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TONIC INDUSTRIES HOLDINGS LIMITED

*(Incorporated in the Cayman Islands
with limited liability)*

(Stock Code: 978)

SKILL CHINA LIMITED

*(Incorporated in the British Virgin Islands
with limited liability)*

**JOINT ANNOUNCEMENT
MODIFICATIONS TO THE CREDITOR SCHEME;
WAIVER OF CONDITIONS PRECEDENT OF
THE SUBSCRIPTION AGREEMENT
AND**

**POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY
QUAM SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF SKILL CHINA LIMITED
FOR ALL THE ISSUED SHARES IN
TONIC INDUSTRIES HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO
BE ACQUIRED BY SKILL CHINA LIMITED)**

Financial adviser to
Tonic Industries Holdings Limited



SOMERLEY LIMITED

Financial adviser to
Skill China Limited



Reference is made to the Circular dated 28 June 2010 jointly published by the Company and the Subscriber, the Joint Announcement made by the Company and the Subscriber dated 26 July 2010 and the announcements of the Company dated 2 August 2010, 11 August 2010, 27 August 2010, 30 August 2010 and 28 September 2010, in respect of, among other things, the proposed capital reorganisation, the proposed group reorganisation and creditor scheme, the proposed subscription of new shares and the proposed issue of remuneration shares.

MODIFICATIONS TO THE CREDITOR SCHEME

In order to complete the Creditor Scheme as part of the restructuring of the Group in a manner which is in the best interests of the Shareholders and Creditors, the entering of the Put Option Agreement and the requirement of the provision for personal guarantee in respect of the Subscriber's obligations under the Put Option Agreement have been removed from the Creditor Scheme in its entirety. As a result of these modifications to the Creditor Scheme, the Company, the Subscriber and Dr. So will not enter into the Put Option Agreement and the parties entered into a deed of waiver and confirmation on 5 October 2010, to, inter alia, among other things, waive and discharge the undertakings and obligations as set out in Clause 6.9 of the Subscription Agreement to enter into a Put Option Agreement. Pursuant to the deed of waiver and confirmation, the Company has agreed to waive and release to the fullest extent the requirement under Clause 6.9 of the Subscription Agreement for the Subscriber and Dr. So (both as a primary obligor and as a guarantor) to execute the Put Option Agreement, and the Subscriber and Dr. So have confirmed that the entry into the Put Option Agreement is not required for the completion of the restructuring of the Group in accordance with the broad terms of the restructuring memorandum set out in Schedule 1 of the Subscription Agreement. Following these modifications to the Creditor Scheme, save for the transfer of the Option Shares from the Subscriber to the Schemeco, there will not be any other arrangement between the Subscriber and the Schemeco in relation to any shares or securities of the Company.

WAIVER OF CONDITIONS PRECEDENT OF THE SUBSCRIPTION AGREEMENT

Pursuant to the Subscription Agreement, Completion is subject to the fulfillment (or, if applicable, waiver) of certain conditions precedent, including but not limited to, the approval of the Whitewash Waiver by the Independent Shareholders. Details of the conditions precedent of the Subscription Agreement are set out in the sub-section headed "The Subscription" in this announcement.

As stated in the Joint Announcement, the Whitewash Waiver Resolution at the EGM was not passed. The Subscriber has issued to the Company on 5 October 2010 a notice in writing to waive (with immediate effect from the date of issue) conditions precedent requiring the Company to pass the Whitewash Waiver Resolution at EGM and requiring the Concert Group to obtain the Whitewash Waiver from the Executive (being conditions precedent (3) and (5) as set out in the sub-section headed "The Subscription" in this announcement), such that Completion shall no longer be conditional on the fulfillment of these conditions precedent.

THE OFFER

Upon Completion and following the transfer of the Option Shares by the Subscriber to Schemeco and the allotment and issue of the Remuneration Shares, the Subscriber will hold approximately 79.21% of the enlarged issued share capital of the Company. Accordingly, the Subscriber will be required to make an unconditional mandatory cash offer for all the issued New Shares, other than those already owned or agreed to be acquired by the Subscriber pursuant to Rule 26.1 of the Takeovers Code.

The Offer will be made on the basis of HK\$0.10635 for each New Share in cash. The principal terms of the Offer are set out in the section headed “The Offer” in this announcement.

WARNING

THE OFFER WILL ONLY BE MADE IF COMPLETION TAKES PLACE, WHICH IS SUBJECT TO THE FULFILMENT (OR, IF APPLICABLE, WAIVER) OF THE CONDITIONS PRECEDENT OF THE SUBSCRIPTION AGREEMENT. THEREFORE, THE OFFER MAY OR MAY NOT PROCEED AND, AS SUCH, IS A POSSIBILITY ONLY. POTENTIAL INVESTORS AND SHAREHOLDERS ARE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES OF THE COMPANY.

Reference is made to the circular dated 28 June 2010 jointly published by the Company and the Subscriber, the Joint Announcement made by the Company and the Subscriber dated 26 July 2010 and the announcements of the Company dated 2 August 2010, 11 August 2010, 27 August 2010, 30 August 2010 and 28 September 2010, in respect of, among other things, the proposed capital reorganisation, the proposed group reorganisation and creditor scheme, the proposed subscription of new shares and the proposed issue of remuneration shares.

THE RESTRUCTURING PROPOSAL

On 27 January 2010, the Board announced the Restructuring Proposal in relation to the financial restructuring of the Group which involves, among other things, the Capital Reorganisation, the Group Reorganisation, the Creditor Scheme and the Subscription. Set out below are the key terms of the Restructuring Proposal:

The Capital Reorganisation

The Capital Reorganisation comprises the Capital Reduction, Share Sub-division and the Share Consolidation. Pursuant to the proposed Capital Reduction, the par value of each issued Existing Share will be reduced from HK\$0.10 to HK\$0.001 by the cancellation of HK\$0.099 of the paid-up capital on each issued Existing Share. Pursuant to the proposed Share Sub-division, each authorised but unissued Existing Share with a par value of HK\$0.10 each will be sub-divided into 100 Shares with a par value of HK\$0.001 each. Pursuant to the proposed Share Consolidation, every 10 issued and unissued Shares with a par value of HK\$0.001 each will be consolidated into one New Share of HK\$0.010 each.

The Group Reorganisation

The Group Reorganisation involves the following principal elements:

- (i) the transfer of the Scheme Subsidiaries to Schemeco (to the extent such transfer is allowed under applicable laws) for the purpose of the Creditor Scheme;
- (ii) the Scheme Subsidiaries assigning to the Company unconditionally and irrevocably all and any indebtedness, actual or contingent, owing to them by any of the Retained Subsidiaries (to the extent such assignment is allowed under applicable laws);

- (iii) the Company and the Retained Subsidiaries assigning to Schemeco unconditionally and irrevocably all and any indebtedness, actual or contingent, owing to them by any of the Scheme Subsidiaries (to the extent such assignment is allowed under applicable laws); and
- (iv) the Company paying the Subscription Price to Schemeco for eventual distribution to the Scheme Creditors.

It is expected that upon completion of the Group Reorganisation, the Group will consist of the Company and the Retained Subsidiaries which are principally engaged in the manufacturing and domestic sales of set top boxes, while the Scheme Subsidiaries will be held by Schemeco.

The Creditor Scheme

The Creditor Scheme is for the purpose of restructuring all of the Company's indebtedness and liabilities (actual and contingent) by way of a scheme of arrangement to be approved by the Court pursuant to Section 86 of the Cayman Companies Law and the Hong Kong Court pursuant to Section 166 of the Companies Ordinance, such that:

- (i) all Claims against the Company will be deemed to be fully and finally discharged and satisfied by virtue of the implementation of the Creditor Scheme, but without prejudice to the rights of any Creditor to enforce any guarantee or security they hold from the Scheme Subsidiaries (or any of them); and
- (ii) Schemeco shall accept and assume an equivalent liability in place of the Company in respect of the Claims, in each case on a limited recourse basis up to the extent of the Scheme Creditors' respective pari passu share of the net realisable assets of Schemeco (after payment of all costs and expenses) and in accordance with the terms and conditions of the Creditor Scheme.

The events described above shall be subject to, and shall take effect on, the latest to occur of each of the following (collectively, the "Conditions Subsequent"):

- (i) the receipt by the Company of the Subscription Price pursuant to the Subscription Agreement;
- (ii) the Company paying the Subscription Price to Schemeco for the purpose of the Creditor Scheme;
- (iii) the Company transferring (or procuring the transfer of) all the shares in the Scheme Subsidiaries to Schemeco for the purpose of the Creditor Scheme (to the extent that such transfer is allowed under applicable laws);
- (iv) the Scheme Subsidiaries assigning to the Company unconditionally and irrevocably all and any indebtedness, actual or contingent, owing to them by any of the Retained Subsidiaries (to the extent that such assignment is allowed under applicable laws);

- (v) the Company and the Retained Subsidiaries assigning to Schemeco unconditionally and irrevocably all and any indebtedness, actual or contingent, owing to them by any of the Scheme Subsidiaries (to the extent that such assignment is allowed under applicable laws in accordance with the terms of the Creditor Scheme);
- (vi) each Retained Subsidiary, in accordance with the terms of the Creditor Scheme, receiving (from the relevant Creditor) executed releases on such terms satisfactory to the Subscribers in respect of any guarantee(s) granted by it;
- (vii) the transfer of full legal and beneficial title in and to the Option Shares to Schemeco by the Subscriber for the purposes of the Creditor Scheme;
- (viii) the Put Option Agreement being signed and becoming unconditional between Schemeco and the Subscriber; and
- (ix) Dr. So executing and delivering to the Administrators a personal guarantee of the Subscriber's obligations under the Put Option Agreement.

The Conditions Subsequent set out in paragraphs (viii) and (ix) will be removed as a result of the modifications to be made to the Creditor Scheme set out in further details below in the section headed "Modifications of the Creditor Scheme" in this announcement.

After the Company obtains the orders from the Courts for sanctioning the Creditor Scheme, it will not deliver the said court orders to the Registrar of Companies in Hong Kong or to the Registrar of Companies in the Cayman Islands until the relevant parties are ready to enter into the agreements or process the documents required to fulfill all of the Conditions Subsequent. The Company, the Administrators and the Subscriber intend to have those Conditions Subsequent (including but not limited to, the transfer of the Option Shares by the Subscriber to Schemeco) fulfilled on the same date when the said court orders are delivered to the Registrars of Companies in Hong Kong and in the Cayman Islands for registration (i.e. the Effective Date) and the Subscription is completed.

Following the occurrence of all matters listed in paragraphs (i) to (vii) above (as paragraphs (viii) and (ix) have been removed), the Administrators will have the power, among other things, to conduct a realisation of the assets of Schemeco and pari passu distribution of any funds received by Schemeco (including, without limitation, the Subscription Price, the funds received through the realisation of the Scheme Subsidiaries' assets or winding up of the Scheme Subsidiaries after payment of the liabilities of the respective Scheme Subsidiaries and through the realisation or holding of the Option Shares) amongst the Scheme Creditors in respect of their admitted Claims within such time period and manner as the Administrators may reasonably determine.

The Subscription

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for 909,785,366 Subscription Shares of HK\$0.010 each (which are New Shares following the completion of the Capital Reorganisation) at the Subscription Price of HK\$80,000,000. The Company will pay the Subscription Price to Schemeco for the purpose of the Creditor Scheme.

The Subscription Shares, when issued and fully-paid, will rank equally in all respects among themselves and with all other New Shares in issue as at the date of their allotment and issue.

Pursuant to the Subscription Agreement, Completion shall be conditional upon the following conditions precedent being fulfilled or waived (as the case maybe):

- (1) passing of the Capital Reorganisation Resolution at the EGM by way of poll by the Shareholders;
- (2) passing of the Subscription Resolution at the EGM by way of poll by the Shareholders;
- (3) due passing of the Whitewash Waiver Resolution at the EGM;
- (4) the Listing Committee of the Stock Exchange granting approval (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) for the listing of, and permission to deal in, all the Subscription Shares;
- (5) Whitewash Waiver having been granted by the Executive to the Concert Group;
- (6) a copy of an order of the Court sanctioning the Creditor Scheme pursuant to the Cayman Companies Law having been delivered to the Registrar of Companies in the Cayman Islands for registration and an office copy of an order of the High Court of Hong Kong sanctioning the Creditor Scheme pursuant to the Companies Ordinance having been delivered to the Registrar of Companies in Hong Kong for registration;
- (7) passing of the resolutions in respect of the Group Reorganisation (on terms to reasonable satisfaction of the Company, the Subscriber and the Creditors) by way of poll by Shareholders (if necessary) and the Group Reorganisation being completed in accordance with the broad terms of the restructuring memorandum set out in Schedule 1 of the Subscription Agreement;
- (8) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on Completion, save for any temporary suspension not exceeding 10 consecutive trading days (or such longer period as the Subscriber may accept in writing) or any temporary suspension in connection with the clearance of the announcement in relation to the Subscription Agreement by the Stock Exchange and the SFC;
- (9) listing of the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Completion and there being no indication received by the Company from the Stock Exchange or the SFC prior to Completion that listing of the Shares will be revoked at any time after Completion;
- (10) all necessary governmental, regulatory and corporate authorizations and approvals for the entering into of the Subscription Agreement and the performance of obligations thereunder having been obtained and effective; and

- (11) there being no material adverse change in the financial position, business or operations of any Retained Subsidiary as at Completion and the warranties given by the Company under the Subscription Agreement being true and accurate in all material respects as at Completion, in each case save and except as Disclosed (as defined in the Subscription Agreement).

The conditions precedent set out in (1), (2), (4), (6) and (7) are not waivable. The conditions precedent set out in (3), (5), (8), (9), (10) and (11) are waivable at any time by the Subscriber either in whole or in part by giving written notice to the Company.

As at the date of this announcement, conditions precedent (4), (6), (8), (9), (10) and (11) have not been fulfilled or, if applicable, waived and remain outstanding, conditions precedent (1), (2), (7) have been fulfilled, and conditions precedent (3) and (5) have been waived in writing by the Subscriber, as set out in further details below in the section headed “Waiver of conditions precedent of the Subscription Agreement” in this announcement.

Escrow Agreement (as amended by the supplemental deed dated 26 February 2010)

In connection with the Subscription, the Subscriber has agreed to pay the sum of HK\$10,000,000 as earnest money to settle the professional fees to be incurred for the implementation of the Restructuring Proposal. Pursuant to the Subscription Agreement, on 15 January 2010, the Subscriber, the Company and the Escrow Agent entered into the Escrow Agreement in which the Escrow Agent has agreed to establish an escrow account and deposit the HK\$10,000,000 earnest money into such escrow account, and to hold all sums standing to the credit of the escrow account from time to time and all rights attaching to such monies beneficially, for the Subscriber.

On 26 February 2010, the Escrow Agent, the Subscriber and the Company entered into a supplemental deed for the purposes of effecting certain amendments to the terms of the Escrow Agreement, pursuant to which, among other things, the Subscriber has agreed to pay the sum of HK\$10,000,000 as earnest money in five (5) installments to settle the professional fees to be incurred for the implementation of the restructuring proposal set out in the Subscription Agreement.

Upon the receipt by the Escrow Agent of the first installment of the earnest money in the amount of HK\$2,000,000, the Company undertakes that it will not offer to any other party the opportunity to negotiate any terms for the investment in the Group, restructuring of the outstanding indebtedness and/or share capital of any member of the Group before: (a) the close of business (Hong Kong time) on 31 December 2010; or (b) the termination of the Subscription Agreement pursuant to the terms thereof, whichever is earlier.

As at the date of this announcement, HK\$10,000,000 earnest money has been deposited into the escrow account.

PROPOSED ISSUE OF REMUNERATION SHARES

It was agreed between the Company and each of Somerley and DTCFL that part of the professional fees charged by each of them may be settled by the issue of New Shares. Set out below are the key terms of the issue of the Remuneration Shares:

Proposed issue of Somerley's Remuneration Shares

It was agreed between the Company and Somerley that part of the professional fees charged by Somerley may be settled by the issue of up to 2.48% of the share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Remuneration Shares upon Completion. The amount of part of the professional fees charged by Somerley that may be settled by the Somerley's Remuneration Shares (comprising 21,157,799 Tranche 1 Remuneration Shares and 5,289,450 Tranche 2 Remuneration Shares) is approximately HK\$2,324,000 representing an issue price of approximately HK\$0.0879 per Somerley's Remuneration Share. Somerley has the right to elect the settlement of professional fees in cash and/or by way of issue of the Somerley's Remuneration Shares.

As at the date of this announcement, Somerley had no interest in the Company. Upon issue of the Somerley's Remuneration Shares upon Completion, Somerley will be interested in 26,447,249 New Shares, representing approximately 2.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Remuneration Shares upon Completion.

Proposed issue of DTCFL's Remuneration Shares

It was agreed between the Company and DTCFL that the professional fees charged by DTCFL may be settled by the issue of up to 26,447,249 New Shares as remuneration shares, representing approximately 2.48% of the share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Remuneration Shares upon Completion. The amount of the professional fees charged by DTCFL that may be settled by the DTCFL's Remuneration Shares is approximately HK\$2,324,000, representing an issue price of approximately HK\$0.0879 per DTCFL's Remuneration Share. DTCFL has the right to elect the settlement of the professional fees in cash and/or by way of issue of the DTCFL's Remuneration Shares.

As at the date of this announcement, DTCFL had no interest in the Company. Upon issue of the DTCFL's Remuneration Shares upon Completion, DTCFL will be interested in 26,447,249 New Shares, representing approximately 2.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Remuneration Shares upon Completion.

The following table sets out (i) the shareholding structure of the Company as at the date of this announcement; (ii) the changes thereto as a result of the allotment and issue of the Subscription Shares and the transfer of the Option Shares by the Subscriber to Schemeco assuming the Completion takes place; (iii) the changes thereto as a result of the allotment and issue of the Remuneration Shares assuming the Completion takes place; and (iv) the changes

thereto as a result of the placing down by the Subscriber to independent placees (for details of the placing down, please refer to the section headed “Maintaining the listing status of the Company” below):

Name of Shareholders	As at the date of this announcement		Immediately upon Completion, the allotment and issue of the Subscription Shares and the transfer of the Option Shares by the Subscriber to Schemeco		Immediately upon the allotment and issue of the Remuneration Shares (Note 4)		Immediately upon close of the Offer and placing down by the Subscriber to independent placees (Note 5)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Subscriber	–	–	846,311,968	83.33	846,311,968	79.21	739,327,497	69.20
Schemeco (Note 2)	–	–	63,473,398	6.25	63,473,398	5.94	63,473,398	5.94
Subtotal of the Concert Group			909,785,366	89.58	909,785,366	85.15	802,800,895	75.14
Success Forever Limited (Note 1)	618,492,476	58.46	61,849,247	6.09	61,849,247	5.78	61,849,247	5.78
Mr. Wong Ki Cheung (Note 3)	1,749,000	0.17	174,900	0.02	174,900	0.02	174,900	0.02
Other Directors (Note 3)	3,768,000	0.36	376,800	0.04	376,800	0.03	376,800	0.03
Somerley	–	–	–	–	26,447,249	2.48	26,447,249	2.48
DTCFL	–	–	–	–	26,447,249	2.48	26,447,249	2.48
Other public Shareholders	433,880,486	41.01	43,388,048	4.27	43,388,048	4.06	150,372,519	14.07
Total	1,057,889,962	100.00	1,015,574,361	100.00	1,068,468,859	100.00	1,068,468,859	100.00

Note:

1. The entire issued share capital of which is beneficially owned by Mr. Ling.
2. Schemeco is regarded as a party acting in concert with the Subscriber, pursuant to note 10 to the definition of “acting in concert” as stipulated in the Takeovers Code, by virtue of the transfer of the Option Shares by the Subscriber to the Schemeco.
3. Ms. Li Fung Ching, Catherine, Mr. Wong Ki Cheung and Mr. Cheng Tsang Wai, all being Directors, owned 2,142,000 Existing Shares, 1,749,000 Existing Shares and 1,626,000 Existing Shares respectively as at the date of this announcement.

It is the intention of the Subscriber and the existing Directors that, (i) the existing Directors will resign as directors of the Company with effect from the earliest date permitted under the Takeovers Code; and (ii) Mr. Ling Siu Man, Simon and Mr. Wong Ki Cheung, the existing Directors, will remain as directors of some subsidiaries of the Company. In such case, Mr. Ling Siu Man, Simon and Mr. Wong Ki Cheung will remain as connected persons of the Company upon Completion. As referred to in note (1), Mr. Ling Siu Man holds the Shares through Success Forever Limited.

4. If Completion does not take place, (i) Somerley may elect the settlement of professional fees in cash and/or by way of issue of up to 26,447,249 new Existing Shares; and (ii) DTCFL may at its sole and absolute discretion request the Company to settle the DTCFL’s fee by either cash of HK\$2,324,000 or the issue of up to 26,447,249 new Existing Shares.

5. Upon placing down by the Subscriber immediately after the close of the Offer:
- (a) no independent placees will become a substantial Shareholder; and
 - (b) 267,117,215 Shares (representing approximately 25.00% of the issued share capital as enlarged by the issue and allotment of the Subscription Shares and the Remuneration Shares) will be held by the public.

MODIFICATIONS OF THE CREDITOR SCHEME

Reference is made to the announcement of the Company dated 30 August 2010 whereby the Board announced that the Subscriber and the Company were in discussions in regard to possible modifications to the Creditor Scheme, including but not limited to, the Put Option Agreement. As a result, in the Scheme Meeting on 30 August 2010, the chairman announced the adjournment of the meeting to a date to be fixed.

In order to complete the Creditor Scheme as part of the restructuring of the Group in a manner which is in the best interests of the Shareholders and Creditors, the entering of the Put Option Agreement, that was to be entered into between the Company, the Subscriber and Dr. So (as guarantor), and the requirement for the provision for the personal guarantee in respect of the Subscriber's obligations under the Put Option Agreement, that was to be given by the Dr. So, have been removed from the Creditor Scheme in its entirety. As a result of these modifications to the Creditor Scheme, the Company, the Subscriber and Dr. So will not enter into the Put Option Agreement and the parties entered into a deed of waiver and confirmation on 5 October 2010, to, inter alia, among other things, waive and discharge the undertakings and obligations as set out in Clause 6.9 of the Subscription Agreement to enter into the Put Option Agreement. Pursuant to the deed of waiver and confirmation, the Company has agreed to waive and release to the fullest extent the requirement under Clause 6.9 of the Subscription Agreement for the Subscriber and Dr. So (both as a primary obligor and as a guarantor) to execute the Put Option Agreement, and the Subscriber and Dr. So have confirmed that the entry into the Put Option Agreement is not required for the completion of the restructuring of the Group in accordance with the broad terms of the restructuring memorandum set out in Schedule 1 of the Subscription Agreement. Following these modifications to the Creditor Scheme, save for the transfer of the Option Shares from the Subscriber to the Schemeco, there will not be any other arrangement between the Subscriber and the Schemeco in relation to any shares or securities of the Company. The Administrators will carry out all necessary measures, including but not limited to placing, to realize the Options Shares for the benefit of the Creditors in due course after the close of the Offer.

The Board is pleased to announce that following a hearing on 17 September 2010 (Cayman Island time), the Court granted an order on the same day directing that, inter alia, the meeting of Creditors to be reconvened for the purpose of considering and, if thought fit, approving, the Creditor Scheme under the laws of the Cayman Islands. The Court further ordered that the petition regarding the Creditor Scheme and the Capital Reduction be heard on 16 November 2010.

The Board is also pleased to announce that further to the Hong Kong Court hearing on 24 September 2010 (Hong Kong time), the Hong Kong Court has made an order dated 24 September 2010, inter alia, granting the Company permission to reconvene a meeting of Creditors for the purpose of considering and, if thought fit, approving, the Creditor Scheme under the laws of Hong Kong.

The Company will make further announcement(s) if and when there are material developments in relation to the progress of the Creditor Scheme, and the date of the reconvened Scheme Meeting.

WAIVER OF CONDITIONS PRECEDENT OF THE SUBSCRIPTION AGREEMENT

Pursuant to the Subscription Agreement, Completion is subject to the fulfillment (or, if applicable, waiver) of certain conditions precedent, including but not limited to, the approval of the Whitewash Waiver by the Independent Shareholders. Details of the conditions precedent of the Subscription Agreement are set out in the sub-section headed “The Subscription” in this announcement.

As stated in the Joint Announcement, all the Resolutions the EGM were passed except the Whitewash Waiver Resolution.

The Subscriber has issued to the Company on 5 October 2010 a notice in writing to waive (with immediate effect from the date of issue) conditions precedent under the Subscription Agreement requiring the Company to pass the Whitewash Waiver Resolution at EGM and requiring the Concert Group to obtain the Whitewash Waiver from the Executive (being conditions precedent (3) and (5) as set out in the sub-section headed “The Subscription” in this announcement), such that Completion shall no longer be conditional on the fulfillment of these conditions precedent.

Completion is subject to, among other things, convening the adjourned Scheme Meeting to consider, and if thought fit, approve the Creditor Scheme and the Courts’ sanctioning to the Creditor Scheme and the Capital Reduction. The Company will make further announcement(s) if and when there are material developments in relation to the progress of the Creditor Scheme.

THE OFFER

Upon Completion, the Subscriber will hold approximately 89.58% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Following the transfer of the Option Shares by the Subscriber to Schemeco and the allotment and issue of the Remuneration Shares, the Subscriber will hold approximately 79.21% of the enlarged issued share capital of the Company. Accordingly, irrespective of whether the transfer of the Option Shares and/or the issue of the Remuneration Shares take place, the Subscriber will be required to make an unconditional mandatory cash offer for all the issued New Shares, other than those already owned or agreed to be acquired by the Subscriber pursuant to Rule 26.1 of the Takeovers Code.

The Subscriber confirms that, prior to the entering into of the Subscription Agreement, none of the members of the Concert Group owned or had control or direction over any voting rights and/or rights over the Shares. The Subscriber further confirms, as at the date of this announcement, there are no voting rights or rights over the Shares:

- (a) which are owned or controlled or directed by any members of the Concert Group;

- (b) in respect of which the Subscriber has received an irrevocable commitment to accept the Offer; and
- (c) in respect of which the Concert Group holds convertible securities, warrants or options.

The Subscriber further confirms that:

- (a) save as the Subscriber's interest in the Subscription Shares pursuant to the Subscription Agreement, the contemplated transfer of the Option Shares by the Subscriber to the Schemeco, and the Schemeco's interest in the Option Shares pursuant to the Creditor Scheme, there have been no dealings in the securities in the Company by the Concert Group during the period beginning on the date six months prior to 10 January 2010 (being the date of the Company's announcement in relation to, among other things, a possible change in control of the Company), and ended on the date of this announcement;
- (b) there are no outstanding derivative instruments in respect of securities of the Company that have been entered into by the Concert Group;
- (c) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Subscriber or the Company and which might be material to the Offer; and
- (d) save for the Subscription Agreement, there are no other agreements or arrangements to which the Subscriber is a party and relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

As at the date of this announcement, the Concert Group have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the date of this announcement, none of the Creditors, the nominated Administrator nor the Schemeco holds any Existing Shares.

Principal terms of the Offer

Following Completion, Quam Securities Company Limited, on behalf of the Subscriber (which is ultimately beneficially owned as to 59.5% by Dr. So, 39.5% by Mr. Ge Zhang and 1.0% by the family trust of Mr. Chan Wai Dune), will make the Offer to acquire all the issued New Shares (other than those already owned by or agreed to be acquired by the Subscriber) on the following basis:

For each New ShareHK\$0.10635 in cash

Pursuant to the Subscription Agreement, the Subscriber will subscribe for 909,785,366 Subscription Shares at the Subscription Price of HK\$80,000,000, representing approximately HK\$0.087933 per Subscription Share. In connection with the Subscription, the Subscriber has agreed to pay the sum of HK\$10,000,000 as earnest money to settle the professional fees to be incurred for the implementation of the Restructuring Proposal. Upon Completion and following the transfer of the Option Shares by the Subscriber to Schemeco and the allotment

and issue of the Remuneration Shares, the Subscriber will be interested in 846,311,968 New Shares. On the basis of the above, the Offer will be made on the basis of HK\$0.10635 for each New Share in cash.

The Offer will only be made if Completion takes place, which is subject to fulfillment (or, if applicable, waiver) of the conditions precedent of the Subscription Agreement as set out in the section sub-headed “The Subscription” in this announcement. Therefore, the Offer may or may not be made and, as such, is a possibility only.

In the event that the Offer is made, it will be an unconditional cash offer.

As at the date of this announcement, there are a total of 1,057,889,962 Existing Shares in issue, and the Company does not have any outstanding warrants, options, derivatives or other securities carrying any conversion or subscription rights into Shares.

Comparison of value

The offer price of HK\$0.10635 per New Share (the “**Offer Price**”) receivable by Shareholders under the Offer is higher than the price paid by the Subscriber for each Subscription Share under the Subscription Agreement. It represents:

- (a) a discount of approximately 92.1% to the theoretical closing price of HK\$1.34 per Share based on the closing price of HK\$0.134 per Existing Share as quoted on the Stock Exchange on 28 December 2009, being the last trading day pending the issue of the announcement in accordance with Rule 3.7 of the Takeovers Code;
- (b) a discount of approximately 93.7% to the theoretical closing price of HK\$1.69 per Share based on the closing price of HK\$0.169 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 93.3% to the average theoretical closing price of HK\$1.59 per Share based on the average closing price of HK\$0.159 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 92.5% to the average theoretical closing price of HK\$1.419 per Share based on the average closing price of HK\$0.1419 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 89.7% to the theoretical closing price of HK\$1.03 per Share based on the closing price of HK\$0.103 per Existing Share as quoted on the Stock Exchange on the date of this announcement; and
- (f) a premium to the theoretical audited consolidated net liabilities per Share of approximately HK\$4.00 as at 31 March 2010 (based on the audited consolidated net liabilities of the Group as at 31 March 2010 of approximately HK\$423,310,000 and the 1,057,889,962 Existing Shares in issue as at 31 March 2010).

Highest and lowest price

The highest and lowest closing prices of the Existing Shares as quoted on the Stock Exchange in the six-month period prior to 10 January 2010 (being the date of the Company's announcement in relation to, among other things, a possible change in control of the Company), and up to the date of this announcement was HK\$0.219 on 4 September 2009 (the theoretical closing price of HK\$2.19 per New Share) and HK\$0.092 (the theoretical closing price of HK\$0.92 per New Share) on 30 June and 2 July 2010, respectively.

Total consideration and financial resources

Based on the Company's share capital of 1,068,468,859 New Shares as enlarged by the Subscription and the allotment and issue of the Remuneration Shares, and the Offer Price, the equity value of the Company is valued at approximately HK\$113.6 million. Immediately upon Completion and following the transfer of the Option Shares by the Subscriber to Schemeco and the allotment and issue of the Remuneration Shares, a total of 1,068,468,859 New Shares will be in issue, of which the Subscriber will be interested in 846,311,968 New Shares. Based on the remaining number of New Shares of 222,156,891 New Shares which are subject to the Offer, the Offer is valued at approximately HK\$23.6 million.

Quam Capital Limited, as the financial adviser to the Subscriber, is satisfied that sufficient financial resources are available to the Subscriber to satisfy the Subscription Price and the full acceptance of the Offer.

Effects of accepting the Offer

By accepting the Offer, the relevant Shareholders will sell their Shares to the Subscriber free from all liens, claims and encumbrances and with all rights attached to them as at the date of Completion, including the right to receive all dividends and distributions declared, paid or made, if any, on or after the date of Completion.

Stamp duty

Assuming that the Offer is made upon completion of the Subscription Agreement and following the transfer of the Option Shares by the Subscriber to Schemeco and the allotment and issue of the Remuneration Shares, (i) the seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance will be deducted from the amount payable to the Shareholders who accept the Offer, and (ii) the Subscriber will bear its own portion of the buyer's ad valorem stamp duty amounting to 0.1% of the amount payable in respect of relevant acceptances and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

Payment

Payment in cash in respect of acceptances of the Offer will be made within 10 days of the date on which the relevant documents of title are received by the Company's branch share registrar in Hong Kong to render each such acceptance complete and valid.

Shareholders and potential investors are advised to exercise caution in dealing in the Shares as the Offer may or may not proceed and will only be made following Completion, which is subject to fulfillment or, if applicable, waiver of the conditions precedent of the Subscription Agreement as set out in the sub-section headed “The Subscription” in this announcement and the obligation to make the Offer will only be triggered if Completion taken place. If investors have any doubt about their position, they should consult their professional advisers. Further announcement(s) will be made by the Subscriber and the Company regarding the Offer as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Subscriber intends that the Company will maintain the listing status of the Shares on the Main Board of the Stock Exchange after the close of the Offer. If, at the close of the Offer, less than 25% of the Shares are held in public hands or if the Stock Exchange believes that a false market exists or may exist in the Shares; or there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares. In order to ensure that immediately after the close of the Offer, there will be not less than 25% of the Company’s entire issued ordinary share capital held by the public, the Subscriber has engaged Get Nice Securities Limited, who will act as the placing agent for the Subscriber to secure other investors on a fully-underwritten basis, who are independent investors not connected with the directors, the chief executives and the substantial shareholders of the Subscriber and the Company and their respective subsidiaries and associates (as defined in the Listing Rules), to place, after closing of the Offer, a sufficient number of Subscription Shares held by the Subscriber which shall restore the minimum 25% public float. The placing agreement (as amended by a supplemental placing agreement) entered into by the Subscriber and the placing agent is legally binding and irrevocable, and is conditional upon completion of the Subscription. The completion of the placing will only take place immediately after the close of the Offer.

It should be noted that if the Company remains a listed company on the Stock Exchange, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to the Shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions of assets by the Company and any such acquisitions may result in the Company being treated as if it were a new listing applicant subject to the requirements of new listing applications as set out in the Listing Rules.

GENERAL

Pursuant to Rule 2.1 of the Takeovers Code, an independent board committee comprising all the non-executive Directors will be established in order to make a recommendation to the Independent Shareholders in connection with the Offer. An independent financial adviser will also be appointed in due course by the independent board committee to advise the independent

board committee, which in turn will make a recommendation to the Independent Shareholders in respect of the Offer. The advices and recommendations of the independent financial adviser to the independent board committee and the independent board committee to the Independent Shareholders in respect of the Offer will be included in the Offer Document.

Further announcement(s) regarding the appointment of the independent financial adviser and the dispatch of the Offer Document will be made in due course. Independent Shareholders are encouraged to read the Offer Document carefully, including the advices and recommendations of the independent financial adviser to the independent board committee and the independent board committee to the Independent Shareholders in respect of the Offer, before deciding whether or not to accept the Offer.

Pursuant to Rule 8.2 of the Takeovers Code, the Offer Document containing the terms of the Offer should normally be dispatched to the Shareholders within 21 days of the date of this announcement, or such later date as the Executive may approve. As the Offer is subject to Completion of the Subscription, it is expected that the Offer may not take place within 21 days of the date of this announcement. In such circumstance, an application will be made to the Executive pursuant to Rule 8.2 of the Takeovers Code for its consent to extend the date of the dispatch of the Offer Document within seven (7) days upon the Completion of the Subscription Agreement.

Further announcement(s) in relation to the Company will be made in due course, as and when necessary.

DEALING DISCLOSURE

The associates (as defined in the Takeovers Code) of the Company (including Shareholders having interests of more than 5% in the Company) and the Subscriber are reminded to disclose their dealings in the securities in the Company under Rule 22 of the Takeovers Code.

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates (as defined in the Takeovers Code) and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates (as defined in the Takeovers Code) and other person themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that the stockbrokers and other intermediaries will supply the Executive with the relevant information as to those dealings, including identities of clients, as part of that co-operation.

WARNING

THE OFFER WILL ONLY BE MADE IF COMPLETION TAKES PLACE, WHICH IS SUBJECT TO THE FULFILMENT (OR, IF APPLICABLE, WAIVER) OF THE CONDITIONS PRECEDENT OF THE SUBSCRIPTION AGREEMENT. THEREFORE, THE OFFER MAY OR MAY NOT PROCEED AND, AS SUCH, IS A POSSIBILITY ONLY. POTENTIAL INVESTORS AND SHAREHOLDERS ARE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES OF THE COMPANY.

DEFINITIONS

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

“acting in concert”	the same meaning ascribed to it under the Takeovers Code
“Administrators”	the administrators to be appointed pursuant to the Creditor Scheme
“associate”	the same meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Capital Reduction”	the reduction of the par value of each issued Existing Share from HK\$0.10 to HK\$0.001 by the cancellation of HK\$0.099 of the paid-up capital on each Existing Share pursuant to the Capital Reorganisation
“Capital Reorganisation”	the meaning as described in the sub-section headed “The Capital Reorganisation” in this announcement
“Capital Reorganisation Resolution”	the resolution proposed at the EGM for the consideration of the Shareholders to approve the Capital Reorganisation, which has been duly passed at the EGM
“Cayman Companies Law”	the Companies Law (2009 Revision) of the Cayman Islands (as amended)
“Circular”	the circular of the Company dated 28 June 2010 in respect of, among other things, the proposed capital reorganisation, the proposed group reorganisation and creditor scheme, the proposed subscription of new shares and the proposed issue of remuneration shares

“Claim”	any debt, liability, or obligation of the Company which arose on or before the Effective Date (whether known or unknown, whether present or future, whether actual or contingent, whether liquidated or unliquidated, ascertained or sounding only in damages) irrespective of whether the debt or claim arose by virtue of contract, at law, in equity or otherwise, which would be admissible to proof in a compulsory winding up of the Company under either the Companies Ordinance or the Cayman Companies Law and which includes, without limitation, a debt or liability to pay money or money’s worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract (including any guarantee liability of the Company), tort or bailment and any liability arising out of an obligation to make restitution
“Companies Ordinance”	the Companies Ordinance (Cap 32) of the Laws of Hong Kong as amended from time to time
“Company”	Tonic Industries Holdings Limited (Stock Code: 978), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the date on which all the conditions precedent set out in the Subscription Agreement are satisfied or waived whereupon the obligations set out in the Subscription Agreement shall be performed by the respective parties provided that such date shall not be later than 31 December 2010 or such later time and/or date as the Company and the Subscriber may agree in writing
“Concert Group”	the Subscriber and parties acting in concert with it
“Connected Person(s)”	the meaning ascribed to it under the Listing Rules
“Court”	the Grand Court of the Cayman Islands
“Courts”	the collectively’s Hong Kong Court and the Court
“Creditor Scheme”	the creditor scheme as set out in the scheme document issued by the Company to the Creditors dated 5 August 2010 (as amended by a supplemental scheme document to be issued by the Company to the Creditors) and summarised in the sub-sections headed “The Creditor Scheme” and “Amendment of the Creditor Scheme” in this announcement

“Creditors”	any person with a non-preferential Claim (and only to the extent of the non-preferential portion if the Claim consists of both preferential and non-preferential parts (whether asserted or not))
“Directors”	the directors of the Company
“Dr. So”	Dr. So Shu Fai, one of the ultimate beneficial owners of the Subscriber
“DTCFL”	Deloitte & Touche Corporate Finance Limited, the financial advisers to the Company in relation to the Restructuring Proposal
“DTCFL’s Remuneration Shares”	26,447,249 New Shares, representing approximately 2.48% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Remuneration Shares, to be issued to DTCFL as settlement of the professional fees charged by DTCFL
“Effective Date”	the date on which the Creditor Scheme becomes binding and effective being the later of: <ul style="list-style-type: none"> (i) the date of the delivery of a copy of the order of the Court sanctioning the Creditor Scheme to the Registrar of Companies in the Cayman Islands for registration; and (ii) the date of the delivery of a copy of the order of the High Court of Hong Kong sanctioning the Creditor Scheme to the Registrar of Companies in Hong Kong for registration
“EGM”	the extraordinary general meeting of the Company convened on 26 July 2010 for the purposes of considering and, if thought fit, approving, the Resolutions
“Escrow Agent”	Rays Chan & Co., a certified public accountant practising in Hong Kong and the escrow agent pursuant to the Escrow Agreement
“Escrow Agreement”	the escrow agreement dated 15 January 2010 (as amended by the supplemental deed dated 26 February 2010) entered into among the Escrow Agent, the Company and the Subscriber in relation to the escrow of the earnest money paid by the Subscriber as amended, varied, supplemented from time to time
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of its delegate

“Existing Shares”	existing ordinary shares of the Company with a par value of HK\$0.10, and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith, before completion of the Capital Reorganisation
“Group”	the Company and all its subsidiaries before completion of the Group Reorganisation
“Group Reorganisation”	the meaning as described in the sub-section headed “The Group Reorganisation” in this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong
“Independent Shareholder(s)”	Shareholder(s), other than (i) Mr. Ling and parties acting in concert with him; (ii) the Concert Group; and (iii) those who are involved in or interested in the Subscription and the Whitewash Waiver
“Joint Announcement”	the announcement of the Company dated 26 July 2010 in respect of, among other things, the proposed capital reorganisation, the proposed group reorganisation and creditor scheme, the proposed subscription of new shares and the proposed issue of remuneration shares
“Last Trading Day”	14 January 2010, being the last trading date prior to the signing of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of growth enterprise market (“GEM”) (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Mr. Ling”	Mr. Ling Siu Man, Simon, the Director, the chairman of the Company and the controlling Shareholder
“New Shares”	ordinary shares of the Company with a par value of HK\$0.01 in the share capital of the Company after the completion of the Capital Reorganisation, and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) stock or shares in the share capital of the Company resulting from any sub-division, consolidation or re-classification thereof

“Offer”	the unconditional mandatory cash offer for all the issued New Shares, other than those already owned or agreed to be acquired by the Subscriber made or to be made by Quam Securities Company Limited on behalf of the Subscriber
“Offer Document”	The offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Shareholders pursuant to the Offer
“Option Shares”	63,473,398 New Shares, representing approximately 5.94% of the enlarged share capital of the Company upon Completion to be held by the Subscriber, which will be transferred to Schemeco for the purposes of the Creditor Scheme
“PRC”	the People’s Republic of China
“Put Option Agreement”	<p>an agreement originally intended to be entered into among the Subscriber, Dr. So and the Schemeco within 14 days of the Effective Date or any other period as agreed between the Administrators, the Company and the Subscriber pursuant to the original terms of the Creditor Scheme. The Put Option Agreement shall, amongst other things, provide that:</p> <ul style="list-style-type: none"> (a) the Subscriber shall grant Schemeco a put option requiring the Subscriber to purchase all (or any number) of the Option Shares at a total price of HK\$40 million (or if in part, then at a price pro rata); (b) Schemeco will grant the Subscriber a right of first refusal, in respect of any proposed sale of all or any part of the Option Shares, for a period of 12 months starting from the Effective Date; and (c) the Subscriber will procure Dr. So to give a personal guarantee and indemnity to Schemeco for the obligations of the Subscriber under the Put Option Agreement, <p>while such Put Option Agreement is removed from the Creditor Scheme as described in the section headed “Modifications of the Creditor Scheme” in this announcement</p>

“Remuneration Shares”	the Somerley’s Remuneration Shares and the DTCFL’s Remuneration Shares
“Resolutions”	<p>the resolutions considered by the Shareholders (or, where applicable, the Independent Shareholders) which are necessary to give effect to the transactions contemplated under the Subscription Agreement and the issue of the Tranche 2 Remuneration Shares and DTCFL’s Remuneration Shares, and comply with the Listing Rules and the Takeovers Code and, including:</p> <ol style="list-style-type: none"> (1) the Capital Reorganisation Resolution; (2) the approval of the Group Reorganisation; (3) the Subscription Resolution; (4) the Whitewash Waiver Resolution; (5) the resolution for approving the issue and allotment of the Tranche 2 Remuneration Shares; and (6) the resolution for approving the issue and allotment of the DTCFL’s Remuneration Shares
“Restructuring Proposal”	the proposed restructuring of the Company involving, among others, the Capital Reorganisation, the Group Reorganisation, the Creditor Scheme and the Subscription
“Restructuring Memorandum”	the restructuring memorandum set out in Schedule 1 of the Subscription Agreement
“Retained Subsidiaries”	the group of subsidiaries comprising Tonic Electronics (B.V.I.) Limited, Tonic Marketing Limited, 東莞鑫聯數碼科技有限公司(Dongguan Xin Lian Digital Technology Co., Ltd.*), Grand Golden Profit Limited (創金利有限公司), 東莞悅金數碼科技有限公司(Dongguan Yuejin Digital Technology Company Limited*), Tonic DVB Marketing Limited, 冠華港貿易（深圳）有限公司(Guan Hua Gang Trading (Shenzhen) Co. Ltd.*) and Champion Apex Limited (華先有限公司)
“Scheme Creditors”	any Creditor with a Claim (and where the Creditor has a Claim that consists of both a preferential and non-preferential parts, only to the extent of the non-preferential part) which has been admitted by the Administrators in accordance with the Creditor Scheme
“Scheme Meeting”	the meeting of Creditors to be convened by each of the Courts for the purpose of considering and, if thought fit, approving the Creditor Scheme (with modifications)

“Scheme Subsidiaries”	the subsidiaries of the Company other than the Retained Subsidiaries
“Schemeco”	a special purpose company, to be incorporated under laws of Hong Kong by the Administrators for the purpose of the Creditor Scheme
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Consolidation”	the proposed consolidation of every 10 issued and unissued shares in the share capital of the Company after the Capital Reduction and Share Sub-division into one New Share pursuant to the Capital Reorganisation
“Share Sub-division”	the proposed sub-division where each authorised but unissued Share of par value HK\$0.10 each will be sub-divided into 100 Shares of par value HK\$0.001 each
“Shareholders”	shareholders of the Company
“Shares”	the Existing Shares, or the New Shares, and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) stock or shares in the share capital of the Company resulting from any sub-division, consolidation or re-classification thereof, as the case may be
“Somerley”	Somerley Limited, the financial advisers to the Company
“Somerley’s Remuneration Shares”	the Tranche 1 Remuneration Shares and the Tranche 2 Remuneration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Skill China Limited, a company incorporated in the BVI with limited liability which is ultimately beneficially owned as to 59.5% by Dr. So, 39.5% by Mr. Ge Zhang and 1.0% by the family trust of Mr. Chan Wai Dune
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 15 January 2010 (as amended by the supplemental subscription agreement dated 24 June 2010) entered into among the Company (as issuer), the Subscriber (as subscriber) and Dr. So (as guarantor) in relation to the Subscription, as amended, varied, supplemented from time to time

“Subscription Price”	the sum of HK\$80,000,000 (i.e. approximately HK\$0.0879 per Subscription Share) payable by the Subscriber pursuant to the Subscription Agreement
“Subscription Resolution”	the resolution proposed at the EGM for the consideration of the Shareholders to approve the Subscription and the transaction contemplated thereunder, which has been duly passed at the EGM
“Subscription Shares”	the 909,785,366 New Shares with a par value of HK\$0.01 each to be subscribed for by the Subscriber, representing approximately 85.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Remuneration Shares immediately upon Completion
“Substantial Shareholder”	the same meaning ascribed to it under the Takeovers Code
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tranche 1 Remuneration Shares”	21,157,799 New Shares, representing approximately 1.98% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Remuneration Shares, to be issued to Somerley as settlement of part of professional fees charged by Somerley
“Tranche 2 Remuneration Shares”	5,289,450 New Shares, representing approximately 0.50% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Remuneration Shares, to be issued to Somerley as settlement of part of professional fees charged by Somerley
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Concert Group to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Concert Group which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement

“Whitewash Waiver Resolution” the resolution proposed at the EGM for the consideration of the Independent Shareholders to approve the Whitewash Waiver

“%” per cent

By order of the Board
Tonic Industries Holdings Limited
LING Siu Man, Simon
Chairman & Managing Director

By order of the board of directors of
Skill China Limited
Chan Wai Dune
Director

Hong Kong, 5 October 2010

* for identification purposes only

As at the date of this announcement, the Board comprises Mr. Ling Siu Man, Simon, Mr. Wong Ki Cheung and Ms. Li Fung Ching, Catherine as Executive Directors and Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul as Independent Non-executive Directors.

As at the date of this announcement, there are three directors of the Subscriber namely Dr. So Shu Fai, Mr. Ge Zhang and Mr. Chan Wai Dune.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Concert Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Concert Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Group and its associates) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Group and its associates) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.