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TONIC
TONIC INDUSTRIES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 978)

DISCLOSEABLE TRANSACTION
PROPOSED PURCHASE OF NEW SHARES IN ABLE TOP (BVI)
UNUSUAL SHARE PRICE/TRADING VOLUME MOVEMENT
AND RESUMPTION OF TRADING

The Board is pleased to announce that the Company, through its wholly owned subsidiary, Tonic II, will purchase 30,000 new shares in Able Top (BVI), representing 60% of the enlarged share capital of Able Top (BVI).

The purchase money in the sum of US\$11.15 million (equivalent to approximately HK\$86.97 million) will be satisfied by Tonic II by cash upon Completion and will be funded by internal resources, borrowings and/or equity financing of the Group. The entire purchase money, when paid, will be used solely for expansion capital of the Joint Venture Company.

The Investment constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, containing information of the Investment, will be dispatched to the Shareholders as soon as practicable.

Trading of Shares was suspended with effect from 11:18 a.m. on 23 January 2008 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 24 January 2008.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

BACKGROUND

Reference is made to the announcement issued by the Company on 28 November 2007 relating to the entering of the MOU in respect of the proposed opportunities for co-operation development and investment in the area of mobile multimedia service and related businesses in the PRC. The Agreement was entered after the Company's conduction of preliminary due diligence.

Able Top (BVI) is a newly incorporated company. One of the founding shareholders, Mr. Rong possesses a wealth of experience in the PRC multi-media industry. He laid the foundation for commencing his multi-media business in the PRC. He reached consensus with investors of New Media (a company going to obtain the multi-media content production

license) to jointly establish the Joint Venture Company to provide long term and comprehensive technical support, content and consultation services to New Media. Able Top (BVI) was established as the investment vehicle of Mr. Rong and Mr. Man for investing in the Joint Venture Company. The Joint Venture Company, when established, will be a non-wholly owned subsidiary of Able Top (BVI).

THE AGREEMENT

Date

22 January 2008 (after 4:15 p.m. Hong Kong time)

Parties

- (i) Tonic II
- (ii) Able Top (BVI)
- (iii) United Joy
- (iv) Total Victory
- (v) Beijing Smartcon

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Able Top (BVI), United Joy, Total Victory, Beijing Smartcon and their respective ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. Save for the Investment in Able Top (BVI), the Company has no prior relationship and/or transaction with Able Top (BVI), United Joy, Total Victory, Beijing Smartcon and their respective ultimate beneficial owner.

Shares to be Purchased and Consideration

The Purchase Shares, representing 60% of the enlarged share capital of Able Top (BVI).

The Purchase Money was determined after arm's length negotiation between the parties involved with reference to, among other things, the use of the Purchase Money by the Joint Venture Company, the business opportunities of the Company in participating into the mobile multi-media business in the PRC, the experience of Mr. Rong in the PRC multi-media business, and the future performance of the strategic value of New Media to the Company. The Directors (including the independent non-executive Directors) consider the Purchase Money is fair and reasonable.

The Purchase Money will be satisfied by Tonic II by cash upon Completion and will be funded by internal resources, borrowings and/or equity financing of the Group. As at the date of this announcement, the Company is yet to determine the apportionment of the above financing means. Further announcement will be made by the Company in this regard as and when appropriate.

Conditions Precedent

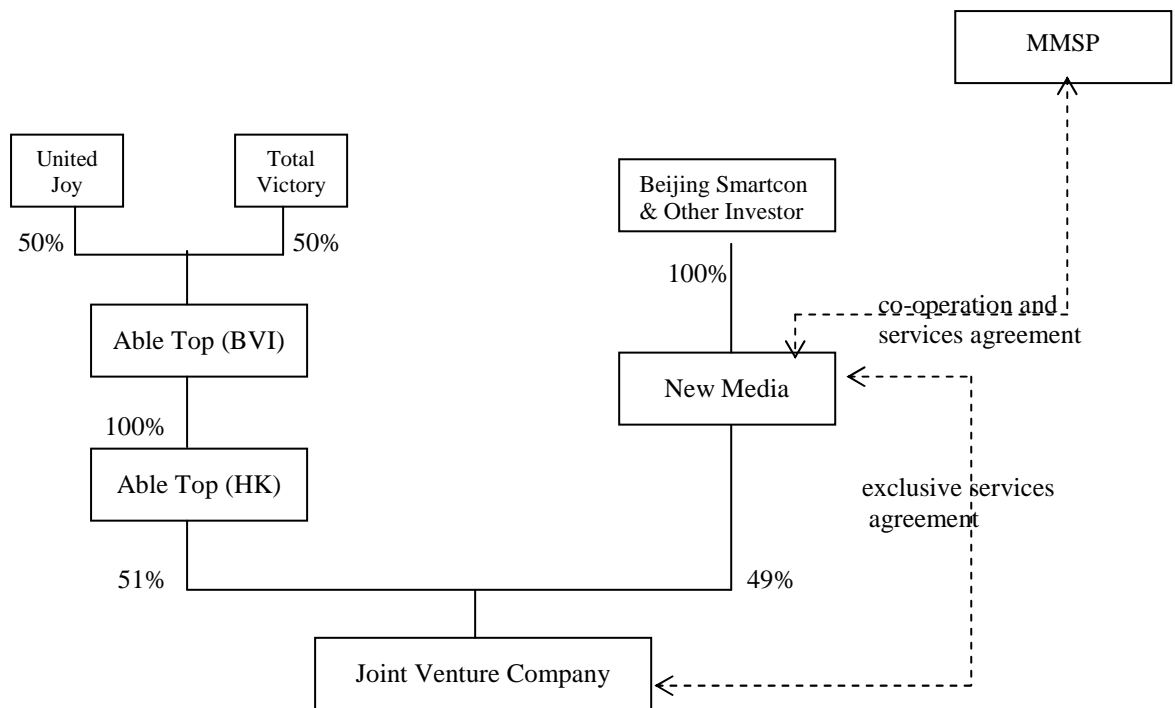
Formal Investment is conditional upon, among other things, the following conditions:

- (i) Able Top (BVI) being legally established by United Joy and Total Victory and the establishment and existence of Able Top (BVI) will continue to be legal and valid;
- (ii) the entering into the joint venture agreement between New Media and Able Top (HK), a wholly owned subsidiary of Able Top (BVI) for the establishment of the Joint Venture Company; the existence and establishment of the Joint Venture Company (after its establishment) will be legal and will continue to be legal and valid; and the Joint Venture Company will have a business scope for engaging in the provision of technical support and consultancy services in relation to the multi-media content production business;
- (iii) the multi-media content production license having been obtained by New Media;
- (iv) the entering into the co-operation and services agreement between New Media and MMSP;
- (v) the entering into the exclusive services agreement between New Media and the Joint Venture Company after its establishment;
- (vi) Tonic II being satisfied with the results of its due diligence investigation in respect of the above (i) to (v) conditions;
- (vii) the Board and/or Shareholders (if required by the Listing Rules) having approved on the terms of the Agreement and the transaction contemplated thereunder.

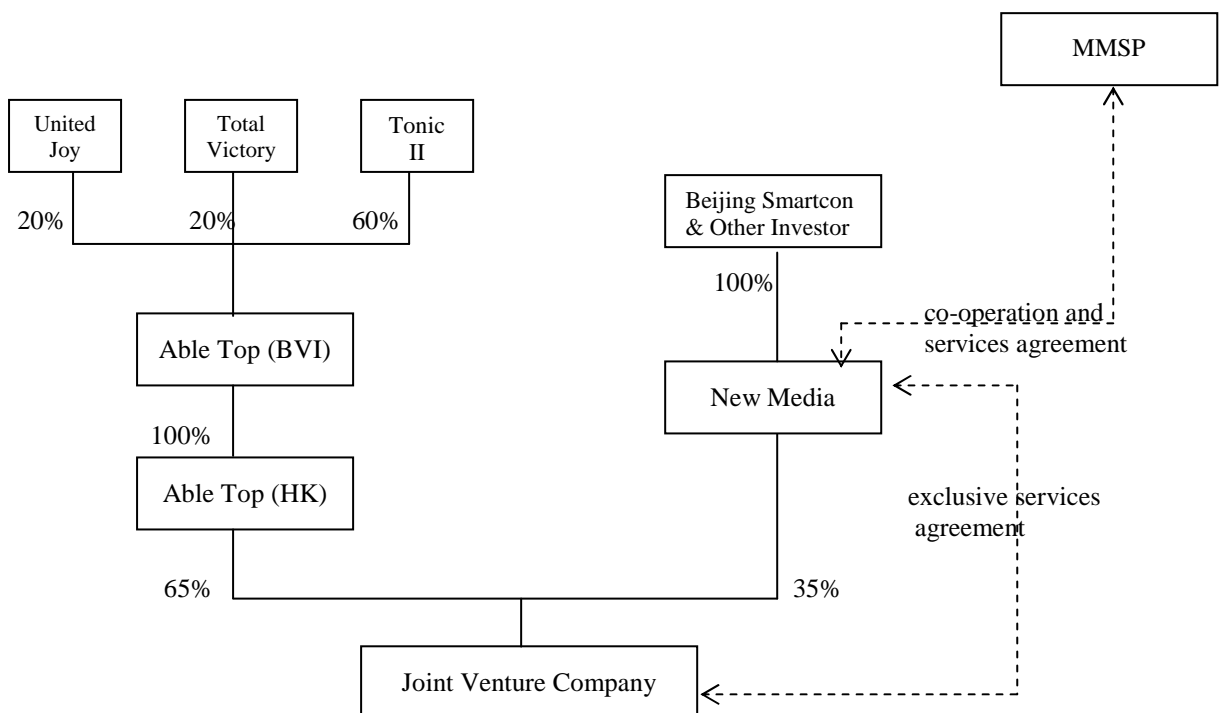
Tonic II, United Joy, Total Victory and Able Top (BVI) will enter into the Share Purchase Agreement to proceed with the formal purchase of the Purchase Shares if the above conditions are satisfied or waived by Tonic II. Completion of the Share Purchase Agreement shall take place within 5 days after the Investment Deadline Date or on other earlier date determined by Tonic II.

In the event that the above conditions are not satisfied or waived by Tonic II before the Investment Deadline Date, Tonic II shall have no obligations to invest in Able Top (BVI). If the above conditions are satisfied or waived by Tonic II, but Tonic II fails to execute the Share Purchase Agreement, Able Top (BVI) or the Joint Venture Company shall have right to accept investment offered by other party. In that case, the Agreement shall be terminated automatically.

Structure Chart after Satisfaction of Conditions but before Formal Investment



Structure Chart after Formal Investment and Expansion Capital of the Joint Venture Company



Exclusive Investment

United Joy, Total Victory, Able Top (BVI) and Beijing Smartcon have undertaken to Tonic II that since the signing of the Agreement and before the Investment Deadline Date, save and except Tonic II or its associates, United Joy, Total Victory, Able Top (BVI) and/or Beijing Smartcon will not accept any other party's offer in investment in Able Top (BVI), Able Top (HK) or the Joint Venture Company.

INFORMATION ON ABLE TOP (BVI) AND ABLE TOP (HK)

Able Top (BVI)

Able Top (BVI) was incorporated on 17 December 2007 and is an investment holding company holding the entire issued share capital of Able Top (HK). It has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 20,000 shares have been issued and fully paid and are owned as to 50% by United Joy and 50% by Total Victory. Since the incorporation of Able Top (BVI), save and except holding the entire share capital in Able Top (HK), it has no business operation.

As Able Top (BVI) has no business operation since its incorporation, it has not prepared any financial statements and has no revenue nor material expense since its incorporation. As at the date of this announcement, the value of the net asset of Able Top (BVI) is approximately US\$13,000 (equivalent to approximately HK\$101,400).

Able Top (HK)

Able Top (HK) was incorporated on 19 January 2008 and will be an investment holding company proposes to hold the equity interest in the Joint Venture Company after its establishment. It has an authorized share capital of HK\$5,000,000 divided into 5,000,000 shares of HK\$1.00 each, of which 5,000,000 shares have been issued and fully paid and are owned by Able Top (BVI).

As Able Top (HK) has no business operation since its incorporation, it has not prepared any financial statements and has no revenue nor material expense since its incorporation. Save for its HK\$5 million cash, Able Top (HK) has no material assets nor liabilities as at the date of this announcement.

INFORMATION ON UNITED JOY AND TOTAL VICTORY

United Joy

United Joy was incorporated in the BVI on 3 January 2008 and is wholly owned by Mr. Rong with principal business of holding the shares in Able Top (BVI). United Joy is holding 10,000 shares in Able Top (BVI), representing 50% of the issued share capital. Upon Completion, United Joy's share holding in Able Top (BVI) will be diluted to 20%.

Total Victory

Total Victory was a company incorporated in the BVI on 3 January 2008 and is wholly owned by Mr. Man with principal business of holding the shares in Able Top (BVI). Total Victory is holding 10,000 shares in Able Top (BVI), representing 50% of the issued share capital. Upon Completion, Total Victory's share holding in Able Top (BVI) will be diluted to 20%.

INFORMATION ON MR. RONG

Mr. Rong graduated with the Bachelor Degree in Electronic Engineering from the Institute of Communications and Engineering of Nanjing, the PRC in 1983. He also obtained the Master Degree in Electronics Engineering from Moore School of Electrical Engineering at the University of Pennsylvania, USA.

Mr. Rong has been worked as an engineer in a satellite communications department under the telecommunication research institute of a PRC electrical system engineering corporation, where he involved in the installation and testing of the first satellite communications system in the PRC. He was the chief representative of the Hughes Network System's PRC office. During his work in Hughes Network System, he improved the company's PRC market share from less than 30% to 90% and installed over 70 satellite networks in 3 years. After that, he founded several companies engaged in introduction and installation of satellite network, broadband internet application and service integrations, telecom operation and broadband multi-media network applications. Mr. Rong is also the founder of Beijing Smartcon.

INFORMATION ON THE JOINT VENTURE COMPANY

As provided in the Agreement, Able Top (HK) will enter into a joint venture agreement with New Media for the formation of the Joint Venture Company engaging in the provision of technical support and consultancy services in relation to the multi-media content production business.

The Joint Venture Company will have the registered capital of RMB1 million (equivalent to approximately HK\$1.08 million) and will be contributed as to 51% by Able Top (HK) and 49% by New Media. Able Top (HK) and New Media proposed to increase the registered capital of the Joint Venture Company to RMB80 million (equivalent to approximately HK\$86.96 million). The increased portion in the sum of RMB79 million (equivalent to approximately HK\$85.87 million) will be wholly contributed by Able Top (HK). After that, the Joint Venture Company will be owned as to 65% by Able Top (HK) and 35% by New Media.

The Purchase Money in the sum of US\$11.15 million (equivalent to approximately HK\$86.97 million or RMB80 million) to be received by Able Top (BVI) from Tonic II upon Completion will be used for the expansion capital of the Joint Venture Company. Save for the above contribution, there is no further capital commitment required to be contributed by Tonic II to the Joint Venture Company.

New Media will be a holder of a multi-media content production license which under the current PRC regulations, is a license not allowed to be held by company with investment by foreign investor. The Company considers the formation of the Joint Venture Company with partner holding a multi-media content production license is an opportunity to enable to the Company to immediately participate into a restricted business so the contribution of the sum of RMB79 million (equivalent to approximately HK\$85.87 million) by Able Top (HK) to the Joint Venture Company resulting in an equity holding of 65% is, from the view point of the Company, fair, reasonable and on normal commercial terms.

The Company has preliminary consulted the opinion from a PRC counsel and was given an indication that the arrangement in the Investment will comply with the relevant requirements and regulations in the PRC.

The following is the background of parties that will have direct or indirect business relationship with the Joint Venture Company after its establishment and the co-operation between these parties.

Beijing Smartcon

Beijing Smartcon was established on 7 April 2003 and is owned as to 51% by Mr. Rong and 49% by Ms. Hau. Beijing Smartcom has a wide business scope and can operate in any business provided that if the business is prohibited by laws or regulations, approval must first be obtained before the commencement of the business.

New Media

New Media is a limited liability company incorporated in Beijing owned as to 49% by Beijing Smartcon and 51% by Other Investor. New Media is going to obtain the multi-media content production license. New Media is engaged in the business of planning, production, distribution of television broadcasting program content for use in public transports, rental vehicles, underground railways, buildings and mobile terminals such as mobile phones and PDA.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, New Media and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. The Company also has no prior relationship and/or transaction with New Media and its ultimate beneficial owner.

Co-operation and Services Agreement between MMSP

Through the strategic relationship between Beijing Smartcon and MMSP, New Media will enter into a co-operation and services agreement with MMSP, pursuant to which, MMSP will provide several satellite channels to New Media for its broadcasting of multi-media content in the PRC. In addition, New Media will be the major multi-media content provider to MMSP.

New Media will receive from MMSP services fee not less than 30% of the net revenue to be obtained by MMSP in sale of the multi-media content services provided by New Media.

Exclusive Services Agreement between New Media and the Joint Venture Company

Pursuant to the Agreement, New Media will enter into an exclusive services agreement with the Joint Venture Company after its establishment, pursuant to which, New Media will engage the Joint Venture Company as its exclusive service provider providing long term and comprehensive technical support, content and consultation services to New Media for a term of 3 years. The Joint Venture Company will have full discretion to extend the terms of the exclusive service agreement. In return, the Joint Venture Company will receive from New Media periodically performance services fees equivalent to 90% of the total monthly revenue of New Media.

Upon Completion, Able Top (BVI) will be a non-wholly owned subsidiary of the Company and the Joint Venture Company will be an indirect non-wholly owned subsidiary of the Company. New Media will be a substantial shareholder of the Joint Venture Company and a connected person of the Company. Accordingly, the transactions contemplated under such exclusive services agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements of Chapter 14A of the Listing Rules when Able Top (BVI) becomes its subsidiary.

REASON FOR THE TRANSACTION

The Group's principal business is manufacturing of consumer electronic products and home appliance products. The Group's stated strategy is to look for suitable opportunities and investment that can positively impact the Group's return in the long run.

Under the current PRC regulations, foreign investors are not allowed to invest in television and film programs production companies. Observing the fast growing of the mobile multi-media sector in the PRC, the Company wishes to tap into such market. The Investment paves the way for the Company to participate in the multi-media market in the PRC.

Besides that, the strong and firm strategic co-operation between New Media and MMSP, the firm intention of relevant parties' entering into the exclusive services agreement after the establishment of the Joint Venture Company, and Mr. Rong's media field business experience, his solid established network in the PRC media business and his consent to continue managing the business of Able Top (BVI) and its subsidiaries are all well laid foundations for Able Top (BVI) to commence its PRC multi-media contents and value added services business.

The Directors consider the Investment represents a good opportunity for the Group to have strategic move in expanding its business and to set its foothold in the PRC multi-media market. In view of the above, the Directors (including the independent non-executive Directors) consider the terms of the Agreement on normal commercial terms are fair and reasonable in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE INVESTMENT

Upon Completion, Able Top (BVI) will become a 60% owned subsidiary of the Group, the results of which will be consolidated into the Group's financial statements. The Directors consider that, in the long run, the entering into the Agreement will enlarge the earnings base of the Group but the result of such impact will depend on the operation of and profit to be generated by the Joint Venture Company to Able Top (BVI).

GENERAL

The Investment constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, containing information of the Investment, will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading of Shares was suspended with effect from 11:18 a.m. on 23 January 2008 at the request of the Company pending the release of this announcement.

The Board noted the increase on the price and trading volume of the Shares and wishes to state that save as disclosed herein, the Board is not aware of any reasons for such movement.

Save as disclosed in this announcement, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

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 24 January 2008.

DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:

“Able Top (BVI)”	Able Top Holdings Limited, a company incorporated in the BVI;
“Able Top (HK)”	Able Top Limited, a company incorporated in Hong Kong and is a wholly owned subsidiary of Able Top (BVI);
“Agreement”	Investment Framework Agreement dated 22 January 2008 between Tonic II, Able Top (BVI), United Joy, Total Victory and Beijing Smartcon in relation to the Investment;

“Beijing Smartcon”	北京嘉成互連科技有限公司 (Beijing Smartconnexions Technologies Limited), a company incorporated in the PRC;
“Board”	the board of directors of the Company;
“BVI”	the British Virgin Islands;
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange;
“Completion”	the completion of the Share Purchase Agreement;
“Directors”	the directors of the Company;
“Formal Investment”	the formal procedure to proceed with the purchase of the Purchase Shares, including signing of the Share Purchase Agreement;
“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 PRC;
“Investment”	the proposed purchase of the Purchase Shares by Tonic II in accordance with the terms and conditions of the Agreement;
“Investment Deadline Date”	31 March 2008;
“Joint Venture Company”	a sino-foreign equity joint venture limited liability company to be established in Beijing, the PRC by New Media and Able Top (HK), the parties proposed to adopt the name of 北京新媒體新文化傳播有限公司 (Beijing Xin Meiti Xin Wenhua Chuanbo Company Limited) subject to the approval of the State Administration for Industry and Commerce of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MMSP”	any service providers that have mobile multi-media networks and can offer mobile multi-media transmission services in the PRC;
“Ms. Hau”	侯月坤女士 (Ms. Hau Yuet Kwan);

“Mr. Man”	Mr. Man Chi Wai Stanley (文稚維先生), who is the sole and ultimate beneficial owner of Total Victory;
“Mr. Rong”	容皓先生 (Mr. Rong Hao), who is the sole and ultimate beneficial owner of United Joy;
“MOU”	the memorandum of understanding dated 28 November 2007 entered into between the Company and a party to the Agreement;
“multi-media content production license”	廣播電視節目製作經營許可證 (Radio and TV Program Production and Business Operation License), a license issued by the State Administration of Radio Film and Television of the PRC;
“New Media”	北京北廣新新傳媒有限公司 (Beijing Beiguang Xinxin Media Company Limited), a company incorporated in the PRC;
“Other Investor”	北廣傳媒投資發展中心 (Beigang Chuan Mei Investment and Development Centre), an enterprise incorporated in the PRC;
“PRC”	the People’s Republic of China;
“Purchase Money”	the purchase money in the sum of US\$11.15 million (equivalent to approximately HK\$86.97 million) to be payable by Tonic II to Able Top (BVI) in purchase of the Purchase Shares;
“Purchase Shares”	an aggregate of 30,000 new ordinary shares of US\$1.00 each in the share capital of Able Top (BVI) to be issued under the Share Purchase Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Purchase Agreement”	the share purchase agreement to be entered into between Tonic II, United Joy, Total Victory and Able Top (BVI) in relation to the Investment;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Tonic II”	Tonic International Investment Limited, a company incorporated in the BVI and is a wholly owned subsidiary of the Company;
“Total Victory”	Total Victory Holdings Limited, a company incorporated in the BVI and is wholly owned by Mr. Man;
“United Joy”	United Joy Holdings Limited, a company incorporated in the BVI and is wholly owned by Mr. Rong;
“USA”	the United States of America;
“US\$”	United States dollars, the lawful currency of the USA.

In this announcement, the exchange rates of US\$1.00 = HK\$7.80 and HK\$1.00 = RMB0.92 have been adopted for illustration purpose.

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

Hong Kong, 23 January 2008

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