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HANG TEN GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00448)

UPDATE ON TAX DISPUTE

Reference is made to the announcement of the Company dated 17th December 2003 in relation to the Claim from the Tax Authority in Taiwan.

After seeking advice from the Company's tax advisors on the merits and effects of the Claim, the Company initiated a proceeding against the Tax Authority in the Court which granted a judgment in favour of the Company. The Tax Authority subsequently lodged an appeal to the Supreme Administrative Court which dismissed the appeal and granted an order for retrial of the proceeding in the Court. Upon the retrial of the proceeding on 5th February 2009, the Court delivered its detailed judgement to the Company on 16th February 2009 which ruled in favour of the Tax Authority and held that the Claim be sustained.

Having consulted the Company's tax advisors on the reasoning of the Court's judgment, the Board remains convinced that there are merits in the Company's dispute against the Claim and it is in the interests of the Company to appeal against the latest decision of the Court.

This announcement is made pursuant to provisions of Rule 13.09 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Capitalised terms used in this announcement shall have the same meanings as those defined in the announcement (the "**Previous Announcement**") of the Company dated 17th December 2003 in relation to the notice of claim (the "**Claim**") from the Tax Authority in Taiwan by the Company on or around 10th December 2003, unless the context herein requires otherwise.

BACKGROUND

As disclosed in the Previous Announcement, the Tax Authority claimed that the Relevant Taiwan Operation of the Group cannot exclude certain Exclusions for the value added tax purposes and therefore, in respect of the Relevant Period, Additional Tax and Penalties be imposed on the Company. Please refer to the Previous Announcement for details about the Claim.

After seeking advice from the Company's tax advisors on the merits and effects of the Claim, the Company initiated a proceeding in 台北高等行政法院 (Taipei High Administrative Court) (the "**Court**") to dispute the Claim against the Tax Authority. On 19th September 2007, the Court granted a judgment in favour of the Company and quashed any impositions and penalties by the Tax Authority pursuant to the Claim. The Tax Authority subsequently lodged an appeal to 最高行政法院 (Supreme Administrative Court) which dismissed the appeal and granted an order for retrial of the proceeding in the Court on 29th May 2008. Upon the retrial of the proceeding on 5th February 2009, the Court delivered its detailed judgement to the Company on 16th February 2009 which ruled in favour of the Tax Authority and held that the Claim be sustained.

CURRENT STATUS

Having consulted the Company's tax advisors on the reasoning of the Court's judgment, the Board remains convinced that there are merits in the Company's dispute against the Claim and it is in the interests of the Company to appeal against the latest decision of the Court with a view to clarifying and resolving any issues in connection with the Relevant Taiwan Operation.

The proceeding will take some months or years to resolve. The Company cannot predict when this will be ultimately resolved. Despite the impending status of the proceeding, the Board is of the view that the operation and business of the Group will not be affected or interrupted as a result thereby. Based on the current status and having taking relevant professional advice, necessary provisions have been made previously by the Company and the financial results of the Group will not be materially and adversely affected. The Company will constantly assess whether further provision is necessary on the basis of the progress of the proceeding.

If there is any new progress on the proceeding regarding the Claim, the Company will timely perform its announcement obligation in compliance with the Listing Rules.

GENERAL

Shareholders of the Company and public investors are advised to exercise extreme caution when dealing in the shares of the Company.

As at the date of this announcement, the executive directors of the Company are Chan Wing Sun, Kenneth Hung, Kao Yu Chu and Wang Li Wen and the independent non-executive directors of the Company are Cheung Yat Hung Alton, Kwong Chi Keung and So Hon Cheung Stephen.

By order of the Board of
Hang Ten Group Holdings Limited
Lee Kin Keung Lawrence
Company Secretary

Hong Kong, 25th February 2009