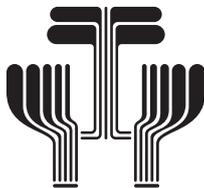


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TACK HSIN HOLDINGS LIMITED

(德興集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 611)

CLARIFICATION ANNOUNCEMENT IN RESPECT OF MAJOR ACQUISITION AND RESUMPTION OF TRADING

Supplemental Agreement

On 29 December 2010, the Company and the Vendor entered into the Supplemental Agreement to amend and supplement the Acquisition Agreement.

Pursuant to the Supplemental Agreement, the Consideration of the Acquisition will be satisfied by the issue of the Convertible Bonds in the principal amount of HK\$120,000,000 convertible into 100,000,000 Shares at the initial Conversion Price of HK\$1.20 each (subject to adjustment) at any time during the period commencing from the first anniversary of the Issue Date up to but excluding the date which is five business days prior to the date falling three years from the Issue Date, to the Vendor. The issue of the Convertible Bonds and the issue of the Conversion Shares upon the exercise of the conversion rights attached thereto are subject to the approval of the Shareholders at the SGM, at which ordinary resolution for approving the Acquisition Agreement as amended and supplemented by the Supplemental Agreement will also be presented to Shareholders for approval.

The principal terms of the Bond Instrument and the Convertible Bonds are set out in the paragraph headed “The Supplemental Agreement – Principal terms of the Bond Instrument and the Convertible Bonds” below.

Save as disclosed in this announcement, all terms and conditions of the Acquisition as set out in the Announcement remain unchanged.

Resumption of trading

At the request of the Company, trading of the Shares has been suspended with effect from 9:30 a.m. on Friday, 24 December 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of the Shares on 9:30 a.m. on Thursday, 30 December 2010.

INTRODUCTION

Reference is made to the Announcement of the Company dated 23 December 2010 in relation to the Acquisition. Unless otherwise defined, terms used in this announcement shall have the same meanings as in the Announcement.

THE SUPPLEMENTAL AGREEMENT

The Supplemental Agreement

On 29 December 2010, the Company and the Vendor entered into the Supplemental Agreement to amend and supplement the Acquisition Agreement. The Vendor is a limited liability company incorporated in the British Virgin Islands and wholly beneficially owned by Ms. Jiang Hailing.

Pursuant to the Supplemental Agreement, the Consideration of the Acquisition will be satisfied by the issue of the Convertible Bonds in the principal amount of HK\$120,000,000 convertible into 100,000,000 Shares at the initial conversion price of HK\$1.20 each, instead of by cash in the sum of HK\$120,000,000 and the issue of the Warrants as stated in the Announcement. At completion of the Acquisition, no cash will be paid by the Company and no Warrants will be issued by the Company. The Company will only issue the Convertible Bonds to satisfy the Consideration. In determining the Conversion Price of the Convertible Bonds, the Directors have taken into account the net liabilities per Share in the amount of HK\$1.145 as at 30 September 2010.

The issue of the Convertible Bonds and issue of the Conversion Shares upon the exercise of the conversion rights attached thereto are subject to the approval of the Shareholders at the SGM, at which ordinary resolution for approving the Acquisition Agreement as amended and supplemented by the Supplemental Agreement will also be presented to Shareholders for approval.

Except for (a) the approval by the Shareholders at the SGM of the Acquisition Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated therein (including the issue and allotment of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Bonds); and (b) the application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, all other conditions precedent to the completion of the Acquisition as set out in the paragraph headed "Acquisition Agreement – Conditions precedent" in the Announcement remained unchanged.

Completion of the Acquisition will take place on the second business day after satisfaction/waiver, as the case may be, of the conditions as set out in the Acquisition Agreement as amended and supplemented by the Supplemental Agreement (or such other time as the parties may agree).

Save as disclosed in this announcement, all terms and conditions of the Acquisition as set out in the Announcement remain unchanged.

The Convertible Bonds

The Convertible Bonds are for the principal amount of HK\$120,000,000 convertible into 100,000,000 Shares at the initial conversion price of HK\$1.20 each (subject to adjustment). No conversion right attached to the Convertible Bonds can be exercised during the first twelve months from the Issue Date. Conversion rights may be exercised at any time during the period commencing from the first anniversary of the Issue Date up to but excluding the date which is five business days prior to the date falling three years from the Issue Date.

Upon full exercise of the conversion rights attached to the Convertible Bonds, the Company will issue 100,000,000 Convertible Shares, representing (i) approximately 27.22% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 21.40% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares upon the full exercise of the conversion rights attached to the Convertible Bonds (assuming there is no exercise of the conversion rights attached to the 2011 CBs and the 2009 CBs and no exercise of the subscription rights attached to the 65,000,000 outstanding 2009 Warrants).

The Conversion Shares, when fully paid and allotted, will rank pari passu in all respects with the Shares then in issue on the date of allotment and issue of the relevant Conversion Shares and among themselves.

The Convertible Bonds are to be issued to the Vendor upon completion in registered form and constituted by the Bond Instrument, substantially in the form of the draft set out in a schedule to the Supplemental Agreement. The Convertible Bonds will rank pari passu in all respects among themselves. The principal terms of the Bond Instrument and the Convertible Bonds are summarised below:

Principal terms of the Bond Instrument and the Convertible Bonds

- Principal amount** : HK\$120 million
- Issue price** : 100% of the principal amount of the Convertible Bonds in satisfaction of the Consideration for the Acquisition
- Interest rate** : The Convertible Bonds do not bear any interest
- Maturity date** : Three years from the Issue Date
- Conversion Price** : HK\$1.20, being the initial conversion price per Conversion Share but subject to standard adjustment clauses including consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distributions, issue of shares and other securities by way of rights and issue of new Shares at a price which is less than 90% of the then market price of the Shares
- Status and transferability** :
- (a) The obligations of the Company arising under the Convertible Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, and will rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company
 - (b) The Convertible Bonds are freely transferable
 - (c) Any transfer of the Convertible Bonds shall be in respect of the whole or any part of the Convertible Bonds in integral multiples of HK\$6,000,000

- Redemption** : All Convertible Bonds which have not been redeemed or converted by their maturity date will be automatically redeemed by the Company on the maturity date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds
- Conversion** : Conversion right attached to the Convertible Bonds can be exercised at any time during the period commencing from the first anniversary of the Issue Date up to but excluding the date which is five business days prior to the date falling three years from the Issue Date provided that no conversion right shall be exercised if it will result in (i) a change of control of the Company within the meaning of the Takeovers Code; or (ii) insufficient public float of the Shares
- Voting at shareholders' meeting** : Holders of the Convertible Bonds shall not be entitled to receive notices of attend or vote at any general meeting of the Company by reason only of being the holders of the Convertible Bonds
- Listing** : No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange, or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares
- Events of default** : If any of the following events occurs and is continuing, if so requested in writing by the holders of the Convertible Bonds ("**Bondholders**") of not less than 66% of the outstanding principal amount of the Convertible Bonds shall (subject to its rights under this Instrument to be indemnified), or a Bondholder or a group of Bondholders in aggregate holding not less than 66% of the outstanding principal amount of the Convertible Bonds shall, give notice to the Company that the Convertible Bonds are, and they shall accordingly thereby forthwith become, immediately due and payable at their principal amount together with accrued interest if:
- (a) the Company fails to pay the principal or premium (if any) of or any interest on any of the Convertible Bonds when due and such failure continues for a period of fourteen (14) days; or
 - (b) the Company fails to perform or comply with any of its other obligations under the Convertible Bonds or the Bond Instrument which default is not remedied within 30 days after notice requiring the same to be remedied is served by the Bondholder at the request of any Bondholder or group of Bondholders holding not less than 66% of the outstanding principal amounts of the Convertible Bonds or a Bondholder or a group of Bondholders holding not less than 66% of the outstanding principal amount of the Convertible Bonds (as the case may be) on the Company; or

- (c) (i) any other present or future indebtedness of the Company or any major subsidiary (“**Major Subsidiary**”) of the Company for or in respect of moneys borrowed or raised is declared or becomes due and payable prior to its stated maturity by reason of an event of default (however called or described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company or any Major Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; PROVIDED THAT any single amount or the aggregate amount of the indebtedness becoming due and payable under (i) above, and/or any single amount or aggregate amount of the indebtedness not paid when due, or as the case may be, within any applicable grace period under (ii) above and/or any single amount or the aggregate amount not paid when due under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised under (iii) above, equals or exceeds HK\$5,000,000 and HK\$10,000,000 respectively; or
- (d) a distress, attachment, execution or other legal process (the “**Actions**”) is levied, enforced or sued out on or against the whole or any part of the property, assets or revenues of the Company or any Major Subsidiary which, in the reasonable opinion of the Bondholders, has or would have a material adverse effect on the Company or such Major Subsidiary and is not discharged or stayed within 45 days (or such longer period as the Bondholders may consider to be reasonably appropriate) unless, but only so long as, the Bondholders are satisfied that the Actions are being contested in good faith, diligently and with a reasonable prospect of success; or
- (e) the Company or any Major Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when they fall due; stops, suspends or threatens to stop or suspend payment of all or substantially all of its debts; makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due); or

- (f) an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration (or equivalent procedure) of the Company or any Major Subsidiary, or the directors of the Company or any Major Subsidiary request any person to appoint an administrator (or equivalent person), or the Company ceases or threatens to cease to carry on all or a material part of its business or operations; except in any case, however, for the purpose of or in connection with a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms previously approved by a special resolution of the Bondholders, or (ii) in the case of a Major Subsidiary, whereby the undertaking and assets of the Major Subsidiary are transferred or distributed to or otherwise vested in the Company or another one or more of its Subsidiaries, or by way of a voluntary winding up or dissolution where there are surplus assets in such Major Subsidiary and such surplus assets which are attributable to the Company and/or any other Subsidiaries are distributed to the Company and/or such other Subsidiaries; or
- (g) an administrative or other receiver or any manager (or equivalent person) is duly appointed of the Company or any Major Subsidiary or the directors of the Company or any Major Subsidiary request any person to appoint such an administrative or other receiver or manager (or equivalent person) over either of them or any of their respective assets or properties, unless it is in the opinion of the Bondholders (which shall be duly resolved at the meeting of the Bondholders convened) that, in the case only of such action having been commenced by a creditor of the Company or any Major Subsidiary, as the case may be, it is discharged within 30 days of the commencement of such proceedings or the appointment as aforesaid; or
- (h) the listing of the Shares on the Stock Exchange is at any time terminated, or its Shares suspended for trading for a period of more than 20 consecutive trading days and the Company is unable to provide a reason therefor.

The Conversion Price represents:

- (i) a discount of approximately 61.66% to the closing price of HK\$3.13 per Share as quoted on the Stock Exchange on 23 December 2010, being the date of the Acquisition Agreement and the last day of trading before the entering into of the Supplemental Agreement; and
- (ii) a discount of approximately 64.09% over the average of the closing prices of HK\$3.342 per Share as quoted on the Stock Exchange for the last five trading days up to and including 23 December 2010.

SHAREHOLDING STRUCTURE

The following table shows the change in shareholding structure of the Company upon full exercise of the conversion rights attached to the Convertible Bonds:

Shareholder	As at the date of this announcement		Assuming the conversion rights attached to the Convertible Bonds are exercised in full while the conversion rights attached to the 2011 CBs, the conversion rights attached to the 2009 CBs and the subscription rights attached to the outstanding 2009 Warrants are unexercised		Assuming the conversion rights attached to the Convertible Bonds, the conversion rights attached to the 2011 CBs, the conversion rights attached to the 2009 CBs and the subscription rights attached to the outstanding 2009 Warrants are exercised in full at the initial Conversion Price, initial conversion price, initial conversion price and initial subscription price, respectively	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Hoylake Holdings Limited (Notes 1 & 5)	114,240,000	31.10	114,240,000	24.44	114,240,000	10.09
Vendor and parties acting in concert with it (Note 5)	–	–	100,000,000	21.40	100,000,000	8.83
Holder(s) of 2011 CBs (Notes 2 & 5)	–	–	–	–	400,000,000	35.33
Holder(s) of 2009 CBs (Notes 3 & 5)	–	–	–	–	200,000,000	17.66
Holders of 2009 Warrants (Notes 4 & 5)	–	–	–	–	65,000,000	5.74
Public	253,081,620	68.90	253,081,620	54.16	253,081,620	22.35
Total:	<u>367,321,620</u>	<u>100.00</u>	<u>467,321,620</u>	<u>100.00</u>	<u>1,132,321,620</u>	<u>100.00</u>

Notes:

1. Hoylake Holdings Limited is a company wholly owned by Mr. Chan Shu Kit, an executive Director.
2. The 2011 CBs have yet to be issued and it is assumed that the subscription of the 2011 CBs will be completed. No adjustment to the conversion price of the 2011 CBs, if any, has been taken into account.
3. No adjustment to the conversion price of the 2009 CBs, if any, has been taken into account.
4. As at the date of this announcement, 65,000,000 of such warrants remain outstanding and unexercised. No adjustment to the subscription price of the 2009 Warrants, if any, has been taken into account.
5. There is no relationship between (i) the Vendor and Ms. Jiang Hailing, (ii) Hoylake Holdings Limited and Mr. Chan Shu Kit, (iii) the subscriber of the 2011 CBs, (iv) the holder of the 2009 CBs, and (v) the holders of the outstanding 2009 Warrants, and they are independent of each other. The Vendor and Ms. Jiang Hailing are not acting in concert with any of the Shareholders within the meaning of the Takeovers Code.

REASONS FOR THE SUPPLEMENTAL AGREEMENT

The Directors consider that the satisfaction of the Consideration by issue of the Convertible Bonds will enable the Company to reallocate its cash resources for other purposes while at the same time broaden the Shareholders' base of the Company upon the exercise of the conversion rights attached to the Convertible Bonds. Furthermore, as the holder of the Convertible Bonds cannot exercise the conversion rights until after the first anniversary of the Issue Date, the Directors consider that the issue of the Convertible Bonds will not result in any immediate dilutive effect on the percentage holding of the Shareholders.

The Consideration (including the Conversion Price) was determined after arm's length negotiations between the parties to the Acquisition Agreement as amended by the Supplemental Agreement after taking into account a number of factors including the uniqueness of business nature, the business prospects, financial position and performance of Zhangjiagang Libaite (or Zhong He Libaite upon completion of the Conversion), the prevailing market price of the Shares and net liabilities per Share. The Directors consider that the terms of the Acquisition are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors consider the terms of the Acquisition (including the Conversion Price) set out in the Acquisition Agreement as amended and supplemented by the Supplemental Agreement to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RESUMPTION OF TRADING

At the request of the Company, trading of the Shares has been suspended with effect from 9:30 a.m. on Friday, 24 December 2010 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of the Shares on 9:30 a.m. on Thursday, 30 December 2010.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms used herein shall have the following meanings:

“Announcement”	the announcement made by the Company on 23 December 2010 in relation to the Acquisition
“Bond Instrument”	the instrument to be entered into by the Company constituting the Convertible Bonds, substantially in the form of the draft set out in a schedule to the Supplemental Agreement
“Consideration”	consideration for the Acquisition, being the amount of HK\$120,000,000 to be satisfied by the issue of the Convertible Bonds
“Conversion Price”	initial conversion price of HK\$1.20 per Conversion Share but subject to standard adjustment clauses in the Bond Instrument
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK\$120,000,000 convertible into Shares, to be constituted by the Bond Instrument
“Issue Date”	the date of issue of the Convertible Bonds
“SGM”	a special general meeting of the Company to be held to approve, inter alia, the Acquisition Agreement as amended and supplemented by the Supplemental Agreement and the transactions contemplated thereunder (including the issue and allotment of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds)
“Supplemental Agreement”	the supplemental agreement dated 29 December 2010 entered into between the Company and the Vendor to amend and supplement the Acquisition Agreement
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong

By Order of the Board
Tack Hsin Holdings Limited
Chan Shu Kit
Chairman

Hong Kong, 29 December 2010

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Chan Shu Kit

Mr. Chan Ho Man

Ms. Jian Qing

Mr. Chung Chi Shing

Independent non-executive Directors:

Mr. Kung Fan Cheong

Mr. Chan Ka Ling, Edmond

Mr. Lo Kin Cheung

* *For identification purpose only*