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**TONIC INDUSTRIES HOLDINGS LIMITED**  
**東力實業控股有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 978)**

**VOLUNTARY WINDING-UP OF A SUBSIDIARY**

The Board wishes to inform the Shareholders and potential investors of the Company that after the trading hours on 19 April 2012, the Board resolved to voluntarily wind up Total Ally. Accordingly, the board of the directors of Total Ally, an indirect wholly-owned subsidiary of the Company, resolved to recommend the shareholder of Total Ally to voluntarily wind up Total Ally and to appoint Mr. Lai Kar Yan (Derek), Mr. Yeung Lui Ming (Edmund) and Mr. Ho Kwok Leung, Glen, all of 35th Floor, One Pacific Place, 88 Queensway, Hong Kong as liquidators for the winding-up of Total Ally jointly and severally. On 19 April 2012, the shareholder of Total Ally resolved, amongst other things, to voluntarily wind up Total Ally.

**VOLUNTARY WINDING-UP OF TOTAL ALLY**

The Board wishes to inform the Shareholders and potential investors of the Company that after the trading hours on 19 April 2012, the Board resolved to voluntarily wind up Total Ally. Accordingly, the board of the directors of Total Ally resolved to recommend the shareholder of Total Ally to voluntarily wind up Total Ally and to appoint Mr. Lai Kar Yan (Derek), Mr. Yeung Lui Ming (Edmund) and Mr. Ho Kwok Leung, Glen, all of 35th Floor, One Pacific Place, 88 Queensway, Hong Kong as liquidators for the winding-up of Total Ally jointly and severally. On 19 April 2012, the shareholder of Total Ally resolved, amongst other things, to voluntarily wind up Total Ally.

**INFORMATION ON TOTAL ALLY**

Total Ally is an investment holding company and is an indirect wholly-owned subsidiary of the Company. Total Ally Group, through Xin Lian, is principally engaged in the manufacture, processing and sale of electronic consumer products and related components (currently being set-top box). The manufacturing operation of the Group has been carried out mainly through Total Ally Group.

On 20 February 2012, voluntary winding-up of TDML was commenced and liquidators were appointed to TDML. TDML was a dormant company and was not regarded as a major subsidiary of the Company for the purposes of Rule 13.25(2) of the Listing Rules.

\* *For identification purposes only*

Save for its equity interests in Tonic Electronics (B.V.I.) Limited, Total Ally has not conducted any business activities since its incorporation and has no other material assets and liabilities. As the consolidated revenue of Tonic Electronics (B.V.I.) Limited and its subsidiaries (the “Tonic BVI Group”) for the year ended 31 March 2011 represents more than 5% of the consolidated revenue of the Group for the year ended 31 March 2011, and the consolidated total assets of Tonic BVI Group as at 30 September 2011 represents more than 5% of the consolidated total assets of the Group as at 30 September 2011, Total Ally is considered as a major subsidiary of the Company for the purposes of Rule 13.25(2) of the Listing Rules.

## **REASONS FOR VOLUNTARY WINDING-UP OF TOTAL ALLY**

The Group is principally engaged in (i) the trading of electrical consumer products and related components; and (ii) the manufacturing, processing and sale of electronic consumer products and related components (currently being set-top box).

The manufacturing business of the Group has incurred segment losses during the financial year ended 31 March 2011 and the six months ended 30 September 2011. Due to the low utilization of the production capacity of manufacturing operation as a result of the insufficient orders for set-top boxes, the major product of the Group, the Group’s manufacturing operation has incurred substantial idle overhead costs during the period. Compounded by the continuously rising costs of labour and raw materials, the Group’s manufacturing business has been suffering considerable segment losses. In view of the heavy overhead costs and the continuous losses of the manufacturing operation which have adversely affected the overall financial performance of the Group, the Board resolved to voluntarily wind up Total Ally.

Despite the voluntary winding-up of Total Ally, the Company intends to continue and maintain its manufacturing operation by adopting a new subcontracting business model under which, the Group can subcontract the manufacturing works to subcontractors (including Xin Lian) at a reasonable market price, so as to avoid the absorption of unnecessary idle overhead costs and to carry out its manufacturing business in a more cost effective and commercially feasible manner. While the liquidators of Total Ally are expected to take six to nine months to finalise any realisation plan on the assets of Total Ally, as a transitional arrangement, a subsidiary of the Retained Group will enter into a subcontracting and agency agreement with Total Ally following the commencement of the liquidation of Total Ally, pursuant to which Total Ally will procure Xin Lian as an agent to receive sales orders, and also as the subcontractor to manufacture electronic products, for the Retained Group. Meanwhile, the Group is devoting its best efforts in seeking out and engaging other independent third party subcontractors for the outsourcing of the Group’s manufacturing works. It is expected that such subcontracting business model will enable the Retained Group to better manage its overheads and in turn, to enhance its overall profitability, which is considered beneficial to the long term growth of the Group. Following the commencement of the winding-up of Total Ally, the financial results and position of Total Ally Group will be deconsolidated from those of the Group.

Save as disclosed above, the Board also considers that the voluntary winding-up of Total Ally will not have material adverse impact on the operation of the Retained Group.

## DEFINITIONS

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Retained Group”	the Group excluding the Total Ally Group upon the commencement of the voluntary winding-up of Total Ally
“Shareholder(s)”	holder(s) of the shares of HK\$0.01 each of the Company
“TDML”	Tonic DVB Marketing Limited (in liquidation), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of Tonic Electronics (B.V.I.) Limited
“Total Ally”	Total Ally Holdings Limited, a company incorporated in the BVI with limited liability
“Total Ally Group”	Total Ally and its subsidiaries including Tonic Electronics (B.V.I.) Limited, TDML, Tonic Marketing Limited and Xin Lian, each of which being an indirect wholly-owned subsidiary of the Company
“Xin Lian”	東莞鑫聯數碼科技有限公司 (Dongguan Xin Lian Digital Technology Company Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Total Ally
“%”	per cent

By order of the Board  
**Tonic Industries Holdings Limited**  
**Dr. So Shu Fai**  
Chairman

Hong Kong, 19 April 2012

*As at the date of this announcement, the Board comprises Dr. So Shu Fai, Mr. Mak Bing Kau, Mr. Ng Wai Hung and Mr. Lau Cheuk Lun as executive Directors and Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul as independent non-executive Directors.*