



TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.tonic.com.hk>

(Stock Code: 978)

(the “Company”)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Directors intend to put forward to the Shareholders a proposal to amend the Current Articles of Association in order to ensure compliance with the amended provisions of the Listing Rules that came into effect on 31 March 2004 and in order to make certain changes which the Directors consider appropriate.

The proposed amendments to the Current Articles of Association are subject to the approval of the Shareholders by way of passing a special resolution to be proposed at the Annual General Meeting. A circular containing, inter alia, information on the proposed amendments to the Current Articles of Association and a notice convening the Annual General Meeting will be dispatched to the Shareholders as soon as practicable.

PROPOSED AMENDMENTS TO THE CURRENT ARTICLES OF ASSOCIATION

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has announced amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) which include, among other things, amendments to Appendix 3 of the Listing Rules that came into effect on 31 March 2004. Such amendments to Appendix 3 of the Listing Rules require a listed issuer’s articles of association/bye-laws to conform with certain provisions. The directors of the Company (the “Directors”) therefore propose to amend the current Articles of Association adopted by the Company on 18 September 1997 (the “Current Articles of Association”) to ensure compliance with the amended provisions of the Listing Rules in the following aspects:

- (i) Article 85 of the Current Articles of Association shall be amended to the effect that where the Company has knowledge that any shareholder of the Company (the “Shareholder”) is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;
- (ii) Articles 107(c), 107(e) and 107(f) of the Current Articles of Association shall be amended to the effect that a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates (as defined in the Listing Rules) has a material interest nor shall he be counted in the quorum present at such board meeting (subject to certain exceptions acceptable to the Stock Exchange); and
- (iii) Article 120 of the Current Articles of Association shall be amended to the effect that the minimum length of the period during which the notice to the Company of the intention to propose a person for election as a Director and during which the notice to the Company by such person of his willingness to be elected are given shall be at least 7 days and that the period for lodgement of the aforesaid notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

With the repeal of the Securities and Futures (Clearing Houses) Ordinance and the enactment of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong on 1 April 2003, it is also proposed that the definition of “clearing house” under Article 2 of the Current Articles of Association shall be amended such that its reference to the Securities and Futures (Clearing Houses) Ordinance shall be deleted. Moreover, Articles 63(a)(iii), 112(c)(i) and 163(b) of the Current Articles of Association shall also be amended in order to comply with the Listing Rules. Furthermore, Article 96 of the Current Articles of Association shall also be amended to provide that all corporations which are Shareholders may appoint multiple corporate representatives.

GENERAL

The proposed amendments to the Current Articles of Association as detailed above are subject to the approval of the Shareholders by way of passing a special resolution to be proposed at the annual general meeting of the Company to be held on 23 September 2004 (the “Annual General Meeting”). A circular containing, inter alia, information on the above proposed amendments to the Current Articles of Association together with a notice convening the Annual General Meeting will be dispatched to the Shareholders as soon as practicable.

DIRECTORS

As at the date of this announcement, the Board of Directors comprises six executive directors – Mr. Ling Siu Man, Simon, Mr. Lee Ka Yue, Peter, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man and Mr. Liu Hoi Keung, Gary, non-executive director – Mr. Wong Wai Kwong, David, and independent non-executive directors – Mr. Ho Fook Hong, Ferdinand and Mr. Pang Hon Chung.

On behalf of the Board
Ling Siu Man, Simon
Chairman & Managing Director

Hong Kong, 29 July 2004

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Tonic Industries Holdings Limited (the “Company”) will be held at Tang Room II, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 23 September 2004 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors for the year ended 31 March 2004;
2. To declare a final dividend;
3. To re-elect Directors and to authorise the Board of Directors to fix the Directors’ remuneration;
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration;
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

“**THAT** the Articles of Association of the Company be and are hereby amended in the following manner:

(a) Article 2

- (i) By deleting the words “shall have the meaning ascribed thereto in section 2 of the Securities and Futures (Clearing) Houses Ordinance of Hong Kong” in the definition of “recognised clearing house” and substituting therefor the words as follows:–

“shall have the meaning ascribed thereto in Schedule 1 to the Securities and Futures Ordinance of the Hong Kong and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor”;

(b) Article 63(a)(iii)

By inserting the following words immediately after the last word of existing Article 63(a)(iii):

“, and where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;

(c) Article 85

By re-numbering the existing Article 85 as Article 85. (a) and inserting the following new Article 85. (b) immediately after the new Article 85. (b):

“85. (b) Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”;

(d) Article 96

By deleting the existing Article 96 in its entirety and substituting therefor a new Article 96 as follows:

“96. Any corporation which is a member may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its corporate representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authority shall specify the number and class of shares held by the relevant member in respect of which each such person is authorised to act as such corporate representative. Each person so appointed under the provisions of this Article shall be entitled to exercise the same powers on behalf of the corporation (or its nominee) which he represents as that corporation (or its nominee) could exercise as if it were an individual member including the right to vote individually on a show of hands notwithstanding the provisions of Article 85. The number of persons a corporation may authorise to act as its corporate representative or representatives shall not exceed the number of shares held by that corporation (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.”;

(e) Article 107. (c)

By deleting the existing Article 107. (c) in its entirety and substituting therefor a new Article 107. (c) as follows:

- “107. (c) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum of that resolution), but this prohibition shall not apply to any of the following matters namely:
- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/himself assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights; or
 - (vi) any proposal concerning the adoption, modification, or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.”;

(f) Article 107. (e)

By deleting the existing Article 107. (e) in its entirety and substituting therefor a new Article 107. (e) as follows:

- “107. (e) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or his associate(s) or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting (or, where question relates to the interest of the Chairman, to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to any other Director (or, as appropriate, the Chairman) shall be final and conclusive except in a case where the nature or extent of the interests of the Director and/or his associate(s) concerned (or, as appropriate, the Chairman) as known to such Director (or, as appropriate, the Chairman) has not been fairly disclosed to the Board.”;

(g) Article 107. (f)

By deleting the existing Article 107. (f) in its entirety and substituting therefor a new Article 107. (f) as follows:

- “107. (f) For the purpose of this Article, “Associates” mean, in relation to any Director of the Company:
- (i) his spouse and any of his or his spouse’s children or step-children, natural or adopted, under the age of 18 (together the “family interests”); and
 - (ii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the HK Code on Takeovers & Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”); and
 - (iii) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and

- (iv) any company in the equity capital of which he, his family interests, any of the trustees referred to in (f) (ii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30 per cent. (or such other amount as may from time to time be specified in the HK Code on Takeovers & Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.”;

(h) Article 112(c)(i)

By inserting the following words immediately after the word “Director” in the existing Article 112(c)(i):

“or his Associates (as defined in Article 107(f) above)”;

(i) Article 120

By deleting the existing Article 120 in its entirety and substituting therefor a new Article 120 as follows:

“120. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a member (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.”; and

(j) Article 163(b)

By inserting the following words immediately after the word “Company” in the fifth line of the existing Article 163(b):

“at the same time as the notice of annual general meeting”.

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

“**THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held.”;

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

“**THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);

- (ii) the exercise of options under a share option scheme of the Company; and
- (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company,

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

- (d) for the purposes of this resolution:

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

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

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

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

“**THAT** conditional upon the passing of resolutions nos. 6 and 7 set out in the notice convening this meeting, the general mandate referred to in resolution no. 7 above be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate referred to in resolution no. 6 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”.

By order of the Board
LIU Hoi Keung, Gary
Secretary & Director

Hong Kong, 29 July 2004

Notes:

1. Any Member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company. A Member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from Tuesday, 21 September 2004 to Thursday, 23 September 2004, both days inclusive, during which period no transfer of shares of the Company will be registered and no shares of the Company will be allotted and issued upon exercise of share options issued/granted by the Company. In order to qualify for attending and voting at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 20 September 2004.
4. In relation to the ordinary resolutions nos. 6, 7 and 8 set out in the above notice, the Directors wish to state that they have no immediate plan to issue any new shares or repurchase any existing shares of the Company.