above amount is based on the Audited Profits which has included the gain on the sale of trademarks and customer relationships of about US\$23.5 million and the gain on the sale of marketable securities of about US\$8.9 million. The Directors consider that these two said amounts, which totalled approximately US\$32.4 million, should be regarded as extraordinary or exceptional items. If these two items are excluded, the Compensation should amount to approximately US\$26.6 million. In or about early 2006, the Company reached an informal understanding with Mudd USA to the effect that the parties shall enter into a joint venture to set up stores in PRC to sell goods with the Trade Marks and



to engage in franchising these stores (the "PRC Retail JV"). It is the understanding of the parties that the Group should own 70% of the PRC Retail JV with Mudd USA owning the remaining 30%, but no written agreement has ever been signed by the parties. In the events which happened, the Group has never paid any royalties to Mudd USA for the use of the Trade Marks in the PRC Retail JV and Mudd USA has never contributed any working capital to the PRC Retail JV. Discussions have been taking place between the Group and Mudd USA to formalise the arrangement. As stated in the annual report of the Company for the year ended 31 March 2007, the performance of "Mudd" retail operation in the first year was well above the Group's expectations and the Group recorded revenue of about HK\$89 million from the "Mudd" retailing business.

In order to avoid any disputes between the Group and Lung Investment in respect of the Compensation on the one hand, and between the Group and Mudd USA in respect of the PRC Retail JV on the other, it is the intention of all parties involved to enter into the Agreement to resolve all outstanding issues. Accordingly, subject to Completion and the full performance of the terms of the Agreement by the relevant parties,

- (a) Lung Investment shall be released and discharged absolutely from all and any claims, demands, liabilities, obligations, covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever or otherwise arising out of or in connection with its profit guarantee under the 2004 Agreement;
- (b) the Group shall be released and discharged absolutely from all and any claims, demands, liabilities, obligations, covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever and howsoever whether or not arising out of or in connection with the use of the Trade Marks in the PRC Retail JV or otherwise;
- (c) Mudd USA shall be released and discharged absolutely from all and any claims demands liabilities obligations covenants, undertakings, warranties, losses, damages, costs and expenses whatsoever or otherwise arising out of or in connection with any obligation under the PRC Retail JV; and
- (d) Mudd USA shall forever waive, abandon and relinquish all its interest, rights and claims to or in the PRC Retail JV to the intent and purpose that thereafter the Group shall be the sole owner of the PRC Retail JV.

To protect the interest of the Group in respect of the exercise of the Option, Lung Investment and the Group agree that the expiry date for exercise of the Option shall be extended from 15 October 2007 to 14 February 2008 provided that if all the conditions precedent set out in the Agreement have been fulfilled, the Option shall immediately cease to be exercisable.

Upon Completion, the Group will receive US\$16,000,000 (equivalent to HK\$124,800,000) in cash (US\$10 million being a refund of the amount paid by the Group in respect of the Option) and become the beneficial owner of the New Company which will own the Trade Marks in Greater China and the Joint Venture Rights. The Board considers that the Trade Marks in Greater China and the Joint Venture Rights are valuable to the future development of the Group. As mentioned in the annual report of the

Company for 2007, the performance of “Mudd” retail operations in the past was well above the Group’s expectation and it is expected that it will provide an important growth driver for the Group. It is expected that with the Joint Venture Rights, the Group’s successful experience from the “Mudd” retail outlets in the PRC can be applied to other Asian countries (other than Greater China) and the Middle East.

## **GENERAL**

Each of the Redemption and the transfer of the Sale Shares constitutes a major transaction on the part of the Company and is therefore subject to the disclosure and Shareholders’ approval requirements under the Listing Rules. No Shareholder is required to abstain from voting at the EGM. A circular of the Company containing, among other things, further information on the Redemption and the transfer of the Sale Shares and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on Monday, 15 October 2007 at the request of the Company and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Wednesday, 24 October 2007.

## **DEFINITIONS**

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

“2004 Agreement”	the Sale and Purchase Agreement dated 26 July 2004 (as supplemented by six supplemental agreements) and entered into between Newest Global and Lung Investment in relation to the acquisition by the Group of 516,667 Preferred Shares with Option, further details of which are set out in the announcements of the Company dated 30 July 2004 and 25 September 2007 and the circular of the Company dated 18 March 2005
“Agreement”	the Settlement Agreement dated 13 October 2007 and entered into among Newest Global, the Company, Lung Investment, Mudd USA and Sino Legend in relation to the Redemption
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Company”	Tack Fat Group International Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange

“Compensation”	the amount of compensation with respect to the profit guarantee payable by Lung Investment pursuant to the terms of the 2004 Agreement
“Completion”	completion of the Redemption pursuant to the terms and conditions of the Agreement
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Greater China”	the PRC, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Iconix”	Iconix Brand Group, Inc., a Delaware corporation which shares are listed on NASDAQ in USA, an Independent Third Party
“Iconix Agreement”	an agreement entered into on 11 April 2006 between the Sino Legend Group and Iconix for the sale of the worldwide trademarks, licensing agreements and customer relationship, excluding the trademarks in Greater China, for a consideration of US\$45,000,000 in cash plus 3,268,231 shares of Iconix common stock valued, pursuant to an appraisal at 11 April 2006, to equal US\$48,871,900
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
“Joint Venture Rights”	the right of Mudd USA to negotiate in good faith to enter into commercially reasonable arrangement (i.e. joint venture) to exploit the Trade Marks in Asia (other than Greater China) and the Middle East providing for an equal sharing of costs and royalties with Iconix Brand Group, Inc. pursuant to the agreement entered into between Mudd USA and Iconix dated 31 March 2006
“License Agreement”	certain license agreement between Mudd USA and JP Holdings LLC, a Delaware limited liability company which is wholly-owned by Iconix

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lung Investment”	Lung Investment Holding, LLC, an investment holding company incorporated in the State of Delaware, USA as a limited liability company
“Marks”	all names, corporate names, domain names, fictitious names, trademarks, trademark applications, trademark registrations, service marks, service mark applications, service mark registrations, trade names, brand names, product names, logos, trade dress, symbols, slogans or other designations owned or used by Mudd USA, in commerce or otherwise, in connection with the business conducted by Mudd USA and its operations, prospects and condition (financial and otherwise), solely as it relates to the marketing, licensing and/or managing the Mudd family of Marks and related names for use in connection with a wide variety of goods and services in Greater China (including use of the Mudd family of Marks and related names in connection with the manufacture and sale of women’s and children’s jeans wear)
“Mudd USA”	Mudd (USA) LLC, a company incorporated in the State of Delaware, USA as a limited liability company
“New Company”	a new company to be incorporated in the British Virgin Islands and owned by Sino Legend to acquire all the interest, rights and benefits in the Trade Marks in Greater China and the Joint Venture Rights before Completion
“Newest Global”	Newest Global Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Option”	the option granted by Lung Investment to Newest Global under the 2004 Agreement to acquire a further 250,000 Preferred Shares
“PRC”	People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau, and Taiwan
“Preferred Shares”	class A preferred shares of US\$0.01 each in the share capital of Sino Legend
“Redemption”	the redemption of all the Preferred Shares held by Newest Global by Sino Legend pursuant to the terms and conditions of the Agreement

“Sale Shares”	the entire issued share capital of the New Company upon Completion
“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 2007 Accounts”	the audited consolidated financial statements of Sino Legend for the year ended 31 March 2007
“Sino Legend Group”	Sino Legend and its subsidiaries including Mudd USA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trade Marks”	the exclusive rights (including ownership, propriety, licensing or other rights) of the Mudd® family of Marks
“USA” or “US”	the United States of America
“US GAAP”	the generally accepted accounting principles of US
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States 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, 23 October 2007

*As at the date of this announcement, the executive Directors are Mr. Kwok Wing, Mr. Ho Yik Kin, Norman, Mr. Kwok Kam Chuen and Ms. Kwok Choi Ha, the non-executive Director is Mr. Szeto Chak Wah, Michael, and the independent non-executive Directors are Mr. Leung Yiu Wing, Eric, Mr. Ching Kwok Ho, Samuel, Mr. Lai Man Leung and Mr. Chow Kai Leung, Sandy.*