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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

- In light of the qualification contained in the auditors' report set out in Tack Fat's 2006/2007 annual report that arose in connection with Tack Fat's associated company, Sino Legend, Tack Fat has appointed Tom Chan & Co. to carry out a special review of Sino Legend's financial statements.
- Tack Fat is in negotiations with the Vendor of Sino Legend on the settlement of the compensation payable by the Vendor for the shortfall of Guaranteed Profit, which Tack Fat estimates (as explained further below) should be approximately US\$12.8 million (or HK\$100.2 million).
- The Option has not yet been exercised.

Reference is made to the 2006/2007 annual report of Tack Fat Group International Limited ("Tack Fat") published on 1 August, 2007, which contains the audited consolidated financial statements of Tack Fat and its subsidiaries (the "Group").

Special review of Sino Legend financials

The auditor's report set out in Tack Fat's 2006/2007 annual report contained a qualification relating to Sino Legend Limited ("Sino Legend"), an associated company of Tack Fat, as follows:–

As at 31 March 2007, the group's interests in associates included share of net assets of Sino Legend Limited ("Sino Legend") of HK\$285,418,000 and the group's profit for the year was arrived at after share of Sino Legend's profit of HK\$114,084,000 for the year then ended. These amounts were derived from the audited financial statements of Sino Legend for the year ended 31 March 2007, which were prepared under accounting principles generally accepted in the United States of America. In addition, the group's interests in associates included goodwill of HK\$261,079,000 which arose on the acquisition of the group's interest in Sino Legend and a premium of HK\$78,000,000 paid for an option to acquire an additional 20.8% equity interest in Sino Legend was included in other financial assets.

The financial statements of Sino Legend referred to above were audited by an audit firm which is unrelated to the network of member firms affiliated with KPMG International. This firm issued an unqualified report dated 24 July 2007 on these financial statements. However, we have yet to receive sufficient information from this firm as we consider necessary in order to enable us to form a conclusion as to the adequacy of their work for our purposes or to carry out sufficient alternative procedures. Hence, we have been unable to satisfy ourselves as to whether:

1. the group's interests in Sino Legend as at 31 March 2007, the group's share of profit for the year then ended and the option premium included in other financial assets were fairly stated under Hong Kong Financial Reporting Standards; and
2. the summary financial information of Sino Legend as disclosed in note 15 to the financial statements was fairly stated under Hong Kong Financial Reporting Standards.

In view of the above, Tack Fat has appointed Tom Chan & Co. to carry out a special review of Audit works carried out by auditors of Sino Legend for the year ended 31 March 2007 and determine the balances are fairly stated in income statement, balance sheet, statement of changes in equity and cash flow statements and complied with Hong Kong Accounting Standards, Hong Kong Financial Report Standards, Hong Kong Standards on Auditing, so as to assist Tack Fat in determining the balances are fairly stated in income statement, balance sheet, statement of changes in equity and cash flow statements.

Tack Fat will make a further announcement of the results of the special review, when it is completed.

Profit guarantee and option in respect of Sino Legend

In connection with the Group's acquisition of its interest in Sino Legend (particulars of which were set out in Tack Fat's announcement dated 30 July 2004 and shareholders circular dated 18th March, 2005), Lung Investment Holding, LLC (the "Vendor") had guaranteed that the aggregate audited consolidated/combined net profits before tax, charges for goodwill, minority interest and any extraordinary or exceptional items of Sino Legend and its subsidiaries ("Sino Legend Group") for the period commencing from 21 May 2004 up to and including 31st March 2007 will not be less than US\$108 million (the "Guaranteed Profit"). The Group was also granted an option (the "Option") to require the Vendor to sell to it a further 250,000 preferred shares for a further payment of US\$15.65 million (approximately HK\$122.1 million).

Based on financial information available to the Group, the Group has estimated that Vendor would be required to pay to the Group approximately US\$12.8 million (or HK\$100.2 million), being 2.95 times the annualised shortfall attributable to the 43.06% shares in Sino Legend Group purchased by the Group, by way of compensation within seven days after the delivery of the audited accounts of the Sino Legend Group for the period ending 31 March 2007. The compensation has not yet been agreed by the Vendor nor has it been paid. The Vendor is in negotiations with the Group on the terms of settlement of the compensation. Further announcement will be made by Tack Fat as and when appropriate.

The Option has not yet been exercised and the Directors have not yet made any decision as to whether or not to exercise the Option. Tack Fat will comply with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of the Option, as appropriate.

Hong Kong, 27 August, 2007

Yours faithfully,
For and on behalf of
the board of Directors of
Tack Fat Group International Limited
Kwok Wing
Chairman

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