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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Tonic Industries Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**TONIC**  
**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)

**PROPOSED AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION OF THE COMPANY  
AND  
PROPOSED GRANTING OF GENERAL MANDATES  
TO REPURCHASE SHARES AND  
TO ISSUE NEW SHARES OF THE COMPANY  
AND  
PROPOSED RE-ELECTION OF RETIRING DIRECTORS OF THE COMPANY**

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A notice convening an annual general meeting of Tonic Industries Holdings Limited to be held at Tang Room I, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 15 September 2005 at 11:00 a.m. is set out on pages 15 to 19 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).

Whether or not you are able to attend the annual general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

\* *for identification purposes only*

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## DEFINITIONS

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

“Annual General Meeting”	an annual general meeting of the Company to be held at Tang Room I, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 15 September 2005 at 11:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 15 to 19 of this circular, or any adjournment thereof;
“Board”	the board of Directors;
“Buyback Mandate”	as defined in paragraph 3(a) of the Letter from the Board;
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“Current Articles of Association”	the current Articles of Association adopted by the Company on 18 September 1997 with the latest amendments approved by the Shareholders in the Company’s annual general meeting held on 23 September 2004;
“Director(s)”	the director(s) of the Company;
“Group”	The Company and its subsidiaries from time to time;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issuance Mandate”	as defined in paragraph 3(b) of the Letter from the Board;
“Latest Practicable Date”	25 July 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;

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## DEFINITIONS

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“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong.

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LETTER FROM THE BOARD

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**TONIC**

**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)

*Directors:*

LING Siu Man, Simon (*Chairman and Managing Director*)

LEE Ka Yue, Peter

WONG Ki Cheung

LI Fung Ching, Catherine

AU Wai Man

LIU Hoi Keung, Gary

LAM Kwai Wah

WONG Wai Kwong, David\*

HO Fook Hong, Ferdinand\*\*

PANG Hon Chung\*\*

CHENG Tsang Wai\*\*

\* *Non-executive Director*

\*\* *Independent non-executive Director*

*Registered office:*

P.O. Box 309GT

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

*Principal place of business:*

Unit B, 10th Floor

Summit Building

30 Man Yue Street

Hung Hom

Kowloon

Hong Kong

28 July 2005

*To the shareholders*

Dear Sir/Madam,

**PROPOSED AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION OF THE COMPANY  
AND  
PROPOSED GRANTING OF GENERAL MANDATES  
TO REPURCHASE SHARES AND  
TO ISSUE NEW SHARES OF THE COMPANY  
AND**

**PROPOSED RE-ELECTION OF RETIRING DIRECTORS OF THE COMPANY**

**1. INTRODUCTION**

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions to be proposed at the Annual General Meeting for (i) the amendments to the Current Articles of Association; (ii) the granting of the Buyback Mandate to the Directors; (iii) the granting of the

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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Issuance Mandate to the Directors; (iv) the extension of the Issuance Mandate by adding to it the aggregate number of the issued Shares repurchased by the Company under the Buyback Mandate; and (v) the re-election of the retiring Directors.

### **2. PROPOSED AMENDMENTS TO THE CURRENT ARTICLES OF ASSOCIATION**

Since the Company amended the Current Articles of Association by a special resolution dated 23 September 2004, a number of amendments were made to the Listing Rules, which include, inter alia, the replacement of the Code of Best Practice in Appendix 14 by a new code on Corporate Governance Practices (“Corporate Governance Code”) and the addition of a new Appendix 23 on the requirement for a Corporate Governance Report to be included in annual reports of listed issuers. The Company has reviewed its corporate governance practices with reference to the provisions of the Corporate Governance Code and the Current Articles of Association and considers that it is necessary to bring the Articles of Association in line with the amended Listing Rules, in particular, paragraph A.4.2 of Appendix 14 which recommends that (a) every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment. These amendments are summarized below:

- (i) Article 99 and Article 119 are proposed to be amended to provide that any Director appointed by the Directors or by ordinary resolution as an addition to the Board or to fill a casual vacancy shall be subject to re-election by Shareholders at the first general meeting after the appointment rather than at the next following annual general meeting after the appointment.
- (ii) Article 116 is proposed to be amended to provide that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The proposed amendments to the Current Articles of Association are stated in the proposed special resolution no. 5 in the notice convening the Annual General Meeting as set out on pages 15 to 19 of this circular. A copy of the Current Articles of Association will be available for inspection at the Company’s principal place of business in Hong Kong at Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting.

### **3. BUYBACK AND ISSUANCE MANDATES**

At the annual general meeting of the Company held on 23 September 2004, general mandates were given to the Directors to exercise the powers of the Company to repurchase shares and to issue new shares of the Company respectively. Such mandates will lapse at the conclusion of the Annual General Meeting.

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## LETTER FROM THE BOARD

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Ordinary resolutions will be proposed at the Annual General Meeting to approve the granting of new general mandates to the Directors:

- (a) to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing of such resolution (the “Buyback Mandate”);
- (b) to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution (the “Issuance Mandate”); and
- (c) to extend the Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Buyback Mandate.

The Buyback Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the Annual General Meeting or any earlier date as referred to in ordinary resolutions nos. 6 and 7 set out in the notice of the Annual General Meeting. With reference to the Buyback Mandate and the Issuance Mandate, the Directors wish to state that they have no immediate plan to repurchase any Shares or issue any Shares pursuant thereto.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Buyback Mandate. The explanatory statement as required by the Listing Rules in connection with the Buyback Mandate is set out in Appendix I to this circular.

#### **4. PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS**

Pursuant to article 116 of the Current Articles of Association, at each annual general meeting of the Company, one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. The Directors to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.

Pursuant to article 99 of the Current Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director appointed pursuant to this article 99 of the Current Articles of Association shall not be taken into account in determining the number of Directors who are to retire by rotation pursuant to article 116 of the Current Articles of Association.

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## LETTER FROM THE BOARD

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According to article 116 of the Current Articles of Association, Mr AU Wai Man and Mr HO Fook Hong, Ferdinand shall retire by rotation at the Annual General Meeting whereas according to article 99 of the Current Articles of Association, Mr LAM Kwai Wah and Mr CHENG Tsang Wai shall hold office until the Annual General Meeting. All of the above four retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting. Details of Mr AU Wai Man, Mr HO Fook Hong, Ferdinand, Mr LAM Kwai Wah and Mr CHENG Tsang Wai which are required to be disclosed by the Listing Rules are set out in Appendix III to this circular.

### 5. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 15 to 19 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the amendments to the Current Articles of Association, the granting of the Buyback Mandate and the Issuance Mandate and the extension of the Issuance Mandate by the addition thereto of the number of Shares repurchased pursuant to the Buyback Mandate.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority 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 holding the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

### 6. RECOMMENDATION

The Directors consider that the proposed amendments to the Current Articles of Association, the granting of the Buyback Mandate, the granting/extension of the Issuance Mandate and the proposed re-election of retiring Director are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting on the terms set out in the notice of that meeting.

### 7. GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I (Explanatory Statement on the Buyback Mandate), Appendix II (Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Current Articles of Association) and Appendix III (Details of the Retiring Directors proposed to be re-elected at the Annual General Meeting) to this circular.

Yours faithfully,  
On behalf of the Board  
**LING Siu Man, Simon**  
*Chairman*

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## **APPENDIX I      EXPLANATORY STATEMENT ON THE BUYBACK MANDATE**

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The following is an explanatory statement required by the Listing Rules to be sent to the Shareholders to enable them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the granting of the Buyback Mandate.

### **1.      REASONS FOR BUYBACK**

The Directors believe that the granting of the Buyback Mandate is in the interests of the Company and the Shareholders.

Repurchases of Shares may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. The Directors are seeking the granting of the Buyback Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

### **2.      SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 952,889,962 Shares of HK\$0.1 each.

Subject to the passing of the ordinary resolution no. 6 set out in the notice of the Annual General Meeting in respect of the granting of the Buyback Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the date of the Annual General Meeting, the Directors would be authorised under the Buyback Mandate to repurchase a maximum of 95,288,996 Shares (representing 10% of the Shares in issue as at the Latest Practicable Date) during the period in which the Buyback Mandate remains in force.

### **3.      FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules, the laws of the Cayman Islands, and/or any other applicable laws. The Company intends to use profits of the Company or the proceeds of a fresh issue of shares made for the purposes of the repurchases which will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

### **4.      IMPACT OF REPURCHASES**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March 2005) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

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## **APPENDIX I EXPLANATORY STATEMENT ON THE BUYBACK MANDATE**

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### **5. TAKEOVERS CODE**

If, on the exercise of the power to repurchase Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Mr LING Siu Man, Simon, a director of the Company together with his associate and Peninsula International Limited, another substantial Shareholder of the Company together with its respective associates, were interested in an aggregate of 476,830,173 and 194,404,303 Shares respectively, representing 50.04% and 20.40% respectively of the issued Shares of the Company. On the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, in the event that the Directors exercise in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the interests of Mr LING Siu Man, Simon and Peninsula International Limited together with their respective associates in the Shares of the Company would be increased to approximately 55.60% and 22.66% respectively. Such increase in the proportionate interest in the voting rights of the Company would not trigger a mandatory offer under Rule 26 of the Takeovers Code. At present, so far as is known to the Directors, no Shareholder or group of Shareholders acting in concert, may become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors will not make repurchase of Shares if the result of the repurchase would be that less than 25% of the issued share capital of the Company would be in public hands. The Stock Exchange has stated that, if less than 25% of the issued Shares are in public hands, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

### **6. GENERAL**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of Shares pursuant to the Buyback Mandate in accordance with the Listing Rules and the laws of the Cayman Islands.

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**APPENDIX I EXPLANATORY STATEMENT ON THE BUYBACK MANDATE**

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**7. MARKET PRICES OF SHARES**

The highest and lowest prices per Share at which the Shares have traded on the Stock Exchange during each of the previous 12 months were as follows:

<b>Month</b>	<b>Shares</b>	
	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2004</b>		
July	0.360	0.260
August	0.267	0.233
September	0.267	0.243
October	0.277	0.237
November	0.270	0.243
December	0.270	0.237
<b>2005</b>		
January	0.260	0.219
February	0.238	0.207
March	0.230	0.207
April	0.255	0.208
May	0.220	0.199
June	0.210	0.192
July (up to the Latest Practicable Date)	0.205	0.176

**8. REPURCHASES OF SHARES MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company during the previous six months (whether on the Stock Exchange or otherwise).

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**APPENDIX II****PROCEDURE BY WHICH THE SHAREHOLDERS  
MAY DEMAND A POLL AT A GENERAL MEETING  
PURSUANT TO THE CURRENT ARTICLES OF ASSOCIATION**

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The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Current Articles of Association.

According to Article 80 of the Current Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five Shareholders present in person or by proxy and entitled to vote; or
- (c) any Shareholder or Shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Current Articles of Association and will be proposed to be re-elected at the Annual General Meeting are provided below.

**(1) Mr AU Wai Man, aged 60, an executive Director**

*Position & Experience*

Mr AU Wai Man joined the Group in 1995 and has become an executive Director since 22 August 1997. He is also the Groups' engineering consultant and responsible for the research and development of the Group's new products. Prior to joining the Group, he has over 30 years experience in electronic product engineering. Other than that, Mr AU does not hold any position with the Company or any member of the Group and he has not held any directorship in listed public companies in the last three years.

*Relationship with Directors, senior management or substantial/controlling shareholders*

Other than the relationship arising from his being an executive Director of the Company, Mr AU Wai Man does not have any relationship with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr AU Wai Man was holding the share options to subscribe for 2,715,000 Shares under the Company's share option scheme adopted on 16 October 1997, within the meaning of Part XV of the SFO.

*Length of service and emoluments*

Mr AU Wai Man has entered into a service contract with the Company for a term of three years commencing from 1 October 2003, subject to the retirement and re-election provisions under the articles of association of the Company. Mr AU does not receive a separate fee for his directorship, his total emoluments for the year ended 31 March 2005 was HK\$1,620,000 which was determined by the Board by reference to his duties and the Company's performance and profitability.

*Matters that need to be brought to the attention of the Shareholders*

There are no other matters concerning Mr AU Wai Man that need to be brought to the attention of the Shareholders.

**(2) Mr HO Fook Hong, Ferdinand, aged 57, an independent non-executive Director***Position & Experience*

Mr HO Fook Hong, Ferdinand has been an independent non-executive Director of the Company since 3 September 1997 and an audit committee member of the Company since 1 April 1999. Other than that, he does not hold any position with the Company or any member of the Group.

Mr HO holds a bachelor's degree in science and a master's degree in business administration from The University of Hong Kong and has been admitted as a solicitor of the Supreme Courts of Hong Kong, England and Wales and Singapore. He also serves as an independent non-executive director of Winsor Industrial Corporation Limited and Winsor Properties Holdings Limited. Save as aforesaid, Mr HO has not held any other directorships in listed public companies in the last three years.

*Relationship with Directors, senior management or substantial/controlling shareholders*

Other than the relationship arising from his being an independent non-executive Director of the Company, Mr HO Fook Hong, Ferdinand does not have any relationship with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr HO Fook Hong, Ferdinand was not interested or deemed to be interested in any Shares or underlying Shares within the meaning of Part XV of the SFO.

*Length of service and emoluments*

There is no service contract between the Company and Mr HO Fook Hong, Ferdinand. He is subject to the retirement and re-election provisions under the articles of association of the Company. Mr HO is entitled to receive a fixed fee of HK\$65,000 per annum, which is determined by the Board by reference to the office duties and time spent.

*Matters that need to be brought to the attention of the Shareholders*

There are no other matters concerning Mr HO Fook Hong, Ferdinand that need to be brought to the attention of the Shareholders.

**(3) Mr LAM Kwai Wah, aged 40, an executive Director***Position & Experience*

Mr LAM Kwai Wah joined the Group in 1998 and was appointed as an executive Director of the Company on 27 September 2004. Mr LAM has over 18 years experience in marketing of electronic products and home appliances. He is mainly responsible for the Group's marketing activities in Europe. Other than that, Mr LAM does not hold any position with the Company or any member of the Group and he has not held any directorship in listed public companies in the last three years. Mr LAM obtained a higher certificate in marketing and sales management from The Hong Kong Polytechnic University.

*Relationship with Directors, senior management or substantial/controlling shareholders*

Other than the relationship arising from his being an executive Director of the Company, Mr LAM Kwai Wah does not have any relationship with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr LAM Kwai Wah was holding the share options to subscribe for 1,650,000 Shares under the Company's share option scheme adopted on 16 October 1997, within the meaning of Part XV of the SFO.

*Length of service and emoluments*

Mr LAM Kwai Wah has entered into a service contract with the Company for a term of three years commencing from 27 September 2004, subject to the retirement and re-election provisions under the articles of association of the Company. Mr LAM is entitled to receive a fixed director's fee of HK\$300,000 per annum, which is determined by the Board by reference to the Company's performance and profitability.

*Matters that need to be brought to the attention of the Shareholders*

There are no other matters concerning Mr LAM Kwai Wah that need to be brought to the attention of the Shareholders.

**(4) Mr CHENG Tsang Wai, aged 49, an independent non-executive Director***Position & Experience*

Mr CHENG Tsang Wai was appointed as an independent non-executive Director and an audit committee member of the Company on 27 September 2004. Other than that, Mr CHENG does not hold any position with the Company or any member of the Group and he has not held any directorship in listed public companies in the last three years. Mr CHENG has over 26 years experience in the garment industry and is the major shareholder and a director of Vicka Limited which is a sweater manufacturing company.

*Relationship with Directors, senior management or substantial/controlling shareholders*

Other than the relationship arising from his being an independent non-executive Director of the Company, Mr CHENG Tsang Wai does not have any relationship with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in securities*

As at the Latest Practicable Date, Mr CHENG Tsang Wai was not interested or deemed to be interested in any Shares or underlying Shares within the meaning of Part XV of the SFO.

*Length of service and emoluments*

Pursuant to the letter of appointment issued by the Company to Mr CHENG Tsang Wai, Mr CHENG has been initially appointed for a term of two years commencing from 27 September 2004, subject to the retirement and re-election provisions under the articles of association of the Company. Mr CHENG is entitled to receive a fixed fee of HK\$65,000 per annum, which is determined by the Board by reference to the office duties and time spent.

*Matters that need to be brought to the attention of the Shareholders*

There are no other matters concerning Mr CHENG Tsang Wai that need to be brought to the attention of the Shareholders.

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## NOTICE OF THE ANNUAL GENERAL MEETING

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# TONIC

## 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)

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Tonic Industries Holdings Limited (the “Company”) will be held at Tang Room I, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 15 September 2005 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 2005;
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 99

By deleting the existing Article 99 in its entirety and substituting therefor a new Article 99 as follows:

‘99. The Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining which particular Directors or the number of Directors who are to retire at such meeting by rotation pursuant to Article 116.’; and

\* *for identification purposes only*

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## NOTICE OF THE ANNUAL GENERAL MEETING

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(b) Article 116

By deleting the existing Article 116 in its entirety and substituting therefor a new Article 116 as follows:

‘116. Unless and until the Company in a general meeting shall otherwise determine, at each annual general meeting one-third of the Directors (other than the Chairman or the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years or within such other period as the Exchange may from time to time prescribe or within such other period as the laws of such jurisdiction applicable to the Company. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agreed among themselves) be determined by lot.’;

(c) Article 119

By deleting the existing Article 119 in its entirety and substituting therefor a new Article 119 as follows:

‘119. The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Law, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at the meeting, but shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at such meeting.’;

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## NOTICE OF THE ANNUAL GENERAL MEETING

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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;

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- (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

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## NOTICE OF THE ANNUAL GENERAL MEETING

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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. 6 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, 27 July 2005

*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, 13 September 2005 to Thursday, 15 September 2005, 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, 12 September 2005.
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.