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TONIC
TONIC INDUSTRIES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 978)

**SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE
AND
RESUMPTION OF TRADING**

The Board announces that on 13 November 2007 (after 4:15 p.m. Hong Kong time), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe (or procure other independent investors to subscribe) for an aggregate of 105,000,000 new Shares at the price of HK\$0.218 per Shares.

The Subscription Shares represent approximately 11.02% of the existing issued share capital of the Company and approximately 9.93 % of the enlarged share capital of the Company. The Subscription Shares will be allotted and issued pursuant to the general mandate and will, when allotted, rank pari passu in all respects with other Shares in issue or to be issued by the Company on or prior to the date of the Subscription Agreement. The Company intends to apply the net proceeds in capital expenditure for the manufacture of newly developed products, expenditure relating to activities of locating suitable new business investment opportunity and general working capital.

Completion of the Subscription is conditional upon, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Subscription Shares. The Subscription Agreement contains provisions granting the Subscriber the right to terminate its obligations on the occurrence of force majeure at any time prior to 10:00 a.m. on the date for Completion. If the Subscriber exercises such right, the Subscription will not proceed.

Trading of the Shares was suspended with effect from 9:30 a.m. on 14 November 2007 at the request of the Company pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 15 November 2007.

THE SUBSCRIPTION AGREEMENT

Date : 13 November 2007 (after 4:15 p.m. Hong Kong time)
Parties : (i) The Company

(ii) The Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber is an open ended investment fund established in 2007 and managed by Somerley, its investment manager. The principal investment objective of the fund is to achieve capital appreciation through investing in listed and unlisted securities of companies operating in the Asia region or which derive a significant amount of their income from the Asian region, in particular, the Greater China Region.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber, Somerley and their respective ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Somerley was the financial adviser of the Company in the Company's subscription of shares in Cove Sunrise Inc. announced on 10 May 2007. Save and except the aforesaid transaction, the Company has no other transaction with the Subscriber, Somerley and their respective ultimate beneficial owner. The Company also has no previous relationship with the Subscriber, Somerley and their respective ultimate beneficial owner. The Subscriber, Somerley and their respective ultimate beneficial owner and Success Forever and its ultimate beneficial owner are not parties acting in concert.

Number of Subscription Shares

An aggregate of 105,000,000 new Shares will be issued to the Subscriber, represent approximately 11.02% of the existing issued share capital of the Company and approximately 9.93% of the enlarged share capital of the Company. The aggregate nominal value of the Subscription Shares is HK\$10,500,000.

The Subscriber will not become a substantial shareholder of the Company and will not appoint any representative to the Board after Completion.

Ranking of the Subscription Shares

The Subscription Shares will, when allotted, rank pari passu in all respects with other Shares in issue or to be issued by the Company on or prior to the date of the Subscription Agreement.

Subscription Price

The Subscription Price of HK\$0.218 per Share represents:

- (i) a discount of about 4.39% to the closing price of HK\$0.228 per Share as quoted on the Stock Exchange on 13 November 2007, being the last trading day prior to the suspension of the trading in the Shares pending the release of this announcement;
- (ii) a discount of about 7.63% to the average closing price per Share of approximately HK\$0.236 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 13 November 2007;
- (iii) a discount of about 7.94% to the average closing price per Share of approximately HK\$0.2368 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 13 November 2007; and
- (iv) a discount of about 10.51% to the average closing price per Share of approximately

HK\$0.2436 as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 13 November 2007.

The Subscription Price of HK\$0.218 is determined after arm's length negotiations between the Company and the Subscriber and with reference to the average closing price as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 13 November 2007 with a discount of about 10.51%. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription (including the discount) are fair and reasonable based on the current highly fluctuated market conditions and the Subscription is in the interests of the Company and its Shareholders as a whole.

It is estimated that the expenses of the Subscription will amount to approximately HK\$100,000 including legal fees for preparing the documents and fees for applying the listing of the Subscription Shares. The net Subscription Price per Share will be approximately HK\$0.217.

Conditions for the Subscription

Completion is conditional upon, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Subscription Shares.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, all the Subscription Shares.

Termination and Force Majeure

The Subscription Agreement contains provisions granting the Subscriber the right to terminate its obligations on the occurrence of force majeure at any time prior to 10:00 a.m. on the date for Completion. For this purpose, force majeure includes:

- (i) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Subscription Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which make it inexpedient or inadvisable or inappropriate for the Company or the Subscriber to proceed with the Subscription.

If the Subscriber exercises such right, the Subscription will not proceed.

Completion of the Subscription

Completion shall take place on the third business days after the fulfillment of the above condition (or such later date as the parties may agree in writing prior to Completion). In the event the above condition is not fulfilled by 3:00 p.m. (Hong Kong time) on 31 December 2007 or such other time as the parties may agree, the Subscription Agreement shall terminate and neither party shall have any further claims against the other for costs, damages, compensation or otherwise, save in respect of antecedent breaches.

There is no restriction on subsequent sale of the Subscription Shares after Completion.

General Mandate

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the AGM under which Directors are allowed to issue up to 20% of the issued share capital of the Company as at the date of passing the resolution at AGM (i.e. 190,577,992 new Shares at maximum). As at the date of this announcement, no Shares have been allotted and issued under the general mandate. After Completion, the outstanding shares able to be issued under the general mandate will be 85,577,992 new Shares, representing 8.98% of the existing issued share capital of the Company. In addition, the Company has not undertaken any equity fund raising activities in the 12 months immediately before the date of this announcement.

Lock-up

The Company has warranted and undertaken to the Subscriber that, within 6 months after the date of Completion, except with the prior written consent of the Subscriber, it will not issue any Shares or issue or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the Subscription Shares and the Shares to be issued upon exercise of the Share Options).

REASON FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider the Subscription is in the interest of the Company by inviting institutional investors to become Shareholders as it will diversify the shareholder base and enlarge the capital base of the Company and in the long term will bring impetus to the development of the Company. The Directors (including the independent non-executive Directors) consider that the Subscription is in the interests of the Company and its Shareholders as a whole.

The gross proceeds from the Subscription will amount to approximately HK\$22,890,000. The Company intends to apply approximately HK\$20 million of the net proceeds in purchase of tooling and equipment for manufacturing of its newly developed ATSC converter products, DVB products and Blu-ray Disc products. Approximately HK\$1 million of the net proceeds will be applied in expenditure relating to activities of locating new investment opportunity in business of development, distribution and retail of consumer products in the USA, Europe and Asia and the remaining proceeds will be applied as general working capital of the Group.

As at the date of this announcement, the Company has not yet identified any investment opportunities in business of development, distribution and retail of consumer products.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure immediately upon Completion are set out below:

	Existing Shareholding Structure (as at the date of this announcement)		Shareholding Structure immediately upon Completion (no outstanding Share Options exercise)		Shareholding Structure immediately upon Completion (assume full outstanding Share Options exercise)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Success Forever (Note 1)	668,492,476	70.15	668,492,476	63.19	668,492,476	59.82
Mr. Ling Siu Man, Simon (Note 1)	0	0.00	0	0.00	15,000,000	1.34
Other Directors (Note 2)	11,223,000	1.18	11,223,000	1.06	23,733,000	2.12
Public Shareholders	273,174,486	28.67	378,174,486	35.75	401,199,486	36.72
(a) The Subscriber	0	0.00	105,000,000	9.93	105,000,000	9.40
(b) Other holders of outstanding Share Options (Note 3)	0	0.00	0	0.00	32,025,000	2.87
(c) General Public	273,174,486	28.67	273,174,486	25.82	273,174,486	24.45
	952,889,962	100	1,057,889,962	100	1,117,424,962	100

Notes

- The entire issued share capital of Success Forever is beneficially owned by Mr. Ling Siu Man, Simon, Director of the Company. As at the date of this announcement, Mr. Ling is holding 15,000,000 Share Options.
- Name of Directors holding Shares and Share Options as at the date of this announcement are:
 - Mr. Liu Hoi Keung, Gary holds 3,706,000 Shares, Mr. Wong Ki Cheung holds 1,749,000 Shares, Ms. Li Fung Ching, Catherine holds 2,142,000 Shares and Mr. Cheng Tsang Wai holds 3,626,000 Shares (representing 0.38% of the existing issued share capital of the Company) and in aggregate holding 11,223,000 Shares; and
 - Mr. Liu Hoi Keung, Gary, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man and Mr. Lam Kwai Wah in aggregate holding 12,510,000 Share Options.
- As at the date of this announcement, there are Share Options outstanding entitling holders thereof to subscribe for an aggregate of 59,535,000 Shares before Completion, of which 27,510,000 Share Options have been granted to Directors and the remaining 32,025,000 Share Options have been granted to other employees of the Group which, when fully exercised by other employees will become public Shareholders.

Save and except the above, as at the date of this announcement, there is no other outstanding share option or other securities convertible into, exchangeable for or which carry rights to acquire Shares.

GENERAL

The Group is engaged in manufacturing of consumer electronic products and home appliance products. Apart from continuing manufacturing and supplying products of audio system, home

theatre, LCD TV, GPS, DVD player and combo player, the Group devotes substantial part of its resources in the research and development of new high-end consumer electronic products such as ATSC products, DVB products, set-top boxes, satellite receivers and Blu-ray Disc player. The Group is planning to commence the production of its newly developed high-end consumer electronic products by early 2008. The Company continues to look for suitable opportunity for investment in business of development, distribution and retail of consumer products in the USA, Europe and Asia with a view to bringing long term synergies to the Company.

RESUMPTION OF TRADING

Trading of the Shares was suspended with effect from 9:30 a.m. on 14 November 2007 at the request of the Company pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 15 November 2007.

DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:

“AGM”	the annual general meeting of the Company held on 25 September 2007;
“ATSC products”	products that comply with the Advanced Television System Committee Digital Television Standard adopted by the United States Federal Communication Commission;
“Board”	the board of directors of the Company;
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange;
“Completion”	completion of the Subscription Agreement;
“Directors”	the directors of the Company;
“DVB products”	products that comply with the digital video broadcasting standard adopted by the European countries;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock

	Exchange;
“Shares(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Options”	the options to subscribe for Shares granted under the share option scheme adopted by the Company on 18 September 1997;
“Somerley”	Somerley Limited, the investment manager for the Subscriber in managing its investment fund;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	CorporActive Fund Limited, a company incorporated in the Cayman Islands;
“Subscription”	the subscription for the Subscription Shares by the Subscriber subject to the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 13 November 2007 between the Company and the Subscriber in relation to the Subscription;
“Subscription Price”	HK\$0.218 per Subscription Shares;
“Subscription Shares”	an aggregate of 105,000,000 new Shares to be issued and subscribed under the Subscription Agreement;
“Success Forever”	Success Forever Limited, a company wholly owned by Mr. Ling Siu Man Simon, Director of the Company.

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

Hong Kong, 14 November 2007

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