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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tonic Industries Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TONIC INDUSTRIES HOLDINGS LIMITED

東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

Website: <http://www.tonic.com.hk>

CONTINUING CONNECTED TRANSACTIONS: THE PROCUREMENT AGREEMENT

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from Altus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 23 of this circular.

A notice dated 30 October 2012 convening the EGM of the Company to be held at Golden Dynasty Court, Macau Jockey Club, Hong Kong Club House, 3/F, Shun Tak Centre, Connaught Road Central, Hong Kong on Friday, 16 November 2012 at 11:30 a.m. is set out on pages 27 to 28 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	12
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	14
APPENDIX — GENERAL INFORMATION	24
NOTICE OF THE EGM	27

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions have the following meanings:

“Altus” or the “Independent Financial Adviser”	Altus Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (including the Annual Caps)
“Annual Caps”	the proposed annual maximum aggregate value for the Continuing Connected Transactions for the periods from the effective date of the Procurement Agreement to 31 December 2012 and each of the two years ending 31 December 2013 and 31 December 2014 respectively
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“CMPD”	招商局地產控股股份有限公司 (China Merchants Property Development Co., Ltd.), a company established in the PRC with limited liability, with shares listed on the Shenzhen Stock Exchange
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning given to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions to be entered into between GHG and CMPD pursuant to the Procurement Agreement
“controlling shareholder”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened on Friday, 16 November 2012 at 11:30 a.m. for the purpose of allowing the Independent Shareholders to consider, and if thought fit, to approve the entering into of the Procurement Agreement by GHG and the Continuing Connected Transactions (including the Annual Caps) including any adjournment thereof
“GHG”	冠華港貿易(深圳)有限公司 (Guan Hua Gang Trading (Shenzhen) Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), 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 that was formed and which comprised of all independent non-executive Directors namely, Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Dr. Shi Xinping, to advise the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps)
“Independent Shareholders”	the Shareholders other than Success Well and its associates
“Latest Practicable Date”	26 October 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

* For identification purpose only

DEFINITIONS

“Procurement Agreement”	the master procurement agreement dated 8 October 2012 entered into between GHG and CMPD in relation to the sourcing of the Products by GHG for CMPD, its subsidiaries and joint ventures
“Procurement Sub-Contract(s)”	the separate procurement agreement(s) to be entered into between GHG and CMPD or its subsidiaries or its joint ventures for each procurement of Products during the term of the Procurement Agreement referred in, and subject to the terms of, the Procurement Agreement
“Products”	the electronic and electrical products and building related materials and equipment, including but not limited to building and renovation materials and construction equipment and other related materials to be sourced by GHG under the Procurement Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Well”	Success Well Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of CMPD, and the controlling shareholder of the Company

LETTER FROM THE BOARD

TONIC INDUSTRIES HOLDINGS LIMITED

東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

Website: <http://www.tonic.com.hk>

Executive Directors:

Huang Peikun (*Chairman*)

So Shu Fai

Liu Zhuogen

Yu Zhiliang

Registered office:

P.O. Box 309 GT, Uglund House

South Church Street

George Town, Grand Cayman

Cayman Islands, British West Indies

Non-Executive Director:

Liu Ning

Place of business in Hong Kong:

Room 3111, 31/F, China Merchants Tower,

Shun Tak Centre,

Nos. 168–200 Connaught Road Central,

Hong Kong

Independent Non-Executive Directors:

Wong Wing Kuen, Albert

Chen Yanping

Shi Xinping

30 October 2012

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: THE PROCUREMENT AGREEMENT

INTRODUCTION

Reference is made to the announcement dated 8 October 2012, in which the Board announced that GHG, a wholly-owned subsidiary of the Company, and CMPD entered into the Procurement Agreement on 8 October 2012 pursuant to which GHG may source the Products for CMPD, its subsidiaries and joint ventures. Depending upon the progress of projects of CMPD, its subsidiaries and joint ventures, GHG will enter into Procurement Sub-Contract under the Procurement Agreement for each purchase order with CMPD or its subsidiaries or its joint ventures (“Relevant Buyers”).

CMPD, via Success Well, its indirect wholly-owned subsidiary, was interested in 749,860,626 Shares, representing approximately 70.18% of the entire issued share capital of the Company as at the Latest Practicable Date. As CMPD is an associate of the Company’s controlling shareholder, CMPD is a connected person of the Company and the transactions contemplated under the Procurement Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

As the proposed Annual Caps for the transactions contemplated under the Procurement Agreement is expected to exceed the 5% threshold under Rule 14A of the Listing Rules, such continuing connected transactions will fall under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements contained in Rule 14A of the Listing Rules.

An Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Dr. Shi Xinping, has been formed to advise the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps). The Company has appointed Altus to advise the Independent Board Committee and the Independent Shareholders in respect of the Procurement Agreement.

The purpose of this circular is to provide you with information regarding the resolution to be considered, and if appropriate, to be approved by the Independent Shareholders at the EGM relating to the entering into of the Procurement Agreement by GHG and the Continuing Connected Transactions (including the Annual Caps) contemplated thereunder.

CONTINUING CONNECTED TRANSACTIONS WITH CMPD UNDER THE PROCUREMENT AGREEMENT

The Procurement Agreement

On 8 October 2012, GHG, a wholly-owned subsidiary of the Company, and CMPD entered into the Procurement Agreement and the details of the Procurement Agreement are as follow:

Date

8 October 2012

Parties

- (1) GHG, a wholly-owned subsidiary of the Company; and
- (2) CMPD, an indirect controlling shareholder of the Company

Principle terms

Pursuant to the Procurement Agreement, GHG may source the Products for CMPD, its subsidiaries and joint ventures. Depending upon the progress of projects of CMPD, its subsidiaries and joint ventures, GHG will enter into Procurement Sub-Contract under the Procurement Agreement for each purchase order with CMPD or its subsidiaries or its joint ventures.

LETTER FROM THE BOARD

Pricing basis

The sourcing of the Products by GHG for CMPD or its subsidiaries or its joint ventures will be by way of Procurement Sub-Contract, which will set out the quality, model type, specifications, quantity, pricing and payment terms of the Products. Pursuant to the Procurement Agreement, the pricing terms of the Products shall be negotiated on an arm's length basis between GHG and the Relevant Buyers and be determined based on normal commercial terms with reference to prevailing market prices for procuring the Products by and for independent third parties and in any event should not be below the best available price offered by GHG to independent third parties. If no prevailing market price is available, GHG will determine the price on a cost-plus basis which such profit margin of the Products will be not less than 2% (after taking into account of the acquisition cost of the Products and indirect purchasing costs of the Products). As a reference, the gross profit margin (after taking into account of acquisition cost of products only) of its existing trading business with the independent third parties for the year ended 31 March 2012 was approximately 2%.

For electronic and electrical products and materials, the prevailing market prices and/or the best available prices are determined based on the past experience and market information from the Group's existing trading with the independent third party customers through negotiation with them and providing quotations to them. In addition, GHG will continue to seek other independent customers in order to expand its customer base and provide a reference of prevailing market price to determine the selling price to the Relevant Buyers.

For building related materials and equipment, the prevailing market prices and/or the best available prices are based on the past experience and market information obtained by our executive Directors. In addition, from the negotiation with the suppliers, GHG could obtain the market information on the pricing range of the Products through quotations from the potential suppliers which could provide a reference for GHG to determine the selling price to the Relevant Buyers under cost-plus basis. Moreover, GHG will continue to seek other independent customers for building related materials and equipment in order to expand its customer base and provide a reference of prevailing market price to the Relevant Buyers.

Payment terms

If not separately set out in the Procurement Sub-Contract, the price of the Products will be payable by the Relevant Buyers in the following manner:

- (i) 0% to 10% of the consideration will be payable within 10 days upon signing of the relevant Procurement Sub-Contract;
- (ii) 60% to 100% of the consideration will be payable within 20 days upon delivery and completion of inspection of the Products;

LETTER FROM THE BOARD

- (iii) 0% to 30% of the consideration will be payable within 20 days upon installation and completion of inspection by the respective departments of the Relevant Buyers of the Products; and
- (iv) 0% to 5% of the consideration will be payable immediately after the completion of the warranty period (to be agreed in the Procurement Sub-Contract).

The payment terms in the Procurement Sub-Contract will be equal to and no worse off than the payment terms in the Procurement Agreement. Also, the framework payment terms for the electronic and electrical products and the building related material and equipment will be similar and within the range stated in the Procurement Agreement, and will also take into account the different payment terms between GHG and the suppliers of such Products, so that GHG will not be placed in a position where it would have to commit a substantial portion of its cash resources for such orders prior to receipt of payment from the Relevant Buyers.

GHG's payment terms granted to the Relevant Buyers are equal to and no worse off than GHG's payment obligations to its suppliers. Similarly, GHG's warranty terms given to the Relevant Buyers are equal to and no worse off than warranty terms received from its suppliers.

Term and termination

The Procurement Agreement shall become effective upon fulfilment of the conditions precedent below and shall continue in force until 31 December 2014.

Conditions precedent

The Procurement Agreement is conditional upon the fulfilment of the following conditions:

- (i) receiving the approval by the Board; and
- (ii) passing of an ordinary resolution by the Independent Shareholders at the EGM by way of a poll to approve the entering into of the Procurement Agreement by GHG and the Continuing Connected Transactions (including the Annual Caps), and compliance with all relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

Reasons for and Benefits of the transactions contemplated under the Procurement Agreement

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the manufacturing of electronic consumer products and the trading of electrical consumer products. In the past five financial years, the Group incurred losses for the years ended 31 March 2008 to 2010 and 31 March 2012. For the year ended 31 March 2011, excluding the exceptional gain on deconsolidation of a liquidating subsidiary and gain on debt restructuring, it also incurred a loss. With this past financial track record, the Board considers that it would be difficult to turn around the financial results of the Group if it continues to limit its business opportunities to the procurement of electronic and electrical consumer products alone. In order to improve the financial results of the Group, the Group strives to operate and expand its existing businesses and apply its experience in procurement to other products in addition to electronic and electrical consumer products, optimize the consolidation of internal resources as well as further adjust the business strategies to cater for changes in market demand so as to enhance the overall operating efficiency of the Company.

CMPD is a company established in the PRC with limited liability. It is principally engaged in property investment and property development.

Although the Group only has the experience in procuring the electronic and electrical consumer products, Mr. Liu Zhuogen, an executive Director, is an experienced engineer and worked as an engineer and sales manager in several construction companies prior to joining the Group. Mr. Yu Zhiliang, another executive Director, is also experienced in the property development industry. The sourcing of the Products by GHG for CMPD, its subsidiaries and joint ventures is considered an integral part of the ordinary and usual course of business of the Group and will be conducted on normal commercial terms following an arm's length negotiation between the parties to the Procurement Agreement. The Directors (excluding the independent non-executive Directors, whose views will be rendered after considering the recommendations from Altus) consider that the Procurement Agreement and the Continuing Connected Transactions thereunder will enable the Group to expand its existing businesses to the procurement of building and renovation materials and construction equipment and also develop a wider customer base for its existing sale of electronic and electrical consumer products and related components. From acting as a procurement arm for CMPD, its subsidiaries and joint ventures, the Group could build up its reputation as an experienced procurement company in electronic, electrical, building related materials and equipment. The Directors believe that the Group will make reasonable profit from the transactions with CMPD under the Procurement Agreement.

As the Procurement Agreement and the Continuing Connected Transactions thereunder will be carried out in the ordinary and usual course of the Group's business and on normal commercial terms, the Directors (excluding the independent non-executive Directors, whose views will be rendered after considering the recommendations from Altus) are of the view that terms of the Continuing Connected Transactions (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Annual Caps

Set out below are the Annual Caps for the three financial years ending 31 December 2014.

	For each of the years ending 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Annual Caps (<i>Note iii</i>)	50,000 (<i>Note i</i>)	120,000	30,000 (<i>Note ii</i>)

Notes:

- (i) The cap amount for the year ending 31 December 2012 only covers the period from the effective date of the Procurement Agreement to 31 December 2012.
- (ii) The cap amount for the year ending 31 December 2014 represents the estimated amount of the purchase orders to be placed by the Relevant Buyers during the year ending 31 December 2013 but to be delivered during the year ending 31 December 2014.
- (iii) The Directors estimate that the respective contribution to Annual Caps by the electronic and electrical products is approximately 56%, while the building related materials and equipment accounts for approximately 44%.

The Annual Caps are determined by reference to a number of factors, particularly (i) the estimated demand for the Products from the existing projects of CMPD (including its subsidiaries and joint ventures) in the South China region as at the Latest Practicable Date. The projects of CMPD (including its subsidiaries and joint ventures) include but not limited to the development of shopping malls, hotels, residential, commercial and public facilities whose development periods ranged from 2010 to 2015; (ii) the projected demand for the Products from the effective date of the Procurement Agreement to 31 December 2013; (iii) the projected sourcing capacity of the Products by GHG from the effective date of the Procurement Agreement to 31 December 2013; and (iv) the projected purchase prices of the Products from the effective date of the Procurement Agreement to 31 December 2013.

CONNECTION BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS

CMPD is a connected person of the Company under the Listing Rules by virtue of it being an associate of the controlling shareholder of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules and other than the profits ratio), on an annual basis and in respect of the Annual Caps exceeds 5.0% and the Annual Caps is not less than HK\$10.0 million, the transactions contemplated under the Procurement Agreement (including the Annual Caps) are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

Success Well was interested in 749,860,626 Shares, representing approximately 70.18% of the entire issued share capital of the Company as at the Latest Practicable Date. Success Well is an indirect wholly-owned subsidiary of CMPD. Pursuant to Rule 14A.54 of the Listing Rules, Success Well and its associates will abstain from voting on the resolution(s) relating to the Continuing Connected Transactions (including the Annual Caps) at the EGM.

Details of the Procurement Agreements will be disclosed in the Company's next published annual report and accounts, as required under Rule 14A.46 of the Listing Rules.

BOARD OPINION

The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account of the advice from the Independent Financial Adviser, is included in the section "Letter from the Independent Board Committee" in this circular) is of the view that the Procurement Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms and that they, as well as the Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Mr. Huang Peikun and Mr. Liu Zhuogen are directors of the Company and Success Well. Mr. Huang Peikun and Ms. Liu Ning, who are the directors of the Company, are also the senior management of CMPD. They have abstained from voting on the relevant board resolutions in relation to the approval of the entering into of the Procurement Agreement by GHG and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

THE EGM

A notice convening the EGM of the Company to be held at Golden Dynasty Court, Macau Jockey Club, Hong Kong Club House, 3/F, Shun Tak Centre, Connaught Road Central, Hong Kong on Friday, 16 November 2012 at 11:30 a.m. is set out on pages 27 to 28 of this circular, at which an ordinary resolution will be proposed to the Independent Shareholders to consider, and if thought fit, to approve the entering into of the Procurement Agreement by GHG and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

The relevant form of proxy is enclosed. Whether or not Shareholders are able to attend the EGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time designated for holding the EGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM should they so wish.

As required by the Listing Rules, the votes taken at the EGM to seek approval of the Procurement Agreement and the Annual Caps will be taken by poll.

LETTER FROM THE BOARD

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Dr. Shi Xinping, has been formed to advise the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps). A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 12 to 13 of this circular.

ADDITIONAL INFORMATION

Shareholders' attention is drawn to the notice of the EGM set out on pages 27 to 28 of this circular and the additional information set out in the appendix to this circular.

By Order of the Board
Tonic Industries Holdings Limited
Mr. Huang Peikun
Chairman

TONIC INDUSTRIES HOLDINGS LIMITED

東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

Website: <http://www.tonic.com.hk>

30 October 2012

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
THE PROCUREMENT AGREEMENT**

We refer to the circular (the “Circular”) dated 30 October 2012 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 8 October 2012 the Board announced that the Company and CMPD have entered into a Procurement Agreement, pursuant to which GHG may source the Products for CMPD or its subsidiaries or joint ventures. Depending upon the progress of projects of CMPD, its subsidiaries and joint ventures, GHG will enter into Procurement Sub-Contract under the Procurement Agreement for each purchase order with the Relevant Buyers.

The Independent Board Committee was formed in order to make a recommendation to the Independent Shareholders as to whether, in its view, the terms of the Procurement Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and whether or not the transactions contemplated thereunder is in the interest of the Company and the Shareholders as a whole, and whether the proposed Annual Caps for the Procurement Agreement for each of the years ending 31 December 2012, 31 December 2013 and 31 December 2014 are fair and reasonable. Altus has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Procurement Agreement.

The terms of, and the reasons for GHG to enter into, the Procurement Agreement, the Continuing Connected Transactions contemplated thereunder and the Annual Caps applicable thereto, are set out in the Letter from the Board on pages 4 to 11 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for GHG to enter into the Procurement Agreement and the basis upon which the terms and Annual Caps have been determined. We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the terms and Annual Caps of the Procurement Agreement and the proposed Annual Caps applicable thereto, as set out in the letter from the Independent Financial Adviser on pages 14 to 23 of the Circular, which we urge you to read carefully.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, after taking into account, among other things, the advice of the Independent Financial Adviser, concurs with the views of the Independent Financial Adviser and considers that the terms of the Procurement Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and the proposed Annual Caps for the Procurement Agreement for each of the years ending 31 December 2012, 31 December 2013 and 31 December 2014 are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Procurement Agreement by GHG and the Continuing Connected Transactions contemplated under the Procurement Agreement (including the Annual Caps applicable thereto), as detailed in the notice of the EGM set out on pages 27 to 28 of the Circular.

Yours faithfully,

Wong Wing Kuen, Albert

Chen Yanping

Shi Xinping

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street
Central, Hong Kong

30 October 2012

To the Independent Board Committee and the Independent Shareholders
Tonic Industries Holdings Limited
Room 3111, 31/F, China Merchants Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: THE PROCUREMENT AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the "Letter from the Board" contained in the circular dated 30 October 2012 issued by the Company (the "Circular"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 8 October 2012, the Board announced that GHG, a wholly-owned subsidiary of the Company, entered into the Procurement Agreement with CMPD under which GHG may source the Products for CMPD, its subsidiaries and joint ventures. Depending upon the progress of projects of CMPD, its subsidiaries and joint ventures, GHG will enter into Procurement Sub-Contract under the Procurement Agreement for each purchase order with CMPD or its subsidiaries or its joint ventures.

As at the Latest Practicable Date, CMPD, via Success Well, its indirect wholly-owned subsidiary, was interested in 749,860,626 Shares, representing approximately 70.18% of the entire issued share capital of the Company. As CMPD is an associate of the Company's controlling shareholder, CMPD is a connected person of the Company and the transactions contemplated under the Procurement Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the proposed Annual Caps for the transactions contemplated under the Procurement Agreement is expected to exceed the 5% threshold under Rule 14A.35 of the Listing Rules, the transactions contemplated under the Procurement Agreement (including the Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Dr. Shi Xinping, has been formed to advise the Independent Shareholders on the terms of the Procurement Agreement (including the Annual Caps) and on how to vote on the resolution to be proposed at the EGM.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Procurement Agreement (including the Annual Caps) for the Independent Board Committee's consideration when making its recommendation to the Independent Shareholders as to how to vote on the resolution to be proposed at the EGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Principal activities and financial information of the Group

The Company is an investment holding company and the Group is principally engaged in the manufacturing of electronic consumer products and the trading of electrical consumer products.

Set out below is a summary of financial highlights of the Group for the two years ended 31 March 2011 and 2012, as extracted from the annual report of the Company for the year ended 31 March 2012 (“Annual Report 2012”).

Table A: Financial highlights of the Group

	For the year ended 31 March	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Turnover	178,214	77,394
Cost of sales	(181,272)	(75,007)
Gross (loss)/profit	(3,058)	2,387
(Loss)/profit before taxation	(62,620)	388,444
(Loss)/profit for the year	(62,620)	388,444
	As at	As at
	31 March	31 March
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net asset value	4,351	58,515

For the year ended 31 March 2012, the turnover of the Group was approximately HK\$178.2 million, representing an increase of approximately 130.3% over the previous year. However, the Group recorded a loss for the year of approximately HK\$62.6 million for the year ended 31 March 2012, compared to a profit of approximately HK\$388.4 million in the previous year. However, Shareholders should note that for the year ended 31 March 2011, excluding the exceptional gain on deconsolidation of a liquidating subsidiary and gain on debt restructuring, the Company also incurred a loss. As mentioned in the Annual Report 2012, the loss of 2012 was mainly due to a provision of impairment on assets of approximately HK\$26.9 million. For comparison of operational performance by excluding non cash items, loss for the year would be HK\$44.6 million for the year ended 31 March 2012 and HK\$72.2 million for the previous year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subsequent to the financial year ended 31 March 2012, on 19 April 2012, the Board resolved to voluntarily wind up Total Ally Holdings Limited (“Total Ally”), an indirectly wholly-owned subsidiary of the Company. Total Ally owned the previous manufacturing operations of the Group. As a result of the above, the Group has ceased to operate its manufacturing business and instead has been focusing on trading and manufacturing (by way of subcontracting arrangement) of various types of electronic and electrical consumer products.

2. Reasons for and benefits of the transactions contemplated under the Procurement Agreement

The Group has been engaged in the trading of electronic and electrical consumer products since establishment. In particular, the Group currently has 3 existing clients which the Group procures electrical consumer products for them.

As mentioned in the “Letter from the Board”, the Group has recorded losses for the past five financial years, including the year ended 31 March 2012 due to the reasons described above. In order to improve the financial performance of the Group, the Group intends to adjust its business strategies by expanding its existing businesses and apply its experience in procurement to other products in addition to electronic and electrical consumer products. Although the Group only has the experience in procuring the electronic and electrical consumer products, we noted from the brief biographies set out in the Annual Report 2012 that Mr. Liu Zhuogen and Mr. Yu Zhiliang, both being executive Directors, have over 20 years and over 10 years experience respectively in the construction and property development businesses prior to joining the Group. As at the Latest Practicable Date, the trading team is headed by the aforesaid two executive Directors with the support of two accounting and administrative staff.

The management note that trading is a scalable business which does not require substantial increase in headcount to manage the potential Procurement Sub-Contracts. In any event, the Company will also consider recruiting additional staff should the need arise in the future, which will facilitate the Group’s ability to handle the transactions under the Procurement Agreement. Notwithstanding the Group’s limited previous experience in building related materials and equipment trading, we note the reasons for the expansion of the scope of its trading business as well as the past experience of the two executive Directors and its willingness to recruit additional staff as needed. Based on the foregoing, we are of the view that it is reasonable for the Group to expand the scope of its trading business to cover other products such as building related materials and equipment.

CMPD, a connected person of the Company, is a company established in the PRC with limited liability, with shares listed on the Shenzhen Stock Exchange. It is principally engaged in property investment and property development and is the real estate arm of China Merchants Group, a state-owned corporation of the PRC.

The Procurement Agreement to be entered into with CMPD is a new arrangement and involves the procurement of electronic and electrical consumer products and building related materials and equipment. The Group has not

previously entered into any commercial transactions with CMPD. Upon entering into the Procurement Agreement, the Group would use its trading platform and apply its experience in the procurement of electronic and electrical consumer products towards the procurement of building and renovation materials and construction equipment. A portion of the Products to be procured for CMPD are similar to the existing electronic and electrical consumer products procured by the Group. Therefore, the Group has the capacity and expertise to provide such procurement services under the Procurement Agreement without having to significantly expand its operations in terms of staff, offices, delivery fleet and storage capacity (as further discussed below). By acting as a procurement agent for CMPD, the Group could leverage on the order scale of CMPD to establish itself as an experienced procurement company with a wide products range. Based on the above and that it would enhance the Group's revenue and profitability, we believe the entering into of the Procurement Agreement with CMPD is beneficial and in the interest of the Company.

3. Terms of the Procurement Agreement

a. Pricing basis

The sourcing of the Products by GHG for CMPD or its subsidiaries or joint ventures will be by way of Procurement Sub-Contract, which will set out the quality, model type, specifications, quantity, pricing and payment terms of the Products. Pursuant to the Procurement Agreement, the pricing terms of the Products shall be negotiated on an arm's length basis between GHG and the Relevant Buyers and be determined based on normal commercial terms with reference to prevailing market prices for procuring the Products to independent third parties and in any event the pricing shall not be below the price offered by GHG to independent third parties.

If no prevailing market price is available, the management has informed us that GHG will determine the price on a cost-plus basis which such profit margin of the Products will be no less than 2% (after taking into account of the acquisition cost of the Products and indirect purchasing costs of the Products).

Similarly, if the profit margin under the aforesaid price offered by GHG to independent third parties is lower than 2% (after taking into account of the acquisition cost of the Products and indirect purchasing costs of the Products), the management has informed us that GHG will determine the price on the aforesaid cost-plus basis.

As a reference, the gross profit margin (after taking into account of acquisition cost of products only) of the existing trading business with the independent third parties for the year ended 31 March 2012 is approximately 2%.

Based on the above, we are of the view that GHG's pricing mechanism for the Products will ensure that GHG will not incur losses when entering into the Procurement Sub-Contracts and is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Directors, the prevailing market prices and/or the best available prices offered by GHG to independent third party customers for electronic and electrical consumer products would be determined based on (i) market information from the Group's existing trading business with independent third party customers through negotiations with them and quotations provided by them. In addition, GHG will continue to seek other independent customers of electronic and electrical consumer products in order to expand its customer base and provide a reference of prevailing market price to determine the selling prices to the Relevant Buyers; and (ii) the past experience of the Directors.

Meanwhile, the prevailing market prices and/or the best available prices for building and renovation materials and construction equipment would be determined based on the past experience of the Directors and market information available to the Group. In addition, from the negotiations with the suppliers, GHG could obtain the market information on the pricing range of the Products through quotations from the potential suppliers which could provide a reference for GHG to determine the selling prices to the Relevant Buyers under the aforementioned pricing basis. In addition, GHG will continue to seek other independent customers for building related materials and equipment in order to expand its customer base and provide a reference of prevailing market price to determine the selling prices to the Relevant Buyers.

We note that entering into the procurement business for building and renovations materials and construction equipment is a new business venture for the Company. Therefore, as a new participant in this market, we believe that the aforesaid pricing mechanism of the Products on a cost-plus basis of no less than 2% will ensure that the interest of the Company and the Shareholders will be protected and is fair and reasonable.

We have reviewed the management accounts of the Group's existing trading business with independent third parties for the year ended 31 March 2012 where a gross profit margin of approximately 2% was recorded. The pricing term on a cost-plus basis of no less than 2% under the Procurement Agreement is therefore no less favourable than its pricing terms with existing independent third party customers, and is thus on normal commercial terms.

The above pricing basis, including the cost-plus basis, ensures that the Group will earn a profit for procuring the Products to the Relevant Buyers as all costs, both direct and indirect (such as sales, and administrative costs relating to the procurement) will be reflected in the marked-up selling prices to the Relevant Buyers. We believe that the pricing basis is fair and reasonable and beneficial to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

b. Payment terms

If not separately set out in the Procurement Sub-Contract, the price of the Products will be payable by the Relevant Buyers in the following manner:

- (i) 0% to 10% of the consideration will be payable within 10 days upon signing of the relevant Procurement Sub-Contract;
- (ii) 60% to 100% of the consideration will be payable within 20 days upon delivery and completion of inspection of the Products;
- (iii) 0% to 30% of the consideration will be payable within 20 days upon installation and completion of inspection by the respective departments of the Relevant Buyers of the Products; and
- (iv) 0% to 5% of the consideration will be payable immediately after the completion of the warranty period (to be agreed in the Procurement Sub-Contract).

As set out in the "Letter from the Board", and according to discussion with the management of the Company, we understand that the payment terms in the Procurement Sub-Contract will be equal to and no worse off than the payment terms in the Procurement Agreement. Such framework payment terms apply to all Products under the Procurement Sub-Contract.

We note that under the payment arrangement with CMPD, the Group will be receiving payment from the Relevant Buyers at the same time or earlier than the Group's payment obligation to suppliers for the Products. This is beneficial as the Group will not have substantial working capital requirements to the Company to finance such procurement. Furthermore, under the payment terms, no less than 95% of the payment would have been received by the Group at the point of installation and completion of inspection. Hence, we believe that the credit risk of the Company's receivables from the Relevant Buyers is low. Such arrangement is no less favourable to the Group than terms with its existing customers in the procurement business where the Group typically receives payment from customers within one week after it makes payment to suppliers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

c. Warranty of Products

For the Products sourced under the Procurement Agreement, the Group will be entitled to product warranty from suppliers. The Group will in turn offer the same warranty on matching or shorter periods to the Relevant Buyers. For the above arrangement, there is no warranty risk exposure on the part of the Group to the Relevant Buyers as all warranties are supported by back-to-back warranties from the suppliers.

d. Delivery and storage arrangement

Based on discussion with the management, the Products will be delivered directly to the Relevant Buyers by the relevant suppliers in most cases. Hence, the Group will not need to expand its delivery fleet or its storage facilities for the purpose of entering into the Procurement Agreement.

4. Annual Caps

Set out below are the Annual Caps for the three financial years ending 31 December 2012, 2013 and 2014.

	For the year ending 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual Caps (<i>Note iii</i>)	50,000 (<i>Note i</i>)	120,000	30,000 (<i>Note ii</i>)

Note:

- (i) The cap amount covers the period from the effective date of the Procurement Agreement to 31 December 2012.
- (ii) The cap amount for the year ending 31 December 2014 represents the estimated amount of the purchases orders to be placed by the Relevant Buyers during the year ending 31 December 2013 but to be delivered during the year ending 31 December 2014.
- (iii) As set out in the "Letter from the Board", the Directors, based on preliminary indication from CMPD, estimate the transaction amounts contribution to the Annual Caps by electronic and electrical products is approximately 56%, while by building-related materials and equipment is approximately 44%.

The Annual Caps are determined by reference to a number of factors, in particular (i) the estimated demand for the Products from the existing projects of CMPD (including its subsidiaries and joint ventures) in the South China region as at the Latest Practicable Date; (ii) the projected demand for the Products from the effective date of the Procurement Agreement to 31 December 2013; (iii) the projected sourcing capacity of the Products by GHG from the effective date of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Procurement Agreement to 31 December 2013; and (iv) the projected purchase prices of the Products from the effective date of the Procurement Agreement to 31 December 2013.

To analyse the reasonableness of the Annual Caps, we have reviewed (i) the list of existing projects of CMPD, its subsidiaries and joint ventures in the South China region and their respective estimated contract sums for the purchase of electrical products and building related materials and equipment; (ii) the list of future projects of CMPD, its subsidiaries and joint ventures in the South China region currently under planning and their respective estimated contract sums for the purchase of electrical products and building related materials and equipment; and (iii) the Group's ability to handle the transactions under the Procurement Agreement in terms of its sales, accounting and administration staff. The projects of CMPD, its subsidiaries and joint ventures include, but are not limited to, the development of shopping malls, hotels, residential and commercial properties and public facilities, with development periods spanning between the years 2010 and 2015.

According to our discussion with the management, the Group estimates the contract sums for the procurement of Products based on negotiations between the sales team of the Company with the procurement team of CMPD. The Annual Caps reflect the indicated demand for the Products by CMPD, its subsidiaries and joint ventures according to the progress of their projects. In particular,

- (i) the cap for 2012 of HK\$50 million is based primarily on estimated demand for the Products for existing projects of CMPD, its subsidiaries and joint ventures for the remaining months of 2012.
- (ii) the cap for 2013 of HK\$120 million is based primarily on estimated demand for the Products for existing projects and known future projects currently under planning of CMPD, its subsidiaries and joint ventures.
- (iii) the cap for 2014 of HK\$30 million is based primarily on estimated demand for the Products for existing projects and known future projects currently under planning of CMPD, its subsidiaries and joint ventures. It has not included possible demand of future projects currently unknown. The amount of HK\$30 million mainly represents the amount of purchase orders to be made in 2013 but to be delivered and recognised in the year 2014. Thus the Annual Cap for 2014 is expected to be lower than 2013.

Based on the above, we are of the view that the proposed Annual Caps have been determined on a fair and reasonable basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal reasons and factors, we are of the view as at the date hereof that the Continuing Connected Transactions (including the Annual Caps) are entered into in the ordinary and usual course of business and on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Therefore, we would advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the entering into of the Procurement Agreement by GHG and the Continuing Connected Transactions (including the Annual Caps).

Yours faithfully,
For and on behalf of
Altus Capital Limited

Arnold Ip
Executive Director

Chang Sean Pey
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

- (i) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.
- (ii) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the following Director had an interest or short positions in the share capital of the Company or its associated corporations (within the meaning in Part XV of the SFO) which are (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
So Shu Fai	Through controlled corporations (<i>Note</i>)	32,054,066	3.00

Note: These Shares are held by Skill China Limited. Fortune Alliance Group Limited is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings ("control") of Skill China Limited. Hence Fortune Alliance Group Limited is deemed to be interested in the Shares held by Skill China Limited. Fortune Alliance Group Limited is in turn controlled by Jointprofit Limited, which is beneficially wholly-owned by Dr. So Shu Fai, an executive Director of the Company. Hence Dr. So Shu Fai is deemed to be interested in the Shares held by Skill China Limited. Skill China Limited, Fortune Alliance Group Limited and Jointprofit Limited are companies incorporated in the British Virgin Islands with limited liability.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the share capital of the Company or its associated corporations (within the meaning in Part XV of the SFO) which are (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, Mr. Huang Peikun and Mr. Liu Zhuogen are directors of the Company and Success Well. Mr. Huang Peikun and Ms. Liu Ning, who are the directors of the Company, are also the senior management of CMPD. Saved as disclosed above, none of the Directors was a director or employee of a company which has any interests or short positions in the share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and his/her respective associate(s) was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATIONS AND CONSENTS

The following are the qualifications of the Independent Financial Adviser who has given opinions or advice contained or referred to in this circular:

Name	Qualifications
Altus Capital Limited	a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Altus issued a letter dated 30 October 2012 for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders.

Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Altus was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Room 3111, 31/F., China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong during normal business hours on any business day from the date of this circular until the date of EGM:

- (i) the Articles of Association of the Company;
- (ii) the letter from the Independent Board Committee;
- (iii) the letter from the Independent Financial Adviser;
- (iv) the letter of consent from the Independent Financial Adviser;
- (v) the Procurement Agreement; and
- (vi) this circular.

NOTICE OF THE EGM

TONIC INDUSTRIES HOLDINGS LIMITED

東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

Website: <http://www.tonic.com.hk>

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Tonic Industries Holdings Limited (the “Company”) will be held at Golden Dynasty Court, Macau Jockey Club, Hong Kong Club House, 3/F, Shun Tak Centre, Connaught Road Central, Hong Kong on Friday, 16 November 2012 at 11:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the entering into of the procurement agreement dated 8 October 2012 (“Procurement Agreement”) by 冠華港貿易(深圳)有限公司(Guan Hua Gang Trading (Shenzhen) Co., Ltd.*) (“GHG”), a subsidiary of the Company, with 招商局地產控股股份有限公司 (China Merchants Property Development Co., Ltd.) (“CMPD”) (a copy of which has been produced to the meeting and signed by the chairman of meeting for the purpose of identification), its terms, the transactions contemplated thereunder and the proposed maximum aggregate monetary value in respect of the aforesaid transactions during each of the three years ending 31 December 2012, 2013 and 2014 respectively (“Annual Caps”), be and are hereby generally and unconditionally approved confirmed and ratified.
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Procurement Agreement, the entering into of procurement sub-contract by GHG with CMPD, its subsidiaries and joint ventures pursuant to the terms of the Procurement Agreement and the transactions contemplated thereunder.”

By Order of the Board
Tonic Industries Holdings Limited
Chan Wing Yan
Company Secretary

Hong Kong, 30 October 2012

* *For identification purpose only*

NOTICE OF THE EGM

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Share Registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. All the resolutions at the meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
4. The Chinese translation of this notice (including the contents of the proposed resolutions set out herein) is for reference only. In case of inconsistency, the English version shall prevail.

As at the date of this notice, the Board comprises Mr. Huang Peikun, Dr. So Shu Fai, Mr. Liu Zhuogen, Mr. Yu Zhiliang as executive Directors; Ms. Liu Ning as non-executive Director and Dr. Wong Wing Kuen, Albert, Ms. Chen Yanping and Dr. Shi Xinping as independent non-executive Directors.