

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

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

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**TONIC**

**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)

**PROPOSED GRANTING OF GENERAL MANDATES  
TO REPURCHASE SHARES AND  
TO ISSUE NEW SHARES OF THE COMPANY  
AND  
PROPOSED RE-ELECTION OF  
RETIRING DIRECTORS OF THE COMPANY**

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A notice convening an annual general meeting of Tonic Industries Holdings Limited to be held at Tang Room I, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Tuesday, 25 September 2007 at 11:00 a.m. is set out on pages 15 to 18 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).

Whether or not you are able to attend the annual general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

31 July 2007

\* for identification purposes only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Annual General Meeting”	an annual general meeting of the Company to be held at Tang Room I, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Tuesday, 25 September 2007 at 11:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 15 to 18 of this circular, or any adjournment thereof;
“Articles of Association”	the existing Articles of Association adopted by the Company on 18 September 1997 with the latest amendments approved by the Shareholders in the Company’s annual general meeting held on 20 September 2006;
“Board”	the board of Directors;
“Buyback Mandate”	as defined in paragraph 2(a) of the Letter from the Board;
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“EHL”	EganaGoldpfeil (Holdings) Limited;
“Group”	The Company and its subsidiaries from time to time;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issuance Mandate”	as defined in paragraph 2(b) of the Letter from the Board;
“Latest Practicable Date”	25 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong.



**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)

*Directors:*

LING Siu Man, Simon (*Chairman*)  
LIU Hoi Keung, Gary (*Chief Executive Officer*)  
LEE Ka Yue, Peter  
WONG Ki Cheung  
LI Fung Ching, Catherine  
AU Wai Man  
LAM Kwai Wah  
WONG Wai Kwong, David\*  
PANG Hon Chung\*\*  
CHENG Tsang Wai\*\*  
CHUNG Hing Wah, Paul\*\*

\* *Non-Executive Director*

\*\* *Independent Non-Executive Director*

*Registered office:*

P.O. Box 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Principal place of business:*

Unit B, 10th Floor  
Summit Building  
30 Man Yue Street  
Hung Hom  
Kowloon  
Hong Kong

31 July 2007

*To the Shareholders*

Dear Sir/Madam,

**PROPOSED GRANTING OF GENERAL MANDATES  
TO REPURCHASE SHARES AND  
TO ISSUE NEW SHARES OF THE COMPANY  
AND  
PROPOSED RE-ELECTION OF  
RETIRING DIRECTORS OF THE COMPANY**

**1. INTRODUCTION**

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions to be proposed at the Annual General Meeting for (i) the granting of the Buyback Mandate to the Directors; (ii) the granting of the Issuance Mandate to the Directors; (iii) the extension of the Issuance Mandate by adding to it the aggregate number of the issued Shares repurchased by the Company under the Buyback Mandate; and (iv) the re-election of the retiring Directors.

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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### 2. BUYBACK AND ISSUANCE MANDATES

At the annual general meeting of the Company held on 20 September 2006, general mandates were given to the Directors to exercise the powers of the Company to repurchase shares and to issue new shares of the Company respectively. Such mandates will lapse at the conclusion of the Annual General Meeting.

Ordinary resolutions will be proposed at the Annual General Meeting to approve the granting of new general mandates to the Directors:

- (a) to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing of such resolution (the “Buyback Mandate”);
- (b) to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution (the “Issuance Mandate”); and
- (c) to extend the Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Buyback Mandate.

The Buyback Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the Annual General Meeting or any earlier date as referred to in ordinary resolutions nos. 5 and 6 set out in the notice of the Annual General Meeting. With reference to the Buyback Mandate and the Issuance Mandate, the Directors wish to state that they have no immediate plan to repurchase any Shares or issue any Shares pursuant thereto.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Buyback Mandate. The explanatory statement as required by the Listing Rules in connection with the Buyback Mandate is set out in Appendix I to this circular.

### 3. PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS

Pursuant to Article 116 of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors (other than the Chairman or the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years or within such other period as the Stock Exchange may from time to time prescribe or within such other period as the laws of such jurisdiction applicable to the Company. The

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## LETTER FROM THE BOARD

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Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agreed among themselves) be determined by lot. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereafter.

According to Article 116 of the Articles of Association, Mr LEE Ka Yue, Peter, Mr WONG Wai Kwong, David, Mr CHENG Tsang Wai and Mr LAM Kwai Wah shall retire by rotation at the Annual General Meeting. All of the above four retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting. Details of Mr LEE Ka Yue, Peter, Mr WONG Wai Kwong, David, Mr CHENG Tsang Wai and Mr LAM Kwai Wah which are required to be disclosed by the Listing Rules are set out in Appendix III to this circular.

#### **4. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT**

The notice of the Annual General Meeting is set out on pages 15 to 18 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the granting of the Buyback Mandate and the Issuance Mandate and the extension of the Issuance Mandate by the addition thereto of the number of Shares repurchased pursuant to the Buyback Mandate.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's Share Registrar in Hong Kong, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjournment thereof if you so wish.

#### **5. RECOMMENDATION**

The Directors consider that the granting of the Buyback Mandate, the granting/extension of the Issuance Mandate and the proposed re-election of retiring Directors are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting on the terms set out in the notice of that meeting.

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## LETTER FROM THE BOARD

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### 6. GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I (Explanatory Statement on the Buyback Mandate), Appendix II (Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Articles of Association) and Appendix III (Details of the Retiring Directors proposed to be re-elected at the Annual General Meeting) to this circular.

Yours faithfully,  
On behalf of the Board  
**LING Siu Man, Simon**  
*Chairman*



The following is an explanatory statement required by the Listing Rules to be sent to the Shareholders to enable them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the granting of the Buyback Mandate.

### **1. REASONS FOR BUYBACK**

The Directors believe that the granting of the Buyback Mandate is in the interests of the Company and the Shareholders.

Repurchases of Shares may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. The Directors are seeking the granting of the Buyback Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 952,889,962 Shares.

Subject to the passing of the ordinary resolution no. 5 set out in the notice of the Annual General Meeting in respect of the granting of the Buyback Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the date of the Annual General Meeting, the Directors would be authorised under the Buyback Mandate to repurchase a maximum of 95,288,996 Shares (representing 10% of the Shares in issue as at the Latest Practicable Date) during the period in which the Buyback Mandate remains in force.

### **3. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules, the laws of the Cayman Islands, and/or any other applicable laws.

The Company intends to use profits of the Company or the proceeds of a fresh issue of shares made for the purposes of the repurchases which will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

### **4. IMPACT OF REPURCHASES**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March 2007) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

## 5. TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Mr LING Siu Man, Simon, a director of the Company together with his associate and Peninsula International Limited, another substantial Shareholder of the Company together with its respective associates, were interested in an aggregate of 476,830,173 and 194,404,303 Shares respectively, representing 50.04% and 20.40% respectively of the issued Shares of the Company. On the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, in the event that the Directors exercise in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the interests of Mr LING Siu Man, Simon and Peninsula International Limited together with their respective associates in the Shares of the Company would be increased to approximately 55.60% and 22.66% respectively. Such increase in the proportionate interest in the voting rights of the Company would not trigger a mandatory offer under Rule 26 of the Takeovers Code. At present, so far as is known to the Directors, no Shareholder or group of Shareholders acting in concert, may become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors will not make repurchase of Shares if the result of the repurchase would be that less than 25% of the issued share capital of the Company would be in public hands. The Stock Exchange has stated that, if less than 25% of the issued Shares are in public hands, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Buyback Mandate.

## 6. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of Shares pursuant to the Buyback Mandate in accordance with the Listing Rules and the laws of the Cayman Islands.

**7. MARKET PRICES OF SHARES**

The highest and lowest prices per Share at which the Shares have traded on the Stock Exchange during each of the previous 12 months were as follows:

<b>Month</b>	<b>Shares</b>	
	<b>Highest HK\$</b>	<b>Lowest HK\$</b>
<b>2006</b>		
July	0.173	0.141
August	0.174	0.155
September	0.179	0.148
October	0.175	0.147
November	0.210	0.160
December	0.200	0.161
<b>2007</b>		
January	0.185	0.165
February	0.265	0.168
March	0.335	0.211
April	0.330	0.232
May	0.355	0.230
June	0.470	0.315
July (up to the Latest Practicable Date)	0.400	0.340

**8. REPURCHASES OF SHARES MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company during the previous six months (whether on the Stock Exchange or otherwise).

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Articles of Association.

According to Article 80 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five Shareholders present in person or by proxy and entitled to vote; or
- (c) any Shareholder or Shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Articles of Association and will be proposed to be re-elected at the Annual General Meeting are provided below.

**(1) Mr LEE Ka Yue, Peter, aged 60, an executive Director**

*Position & Experience*

Mr LEE Ka Yue, Peter (“Mr LEE”) was appointed to the Board following the investment of EHL in the Company on 6 June 1997, which is currently listed on the Stock Exchange and was holding 20.40% of the issued share capital of the Company as at the Latest Practicable Date within the meaning of Part XV of the SFO in the Company. Mr LEE is responsible for advising on the financial and corporate policies of the Group as well as overseeing overall coordination between EHL and the Group. He is also an executive director of EHL and has over 35 years experience in the timepiece and jewellery businesses as well as in the consumer electronics industry. Mr LEE has been an executive director of Egana Jewellery & Pearls Limited which voluntarily withdrew its listing on the Stock Exchange on 24 October 2006. Other than that, Mr LEE does not hold any position with the Company or any member of the Group and he has not held any other directorship in listed public companies in the last three years.

*Relationship with Directors, senior management or substantial/controlling shareholders*

Other than the relationship arising from his being an executive Director of the Company and EHL, Mr LEE does not have any relationship with any other Directors, senior management, substantial Shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr LEE was holding the share options to subscribe for 2,715,000 Shares under the Company’s share option scheme adopted on 18 September 1997, within the meaning of Part XV of the SFO.

*Length of service and emoluments*

There is no service contract between the Company and Mr LEE. He is subject to the retirement and re-election provisions under the Articles of Association of the Company. Mr LEE did not receive any fee or emolument for his directorship for the year ended 31 March 2007.

*Matters that need to be brought to the attention of the Shareholders*

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr LEE that need to be brought to the attention of the Shareholders.

**(2) Mr WONG Wai Kwong, David, aged 49, a non-executive Director***Position & Experience*

Mr WONG Wai Kwong, David (“Mr WONG”) has been a non-executive Director since 11 August 1997 and an audit committee member since 29 March 1999. Mr WONG has over 28 years experience in finance, accounting, corporate and taxation affairs. He is a Fellow of The Association of Chartered Certified Accountants, and a Certified Public Accountant. He is an executive director of both Incutech Investment Limited and EHL, both of which are companies listed on the Main Board of the Stock Exchange. Mr WONG is also an independent non-executive director of six other Hong Kong listed companies. Mr WONG has been an executive director of Egana Jewellery & Pearls Limited which voluntarily withdrew its listing on the Stock Exchange on 24 October 2006, and was an independent non-executive director of Cardlink Technology Group Limited until 28 February 2007. Other than that, Mr WONG does not hold any other position with the Company or any member of the Group and he has not held any other directorship in listed public companies in the last three years.

*Relationship with Directors, senior management or substantial/controlling shareholders*

Other than the relationship arising from his being a non-executive Director and an audit committee member of the Company and an executive director of EHL, Mr WONG does not have any relationship with any other Directors, senior management, substantial Shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr WONG was not interested or deemed to be interested in any Shares or underlying Shares within the meaning of Part XV of the SFO.

*Length of service and emoluments*

There is no service contract between the Company and Mr WONG. The total fee of Mr WONG as a non-executive Director and a member of the audit committee of the Company is HK\$88,000 per year, which is determined by the Board by reference to the office duties and time spent.

*Matters that need to be brought to the attention of the Shareholders*

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr WONG that need to be brought to the attention of the Shareholders.

**(3) Mr CHENG Tsang Wai, aged 51, an independent non-executive Director***Position & Experience*

Mr CHENG Tsang Wai (“Mr CHENG”) has been an independent non-executive Director since 27 September 2004, an audit committee member since 27 September 2004 and the chairman of the remuneration committee since 19 December 2005. Other than that, Mr CHENG does not hold any position with the Company or any member of the Group and he has not held any directorship in listed public companies in the last three years. Mr CHENG has over 29 years experience in the garment industry and is a director and major shareholder of Vicka Limited which is a sweater manufacturing company.

*Relationship with Directors, senior management or substantial/controllers*

Other than the relationship arising from his being an independent non-executive Director, a member of the audit committee and the chairman of the remuneration committee of the Company, Mr CHENG does not have any relationship with any other Directors, senior management, substantial Shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr CHENG was holding 6,000,000 Shares representing 0.63% of the Company’s issued share capital, within the meaning of Part XV of the SFO.

*Length of service and emoluments*

Pursuant to the letter of appointment issued by the Company to Mr CHENG, Mr CHENG has been initially appointed for a term of 3 years commencing from 27 September 2006, subject to the retirement and re-election provisions under the Articles of Association of the Company. Mr CHENG is entitled to receive a fixed fee HK\$105,600 per annum, which is determined by the Board by reference to the office duties and time spent.

*Matters that need to be brought to the attention of the Shareholders*

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr CHENG that need to be brought to the attention of the Shareholders.

**(4) Mr LAM Kwai Wah, aged 42, an executive Director***Position & Experience*

Mr LAM Kwai Wah (“Mr LAM”) joined the Group in 1998 and was appointed as an executive Director of the Company on 27 September 2004. Mr LAM is mainly responsible for the Group’s marketing activities in Europe. He has over 20 years experience in marketing of electronics products and home appliances. Mr LAM obtained a higher certificate in marketing and sales management from The Hong Kong Polytechnic University. Other than that, Mr LAM does not hold any position with the Company or any member of the Group and he has not held any directorship in listed public companies in the last three years.

*Relationship with Directors, senior management or substantial/controlling shareholders*

Other than the relationship arising from his being an executive Director of the Company, Mr LAM does not have any relationship with any other Directors, senior management, substantial Shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr LAM was holding the share options to subscribe for 1,650,000 Shares under the Company’s share option scheme adopted on 18 September 1997, within the meaning of Part XV of the SFO.

*Length of service and emoluments*

Mr LAM has entered into a service contract with the Company for a term of three years commencing from 27 September 2004, subject to the retirement and re-election provisions under the Articles of Association of the Company. With effect from 1 January 2007, Mr LAM is entitled to a director’s emoluments of HK\$1,500,000 per annum and a fixed director’s fee of HK\$300,000 per annum, which is determined by the Board by reference to his duties and the Company’s performance and profitability.

*Matters that need to be brought to the attention of the Shareholders*

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr LAM that need to be brought to the attention of the Shareholders.





**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)

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Tonic Industries Holdings Limited (the “**Company**”) will be held at Tang Room I, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Tuesday, 25 September 2007 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors for the year ended 31 March 2007;
2. To declare a final dividend;
3. To re-elect Directors and to authorise the Board of Directors to fix the Directors’ remuneration;
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration;
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and

\* for identification purposes only

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
  - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held.”;

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue (as defined below);
  - (ii) the exercise of options under a share option scheme of the Company; and
  - (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution and the said approval shall be limited accordingly; and

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## NOTICE OF THE ANNUAL GENERAL MEETING

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(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held;

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognised regulatory body or any stock exchange).”; and

7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** conditional upon the passing of resolutions nos. 5 and 6 set out in the notice convening this meeting, the general mandate referred to in resolution no. 6 above be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate referred to in resolution no. 5 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”.

By order of the Board

**LIU Hoi Keung, Gary**

*Executive Director & Chief Executive Officer*

Hong Kong, 31 July 2007

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## NOTICE OF THE ANNUAL GENERAL MEETING

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*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, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, 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. The register of members of the Company will be closed from Friday, 21 September 2007 to Tuesday, 25 September 2007, both days inclusive, during which period no transfer of shares of the Company will be registered and no shares of the Company will be allotted and issued upon exercise of share options issued/granted by the Company. In order to qualify for attending and voting at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20 September 2007.
4. In relation to the ordinary resolutions nos. 5, 6 and 7 set out in the above notice, the Directors wish to state that they have no immediate plan to issue any new shares or repurchase any existing shares of the Company.