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TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF SHARES IN COVE SUNRISE INC.,

On 9th May, 2007, Tonic Venture, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Cove Partners and Cove Sunrise pursuant to which Tonic Venture agreed to pay not more than US\$7 million (equivalent to approximately HK\$55 million) to Cove Sunrise subscribing for 675 shares in Cove Sunrise, representing 45% of the total capital stock of Cove Sunrise. Whereas Cove Partners and/or the Subscriber will pay not less than US\$8 million (equivalent to approximately HK\$62 million) to Cove Sunrise for the subscription of 815 shares in Cove Sunrise, representing 55% of the total capital stock of Cove Sunrise (together with the 10 shares in Cove Sunrise currently held by Cave Partners).

Based on the commitment of US\$7 million (equivalent to approximately HK\$55 million) by the Group pursuant to the Agreement, the entering into of the Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

A circular containing details of the Agreement will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

Date: 9th May, 2007 (after 4:15 p.m. Hong Kong time)

- Parties to the Agreement:
- (i) Tonic Venture, an indirect wholly-owned subsidiary of the Company;
 - (ii) Cove Partners, to the best of the directors' knowledge, information and belief and having made all reasonable enquiry, Cove Partners and its ultimate beneficial owner are third parties independent of the Company and are not Connected Persons of the Company. Cove Partners is principally engaged in conducting investment banking business; and
 - (iii) Cove Sunrise.

Upon Completion, Tonic Venture will pay not more than US\$7 million (equivalent to approximately HK\$55 million) to Cove Sunrise subscribing for 675 shares in Cove Sunrise, representing 45% of the total capital stock of Cove Sunrise, by cash. Whereas Cove Partners and/or the Subscriber will pay not less than US\$8 million (equivalent to approximately HK\$62 million) to Cove Sunrise for the subscription of 815 shares in Cove Sunrise (together with the 10 shares in Cove Sunrise currently held by Cave Partners), representing 55% of the total capital stock of Cove Sunrise, by cash. Upon Completion, Cove Sunrise will have total capital stock of approximately US\$15 million (equivalent to approximately HK\$117 million).

The contribution pursuant to the Agreement of not more than US\$7 million (equivalent to approximately HK\$55 million) is based on arm's length negotiation with reference to the Group's 45% share of the total capital stock of Cove Sunrise of approximately US\$7 million (equivalent to approximately HK\$55 million) upon Completion.

Condition for completion

The obligations the parties to effect Completion is conditional upon the entering into of a shareholders agreement by Cove Sunrise and the shareholders of Cove Sunrise.

Completion shall take place on the fifth business day after the date of satisfaction of the condition precedent. If the condition is not satisfied (or waived by all parties of the Agreement) by 5:00 p.m. on 31st July, 2007 (or such later date as the parties may agree) any party may by notice terminate the Agreement and the parties shall have no further claims against the others save for antecedent breaches.

Under the Agreement, Cove Partners undertook to Tonic Venture that the subscribers that it may procure to take up part or all of the shares in Cove Sunrise from Cove Partner (i) will be approved by Tonic Venture in writing; (ii) will not be Connected Persons of the Company; and (iii) will agree to execute the shareholders agreement referred to above.

INFORMATION ON COVE SUNRISE

On Completion, Cove Sunrise will be held as to 45% by Tonic Venture and 55% by Cove Partners and/or the Subscribers. It is expected that Tonic Venture will nominate 2 persons and Cove Partners and/or the Subscribers will nominate 3 persons to the board of directors of Cove Sunrise.

Cove Sunrise was established by Cove Partners for the purpose of investing in business as relating to the product development, distribution and retail of consumer products in the USA, Europe, Asia and in particular, the Greater China Region. 10 shares of Cove Sunrise have been duly issued and fully paid up by Cove Partners. The Company was invited by Cove Partners to jointly subscribe shares in Cove Sunrise for the sole purpose of acquiring the businesses relating to above. Since the incorporation of Cove Sunrise, it has no business operation save that Cove Partners has been negotiating and reviewing several investment opportunities which it intends to be invested through Cove Sunrise.

As Cove Sunrise has no business operation since its incorporation on 8 May 2007, it has not prepared any financial statements and has no revenue nor material expense since its incorporation. Save for its US\$10,000 (equivalent to approximately HK\$78,000) cash, Cove Sunrise has no material assets nor liabilities as at the date of this announcement.

The investment amount payable by Tonic Venture was arrived at based on the size of those investment projects which Cove Partners has been negotiating and reviewing and represents an amount which the Company is prepared to allocate towards new investment opportunities and will be funded by internal resources.

REASONS FOR AND BENEFIT OF THE TRANSACTION

The Company considers that the entering into of the Agreement constitutes a good opportunity to team up with international investors to jointly invest in businesses that may complement the business of the Group. If any investment projects currently negotiating and reviewing by Cove Partners can be materialised, it will represent a step for the Group to diversify into the product development, distribution and retail of consumer products business. It is expected that such investment will bring to the Group a network of distributors, which will produce a synergistic effect on the manufacturing operations of the Group and bring long term benefits to the Company. Upon Completion, the Group will equity account for its investment in Cove Sunrise. The Directors consider that this structure will reduce the financial risk for the Group and lower the cashflow requirement of the Group in making investments as any financial risks will be shared by other investors of Cove Sunrise and any future contribution of funding to Cove Sunrise will be made by its shareholders on a pro-rata basis.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The Group is engaged in manufacturing of consumer electronic products and home appliance products.

Based on the commitment of US\$7 million (equivalent to approximately HK\$55 million) by the Group pursuant to the Agreement, the entering into of the Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Agreement will be despatched to Shareholders as soon as practicable.

DEFINITIONS

“Agreement”	the subscription agreement dated 9th May, 2007 between Tonic Venture, Cove Partners and Cove Sunrise
“Board”	the board of Directors
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange
“Completion”	completion of the Agreement

“Connected Person(s)”	has the meaning ascribed thereto in the Listing Rules
“Cove Partners”	Cove Partners LLC, a California limited liability company
“Cove Sunrise”	Cove Sunrise Inc., a company incorporated in the State of Delaware, the USA
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of 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
“Shareholder(s)”	holder of (a) share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	purchasers of shares in Cove Sunrise who have been procured by Cove Partners to take part or all of the shares in Cove Sunrise
“Tonic Venture”	Tonic Venture Capital Limited, an indirect wholly-owned subsidiary of the Company
“USA”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the USA

For illustration purposes, an exchange rate of US\$1.00 = HK\$7.80 has been adopted

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

Hong Kong, 10 May, 2007

As at the date of this announcement, the board comprises seven executive Directors, namely Mr. Ling Siu Man, Simon, Mr. Liu Hoi Keung, Gary, Mr. Lee Ka Yue, Peter, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man and Mr. Lam Kwai Wah, one non-executive Director, namely Mr. Wong Wai Kwong, David and three independent non-executive Directors, namely Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul.

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*