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TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

(東力實業控股有限公司)*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 978)

DISCLOSEABLE AND CONNECTED TRANSACTION – DISPOSAL OF PROPERTY

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that after the trading hours on 16 June 2008, the Vendor, being the wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchasers, pursuant to which, the Vendor agreed to dispose of and the Purchasers agreed to acquire the Property at the Consideration of HK\$34.0 million, which will be satisfied in cash. Upon completion of the Disposal, it is estimated that the Company will record a gain on disposal of approximately HK\$29.2 million and the proceeds from the Disposal will be applied in the future development for the Group's business.

LISTING RULES IMPLICATIONS

As the applicable ratios (as defined under the Listing Rules) in respect of the Disposal is greater than 5% but below 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Since (i) the Purchasers are family members of Mr. Ling, the chairman of the Board and controlling Shareholder (as defined under the Listing Rules), and are therefore connected persons of the Company under Chapter 14A of the Listing Rules; and (ii) the Consideration is greater than HK\$10.0 million, the Disposal also constitutes a non-exempted connected transaction for the Company and the Sale and Purchase Agreement is subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE EGM

The EGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval of, amongst other things, the transaction contemplated under the Sale and Purchase Agreement by way of a poll. Accordingly, Mr. Ling, together with his associates, are required to abstain from voting in respect of the resolutions relating to the Sale and Purchase Agreement and the transaction contemplated thereunder.

GENERAL

Since the Disposal is subject to the approval of the Independent Shareholders, an Independent Board Committee will be established to consider, among other things, the Disposal, and the Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details on the Sale and Purchase Agreement; (ii) the recommendation from the Independent Board Committee and the letter of advice from the independent financial adviser relating to the terms of the Sale and Purchase Agreement; (iii) the Valuation Report; (iv) a notice convening the EGM and (v) other disclosure requirements under the Listing Rules will be despatched to the Shareholders as soon as practicable.

THE SALE AND PURCHASE AGREEMENT

Date

16 June 2008 (after trading hours)

Parties to the Sale and Purchase Agreement

Vendor : Tonic Electronics Limited, a wholly-owned subsidiary of the Company

Purchasers : Ms. Tam Lai Ha and Ms. Ling Ka Ka, Jennifer, being the spouse and daughter of Mr. Ling, respectively

To the best of the Directors' knowledge, belief, and having made all reasonable enquiries, the Group does not have any prior transactions with Mr. Ling and the Purchasers which require aggregation under Rule 14A.25 of the Listing Rules.

Asset to be disposed

The Property, comprising a 4-storey town house, a carport and an open area of approximately 268.02 sq.m., 34.37 sq.m. and 100.61 sq.m., respectively, which is located at Town House No. 113, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong, Kowloon, Hong Kong. Based on the unaudited consolidated balance sheet of the Company as at 31 March 2008, the net book value of the Property amounted to approximately HK\$4.8 million.

Major terms of the Completion of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is subject to the approval of the Independent Shareholders at the EGM and is expected to take place on 12 August 2008. In the event the aforesaid condition cannot be satisfied on or before 12 August 2008, the sale of the Property shall be annulled and the Sale and Purchase Agreement shall become null and void, and neither parties to the Sale and Purchase Agreement shall have any claim against each other.

Consideration

The Consideration of HK\$34.0 million will be satisfied by cash upon completion of the Sale and Purchase Agreement. The Consideration of HK\$34.0 million was determined after arm's length negotiation amongst the parties to the Sale and Purchase Agreement and is the same as the Valuation as at 31 May 2008 as stated in the draft Valuation Report prepared by the Independent Valuer. Based on the unaudited net book value of the Property as at 31 March 2008 of approximately HK\$4.8 million, it is expected that upon completion of the Disposal, the Company will record a gain on disposal of approximately HK\$29.2 million. Having considered that the Valuation is prepared based on the open market value with reference to comparable sale transactions available in the relevant market and the sale proceeds from the Disposal will be applied in the future development of the Group's business, the Directors (excluding the independent non-executive Directors whose opinions will be subject to the advice of the independent financial adviser to be appointed) considered that the terms of the Sale and Purchase Agreement, including the Consideration, are fair and reasonable and on normal commercial terms, and the entering into of the Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the design and manufacture of consumer electronic products and home appliance products with its products distributed to worldwide market. For the year ended 31 March 2007, the Group's revenue was increased by approximately 8.7% from approximately HK\$2,392.2 million for the year ended 31 March 2006 to approximately HK\$2,599.4 million for the year ended 31 March 2007. As stated in the Company's annual report for the year ended 31 March 2007, due to the Group's continuous effort in diversifying its products into those of high profit margins to offset the increase in production cost (such as material cost and labour cost), the Group's net profit before and after tax were increased from approximately HK\$18.5 million and HK\$18.6 million, respectively, for the year ended 31 March 2006 to approximately HK\$31.7 million and HK\$24.0 million for the year ended 31 March 2007, respectively. In addition, the Company has maintained a strong balance sheet position with net assets value of approximately HK\$508.1 million and HK\$541.4 million as at 31 March 2006 and 2007, respectively.

The Property is currently occupied by Mr. Ling for his residential purpose. Mr. Ling, being the controlling Shareholder and the chairman of the Board, has considered that it will be beneficial to the Group to dispose the Property and apply the sale proceeds from the Disposal for the Group's future business development. Given that the Group will record a gain of approximately HK\$29.2 million from the Disposal and its cash balance will be increased by HK\$34.0 million, the Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser to be appointed) considered that the Disposal is in the interest of the Company and its Shareholders as a whole. As at the date of this announcement, the Directors have not identified any investment opportunities yet.

LISTING RULES IMPLICATIONS

As the applicable ratios (as defined under the Listing Rules) in respect of the Disposal is greater than 5% but below 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Since (i) the Purchasers are family members of Mr. Ling, the chairman of the Board and controlling Shareholder (as defined under the Listing Rules), and are therefore connected persons of the Company under Chapter 14A of the Listing Rules; and (ii) the Consideration is greater than HK\$10.0 million, the Disposal also constitutes a non-exempted connected transaction for the Company and the Sale and Purchase Agreement is subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE EGM

The EGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval of, amongst other things, the transaction contemplated under the Sale and Purchase Agreement by way of a poll. Since the Purchasers are connected persons (as defined under the Listing Rules) of the Company and are parties to the Sale and Purchase Agreement, Mr. Ling, together with his associates, are considered to have material interest in the Disposal and are required to abstain from voting in respect of the resolutions relating to the Sale and Purchase Agreement and the transaction contemplated thereunder pursuant to Rule 14A.18 of the Listing Rules.

GENERAL

Since none of the independent non-executive Directors has a material interest in the Disposal which is subject to the approval of the Independent Shareholders, an Independent Board Committee comprising all of the independent non-executive Directors will be established to consider, among other things, the Disposal. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details on the Sale and Purchase Agreement; (ii) the recommendation from the Independent Board Committee and the letter of advice from the independent financial adviser relating to the terms of the Sale and Purchase Agreement; (iii) the Valuation Report; (iv) a notice convening the EGM and (v) other disclosure requirements under the Listing Rules will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Board”	:	board of Directors
“Company”	:	Tonic Industries Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Consideration”	:	The consideration of HK\$34.0 million for the Disposal
“Director(s)”	:	the director(s) of the Company

“Disposal”	:	the disposal of the Property by the Vendor to the Purchasers under the Sale and Purchase Agreement
“EGM”	:	the extraordinary general meeting of the Company to be convened to approve the Disposal
“Group”	:	the Company and its subsidiaries
“HK\$”	:	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	:	an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul
“Independent Shareholders”	:	Shareholders except Mr. Ling and his associates (as defined under the Listing Rules)
“Independent Valuer”	:	Jones Lang LaSalle Sallmanns Limited, an independent valuer which, to the Directors’ best knowledge, information and belief, having made all reasonable enquiries, is independent of and not connected with the Company, any chief executive, directors 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
“Mr. Ling”	:	Mr. Ling Siu Man, Simon, an executive Director, chairman of the Board and a beneficial owner of the entire issued share capital of Success Forever Limited, a controlling shareholder of the Company
“Property”	:	the property which comprises a 4-storey town house, a carport and an open area of approximately 268.02 sq.m, 34.37 sq.m. and 100.61 sq.m, respectively, which is located at Town House, No. 113, Sunderland Estate, 1 Hereford Road, Kowloon Tong, Kowloon, Hong Kong
“Purchasers”	:	Ms. Tam Lai Ha and Ms. Ling Ka Ka, Jennifer, the spouse and daughter of Mr. Ling, respectively
“Sale and Purchase Agreement”	:	the sale and purchase agreement dated 16 June 2008 entered into between the Vendor and the Purchasers in relation to the disposal of the Property by the Vendor to the Purchasers
“Shareholder(s)”	:	shareholders of the Company

“sq.m.”	:	square meters
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Valuation”	:	the valuation of the Property as at 31 May 2008 as stated in the draft Valuation Report
“Valuation Report”	:	the valuation report on the Property as prepared by the Independent Valuer
“Vendor”	:	Tonic Electronics Limited, a wholly-owned subsidiary of the Company and a company incorporated in Hong Kong with limited liabilities

* *for identification purpose only*

By Order of the Board
Tonic Industries Holdings Limited
Ling Siu Man, Simon
Chairman

Hong Kong, 16 June 2008

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Ling Siu Man, Simon, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man and Mr. Lam Kwai Wah and three independent non-executive Directors, namely, Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul