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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 IN THE SHARES**

The Board announces that on 22 July 2009, the Company and Success Forever entered into the Subscription Agreement and on 24 July 2009 entered into the Supplemental 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 210,000,000 new Shares at the price of HK\$0.155 per Shares.

The Subscription Shares represent approximately 19.85% of the existing issued share capital of the Company and approximately 16.56 % 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 majority of the net proceeds from issuing the Subscription Shares in capital expenditure and the related research and investigation costs for the investment in wind energy projects, the manufacture of certain components of wind energy equipment and other related products

The Subscriber undertakes to Success Forever that it will not trade the Subscription Shares for a period of twelve months from the date of the Subscription Agreement, save for the disposal(s) and/or transfer(s) of the Subscription Shares among the Subscriber, Success Forever, and their respective connected parties.

Success Forever also undertake to the Subscriber that it will not trade the Success Forever Shares for a period of twelve months from the date of the Subscription Agreement, save for the disposal(s) and/or transfer(s) of the Success Forever Shares among Success Forever, the Subscriber and their respective connected parties.

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 23 July 2009 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 27 July 2009.

## **THE SUBSCRIPTION AGREEMENT**

**Date** : 22 July 2009

**Parties** : (i) The Company  
(ii) The Subscriber  
(iii) Success Forever

## **THE SUPPLEMENTAL AGREEMENT**

**Date** : 24 July 2009

**Parties** : (i) The Company  
(ii) The Subscriber  
(iii) Success Forever

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is a company incorporated in Hong Kong who through the management team and consultants of its own as well as its related companies possess extensive business and technical connection, knowledge and experience in the identification, selection, design and developing of wind farm and the design, manufacture, and deployment of wind energy equipment in China.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber, and their respective ultimate beneficial owner are third parties independent of the Company and not connected persons of the Company.

Save and except the aforesaid transaction, the Company has no other transaction with the Subscriber, and their respective ultimate beneficial owner. The Company also has no previous relationship with the Subscriber, and their respective ultimate beneficial owner. The Subscriber, 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 210,000,000 new Shares will be issued to the Subscriber, representing approximately 19.85% of the existing issued share capital of the Company and approximately 16.56% of the enlarged share capital of the Company. The aggregate nominal value of the Subscription Shares is HK\$21,000,000.

The Subscriber will become a substantial shareholder of the Company according to the Listing Rules and will appoint one 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\$0.155 per Share represents:

- (i) a discount of about 19.69 % to the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on 22 July 2009, 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 17.11% to the average closing price per Share of approximately HK\$0.187 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 22 July 2009 ;
- (iii) a discount of about 6.06% to the average closing price per Share of approximately HK\$0.165 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 22 July 2009; and
- (iv) a premium of about 22.05% to the average closing price per Share of approximately HK\$0.127 as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 22 July 2009.

The Subscription Price of HK\$0.155 is determined after arm's length negotiations between the Company and the Subscriber and with reference to the closing price on the date of agreement with a discount of about 19.69%. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription (including the premium) are fair and reasonable based on the current highly fluctuated market conditions and the Subscription is in the best interest 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 expenses for preparing the documents and fees for applying the listing of the Subscription Shares. The net Subscription Price per Share will be approximately HK\$0.155.

### **Condition 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 or before the tenth business day 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 October 2009 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.

### **Non-trading Undertaking After Completion**

The Subscriber undertakes to Success Forever that it will not trade the Subscription Shares for a period of twelve months from the date of the Subscription Agreement, save for the disposal(s) and/or transfer(s) of the Subscription Shares among Success Forever, the Subscriber, and their respective connected parties.

Success Forever also undertakes to the Subscriber that it will not trade the Success Forever Shares for a period of twelve months from the date of the Subscription Agreement, save for the disposal(s) and/or transfer(s) of the Success Forever Shares among Success Forever, the Subscriber and their respective connected parties.

### **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. 211,577,992 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 1,577,992 new Shares, representing 0.15% 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.

## REASON FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider the Subscription is in the best interest of the Company by inviting the Subscriber to become a strategic Shareholder as it will not only diversify the shareholder base and enlarge the capital base of the Company, the Subscriber will also bring the expertise and business opportunities in wind energy, manufacture of certain components of wind energy related equipment and related products. This eventually will broaden the base of business of the Company in this expected high growth business sector. The Directors (including the independent non-executive Directors) consider that the Subscription is in the best interest of the Company and its Shareholders as a whole.

The gross proceeds from the Subscription will amount to approximately HK\$32,550,000. The Company intends to apply majority of the net proceeds from the issuing of the Subscription Shares in capital expenditure and the related research and investigation costs for the investment in wind energy projects, the manufacture of certain components of wind energy equipment and other related 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	63.19	668,492,476	52.72	668,492,476	50.98
Mr. Ling Siu Man, Simon (Note 1)	0	0.00	0	0.00	15,000,000	1.14
The Subscriber	0	0.00	210,000,000	16.56	210,000,000	16.02
Other Directors (Note 2)	5,517,000	0.52	5,517,000	0.44	12,597,000	0.96
Public Shareholders	383,880,486	36.29	383,880,486	30.28	405,180,486	30.90
(a) Other holders of outstanding Share Options (Note 3)	0	0.00	0	0.00	21,300,000	1.62
(b) General Public	383,880,486	36.29	383,880,486	30.28	383,880,486	29.28
	----- 1,057,889,962 =====	----- 100 =====	----- 1,267,889,962 =====	----- 100 =====	----- 1,311,269,962 =====	----- 100 =====

#### Notes

1. 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.
2. Name of Directors holding Shares and Share Options as at the date of this announcement are:
  - (i) 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 1,626,000 Shares (representing 0.52% of the existing issued share capital of the Company) and in aggregate holding 5,517,000 Shares; and
  - (ii) Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine and Mr. Lam Kwai Wah in aggregate holding 7,080,000 Share Options.
3. As at the date of this announcement, there are Share Options outstanding entitling holders thereof to subscribe for an aggregate of 43,380,000 Shares before Completion, of which 22,080,000 Share Options have been granted to Directors and the remaining 21,300,000 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. 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 and satellite receivers. The Company is looking for suitable business opportunities for investment in wind farms as well as in manufacture of certain components of wind energy equipment and related products, in particular, the Greater China Region.

#### **RESUMPTION OF TRADING**

Trading of the Shares was suspended with effect from 9:30 a.m. on 23 July 2009 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 27 July 2009.

## 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 18 September 2008;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	S.M. Centerus Renewable Energy Limited, a company incorporated in Hong Kong;

“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 22 July 2009 between the Company, Success Forever, and the Subscriber in relation to the Subscription;
“Subscription Price”	HK\$0.155 per Subscription Shares;
“Subscription Shares”	an aggregate of 210,000,000 new Shares to be issued and subscribed under the Subscription Agreement;
“Supplemental Agreement”	the subscription agreement dated 24 July 2009 between the Company, Success Forever, and the Subscriber in relation to the Subscription;
“Success Forever”	Success Forever Limited, a company wholly owned by Mr. Ling Siu Man Simon, Director of the Company;
“Success Forever Shares”	The 668,492,476 Shares currently owned by Success Forever.

By order of the Board  
**Tonic Industries Holdings Limited**  
Ling Siu Man, Simon  
*Chairman and Managing Director*

Hong Kong, 24 July 2009

*As at the date of this announcement, the Board comprises Mr. Ling Siu Man, Simon, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine 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.*