
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Tonic Industries Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer 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.

TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 978)

**DISCLOSEABLE AND CONNECTED TRANSACTION
– DISPOSAL OF PROPERTY**

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

 **粵海證券有限公司**
GUANGDONG SECURITIES LIMITED

A letter from the board of directors of the Company is set out on pages 3 to 7 of this circular.

A notice convening an extraordinary general meeting (“EGM”) of Tonic Industries Holdings Limited to be held at Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 29 July 2008 at 11:00 a.m. is set out on pages 23 to 24 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deliver the same to the registered office of the Company at Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for the holding of EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment hereof in person should you so wish.

7 July 2008

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
The Sale and Purchase Agreement	4
Reasons for the Disposal	5
Listing Rules Implications	5
The EGM	6
Procedures for demanding a poll at the EGM	6
Recommendation	7
Additional Information	7
Letter from the Independent Board Committee	8
Letter from Guangdong Securities	9
Appendix I – Valuation Report	14
Appendix II – General Information	18
Notice to the EGM	23

DEFINITIONS

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

“Board”	board of Directors
“Company”	Tonic Industries Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Consideration”	the consideration of HK\$34.0 million for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchasers under the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be convened at Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong on 29 July 2008 and held for the Independent Shareholders to consider and approve, if thought fit, the transactions contemplated under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul
“Independent Shareholders”	Shareholders except Mr. Ling and his associates (as defined under the Listing Rules)

DEFINITIONS

“Independent Valuer”	Jones Lang LaSalle Sallmanns Limited, an independent valuer which, to the Directors’ best knowledge, information and belief, having made all reasonable enquiries, is independent of and not connected with the Company, any chief executive, directors and substantial shareholders of the Company and its subsidiaries or any of their respective associates
“Latest Practicable Date”	3 July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ling”	Mr. Ling Siu Man, Simon, an executive Director, chairman of the Board and a beneficial owner of the entire issued share capital of Success Forever Limited, a controlling shareholder of the Company
“Property”	the property which comprises a 4-storey town house, a carport and an open area of approximately 268.02 sq.m., 34.37 sq.m. and 100.61 sq.m., respectively, which is located at Town House, No. 113, Sunderland Estate, 1 Hereford Road, Kowloon Tong, Kowloon, Hong Kong
“Purchasers”	Ms. Tam Lai Ha and Ms. Ling Ka Ka, Jennifer, the spouse and daughter of Mr. Ling, respectively
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 June 2008 entered into between the Vendor and the Purchasers in relation to the disposal of the Property by the Vendor to the Purchasers
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholders of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	the valuation of the Property as at 31 May 2008 as stated in the draft Valuation Report
“Valuation Report”	the valuation report on the Property as prepared by the Independent Valuer
“Vendor”	Tonic Electronics Limited, a wholly-owned subsidiary of the Company and a company incorporated in Hong Kong with limited liabilities



TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 978)

Executive Directors:

Mr. LING Siu Man, Simon
(Chairman and Managing Director)
Mr. WONG Ki Cheung
Ms. LI Fung Ching, Catherine
Mr. AU Wai Man
Mr. LAM Kwai Wah

Independent non-executive Directors:

Mr. PANG Hon Chung
Mr. CHENG Tsang Wai
Dr. CHUNG Hing Wah, Paul

Registered office:

P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

*Head office and principal place
of business in Hong Kong:*

Unit B, 10th Floor
Summit Building
30 Man Yue Street
Hung Hom
Kowloon
Hong Kong

7 July 2008

To the Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
– DISPOSAL OF PROPERTY**

INTRODUCTION

The Board announced on 16 June 2008 that after the trading hours on 16 June 2008, the Vendor, being the wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchasers, pursuant to which, the Vendor agreed to dispose of and the Purchasers agreed to acquire the Property at the Consideration of HK\$34.0 million, which will be satisfied in cash.

The purpose of this circular is to provide you with, among other things, further details on (i) the Sale and Purchase Agreement; (ii) the recommendation from the Independent Board Committee; (iii) the letter of advice from Guangdong Securities; (iv) the Valuation Report; and (v) a notice convening the EGM.

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

Date

16 June 2008

Parties to the Sale and Purchase Agreement

Vendor: Tonic Electronics Limited, a wholly-owned subsidiary of the Company

Purchasers: Ms. Tam Lai Ha and Ms. Ling Ka Ka, Jennifer, being the spouse and daughter of Mr. Ling, respectively

To the best of the Directors' knowledge, belief, and having made all reasonable enquiries, the Group does not have any prior transactions with Mr. Ling and the Purchasers which require aggregation under Rule 14A.25 of the Listing Rules.

Asset to be disposed

The Property, comprising a 4-storey town house, a carport and an open area of approximately 268.02 sq.m., 34.37 sq.m. and 100.61 sq.m., respectively, which is located at Town House No. 113, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong, Kowloon, Hong Kong. Based on the unaudited consolidated balance sheet of the Company as at 31 March 2008, the net book value of the Property amounted to approximately HK\$4.8 million.

Major terms of the Completion of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is subject to the approval of the Independent Shareholders at the EGM and is expected to take place on 12 August 2008. In the event the aforesaid condition cannot be satisfied on or before 12 August 2008, the sale of the Property shall be annulled and the Sale and Purchase Agreement shall become null and void, and neither parties to the Sale and Purchase Agreement shall have any claim against each other.

Consideration

The Consideration of HK\$34.0 million will be satisfied by cash upon completion of the Sale and Purchase Agreement. The Consideration of HK\$34.0 million was determined after arm's length negotiation amongst the parties to the Sale and Purchase Agreement and is the same as the Valuation as at 31 May 2008 as stated in the Valuation Report prepared by the Independent Valuer. Based on the unaudited net book value of the Property as at 31 March 2008 of approximately HK\$4.8 million, it is estimated that immediately after completion of the Disposal, the Company will record a gain on disposal of approximately HK\$29.2 million and accordingly, it is expected the total assets and net asset of the Group would be increased by approximately HK\$29.2 million and there will be no impact on the Group's liabilities.

LETTER FROM THE BOARD

Furthermore, after the Disposal, the Group will no longer record the depreciation expenses and incur the relevant utilities expenses relating to the Property. Having considered that the Valuation is prepared based on the open market value with reference to comparable sale transactions available in the relevant market and the sale proceeds from the Disposal will be applied in the future development of the Group's business, the Directors considered that the terms of the Sale and Purchase Agreement, including the Consideration, are fair and reasonable and on normal commercial terms, and the entering into of the Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the design and manufacture of consumer electronic products and home appliance products with its products distributed to worldwide market. For the year ended 31 March 2007, the Group's revenue was increased by approximately 8.7% from approximately HK\$2,392.2 million for the year ended 31 March 2006 to approximately HK\$2,599.4 million for the year ended 31 March 2007. As stated in the Company's annual report for the year ended 31 March 2007, due to the Group's continuous effort in diversifying its products into those of high profit margins to offset the increase in production cost (such as material cost and labour cost), the Group's net profit before and after tax were increased from approximately HK\$18.5 million and HK\$18.6 million, respectively, for the year ended 31 March 2006 to approximately HK\$31.7 million and HK\$24.0 million for the year ended 31 March 2007, respectively. In addition, the Company has maintained a strong balance sheet position with net assets value of approximately HK\$508.1 million and HK\$541.4 million as at 31 March 2006 and 2007, respectively.

The Property is currently occupied by Mr. Ling for his residential purpose. Mr. Ling, being the controlling Shareholder and the chairman of the Board, has considered that it will be beneficial to the Group to dispose the Property and apply the sale proceeds from the Disposal for the Group's future business development. Given that the Group will record a gain of approximately HK\$29.2 million from the Disposal and its cash balance will be increased by HK\$34.0 million, the Directors considered that the Disposal is in the interest of the Company and its Shareholders as a whole. As at the Latest Practicable Date, the Directors have not identified any investment opportunities yet.

LISTING RULES IMPLICATIONS

As the applicable ratios (as defined under the Listing Rules) in respect of the Disposal is greater than 5% but below 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Since (i) the Purchasers are family members of Mr. Ling, the chairman of the Board and controlling Shareholder (as defined under the Listing Rules), and are therefore connected persons of the Company under Chapter 14A of the Listing Rules; and (ii) the Consideration is greater than HK\$10.0 million, the Disposal also constitutes a non-exempted connected transaction for the Company and the Sale and Purchase Agreement is subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

None of the members of the Independent Board Committee has any interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and are therefore entitled to give independent recommendation to the Independent Shareholders. Your attention is drawn to its letter of recommendation set out on page 8 of this circular.

Guangdong Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard. Your attention is drawn to its letter of advice set out from pages 9 to 13 of this circular.

THE EGM

A notice convening the EGM to be held at Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 29 July 2008 at 11:00 a.m., at which resolutions will be proposed to seek the Independent Shareholders' approval of, amongst other things, the transaction contemplated under the Sale and Purchase Agreement, is set out on pages 23 to 24 of this circular. The resolutions to be proposed will be approved by way of a poll. Since the Purchasers are connected persons (as defined under the Listing Rules) of the Company and are parties to the Sale and Purchase Agreement, Mr. Ling, together with his associates, are considered to have material interest in the Disposal and are required to abstain from voting in respect of the resolutions relating to the Sale and Purchase Agreement and the transaction contemplated thereunder pursuant to Rule 14A.18 of the Listing Rules.

PROCEDURES FOR DEMANDING A POLL AT THE EGM

Pursuant to Article 80 of the articles of association of the Company, 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:

- (i) the chairman of such meeting; or
- (ii) at least five shareholders present in person or by proxy and entitled to vote; or
- (iii) 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
- (iv) 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.

LETTER FROM THE BOARD

RECOMMENDATION

Having considered the positive financial impact and the additional cash proceeds from the Disposal, the Directors are of the opinion that the terms of the Sale and Purchase Agreement and the Disposal are in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Shareholders are recommended to vote in favour of the resolution to be proposed at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

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



TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 978)

7 July 2008

To the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
– DISPOSAL OF PROPERTY**

We refer to the circular of the Company dated 7 July 2008 (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Guangdong Securities has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out from pages 9 to 13 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and taking into account of the independent advice of Guangdong Securities, in particular the principal factors, reasons and recommendation as set out in its letter from pages 9 to 13 of the Circular, we consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Mr. PANG Hon Chung

Mr. CHENG Tsang Wai

Dr. CHUNG Hing Wah, Paul

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

7 July 2008

*To: The independent board committee and the independent shareholders
of Tonic Industries Holdings Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION – DISPOSAL OF PROPERTY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 7 July 2008 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 June 2008, the Company through its wholly-owned subsidiary, Tonic Electronics Limited, entered into the Sale and Purchase Agreement with the Purchasers pursuant to which Tonic Electronics Limited conditionally agreed to dispose and the Purchasers conditionally agreed to acquire the Property at the Consideration of HK\$34.0 million.

Pursuant to Rule 14.08 of the Listing Rules, as the applicable ratio(s) of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company. In addition, since the Purchasers are family members of Mr. Ling (being the chairman and controlling shareholder of the Company) and are considered to have material interest in the Disposal, the entering into of the Sale and Purchase Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Sale and Purchase Agreement is therefore subject to approval of the Independent Shareholders by way of poll at the EGM. Mr. Ling and his associates shall be required to abstain from voting on the relevant resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM GUANGDONG SECURITIES

An Independent Board Committee comprising Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is entered into in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Group and we have not been furnished with any such evaluation or appraisal, save and except for the Valuation Report as contained in Appendix I to the Circular. We are not experts in the valuation of properties and therefore have relied solely upon the Valuation Report for the market value of the Property as at 31 May 2008.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Purchasers or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. In addition, we have no obligation

LETTER FROM GUANGDONG SECURITIES

to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

(1) The Sale and Purchase Agreement

On 16 June 2008, the Company through its wholly-owned subsidiary, Tonic Electronics Limited, entered into the Sale and Purchase Agreement with the Purchasers pursuant to which Tonic Electronics Limited conditionally agreed to dispose and the Purchasers conditionally agreed to acquire the Property at the Consideration of HK\$34.0 million.

As extracted from the Board Letter, the Property comprises a 4-storey town house, a carport and an open area of approximately 268.02 square meters, 34.37 square meters and 100.61 square meters respectively, and is located at Town House No. 113, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong, Kowloon.

According to the Board Letter, the Consideration is payable in cash by the Purchasers to the Company upon completion of the Sale and Purchase Agreement and the fulfillment of the conditions precedent (as detailed under the paragraph headed “Major terms of the completion of the Sale and Purchase Agreement” of the Board Letter).

The Directors confirmed that they are of the view that the terms and conditions of the Sale and Purchase Agreement are on normal and commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(2) Background of and reasons for the Disposal

The Group is principally engaged in the design and manufacture of consumer electronic products and components and home appliance products.

As confirmed by the Directors, the Property is currently occupied by Mr. Ling for residential purpose and has not generated any rental income to the Company from the date it was acquired by the Group. In view of the recent optimistic residential property market condition in Hong Kong, the Directors considered that it will be beneficial for the Group to realize its investment by disposing the Property at the prevailing market price and applying the sales proceeds from the Disposal for the Group’s future business development.

Upon our enquiry, we were also advised by the Independent Valuer that the residential property market in Hong Kong has been prosperous but the recent uprising of the price of residential premises may or may not be able to sustain in the near future given the uncertainty of the global economy which is adversely affected by the subprime mortgage crisis in the United States.

Having taken into account that the Disposal could allow the Company to realize its investment and provide liquidities to the Group for its future business development, we consider that even though the Disposal is not entered into in the ordinary and usual course of business of the Company, the rationale of the Disposal is acceptable.

(3) Terms of the Sale and Purchase Agreement

Basis of the Consideration

As referred to in the Board Letter, the Consideration was determined after arm's length negotiation amongst the parties to the Sale and Purchase Agreement and is equivalent to the Valuation as at 31 May 2008.

Valuation of the Property

To assess the fairness and reasonableness of the Consideration, we have reviewed and enquired into the Independent Valuer regarding the methodology of, and basis and assumptions adopted for the Valuation. In the course of our enquiry, we noted that the Independent Valuer carried out a site visit on 18 June 2008 to the Property to research for the necessary information to determine the market value of the Property. The Independent Valuer further explained that it had adopted the market approach for the Valuation. As confirmed by the Independent Valuer, market approach is a commonly adopted approach for valuation of residential properties in Hong Kong and it is also consistent with normal market practice.

Further details of the basis and assumptions of the Valuation are included in Appendix I to the Circular. During our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation. However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the Valuation may or may not reflect the true market value of the Property accurately.

Based on the Valuation Report, the market value of the Property was HK\$34.0 million as at 31 May 2008 with an average unit price per square meter of approximately HK\$127,000.

In light of that the Valuation was fairly and reasonably determined by the Independent Valuer and the Consideration equals to the Valuation as at 31 May 2008, we concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GUANGDONG SECURITIES

(4) Possible financial effects of the Disposal

According to the Board Letter, based on the unaudited consolidated balance sheet of the Company as at 31 March 2008, the net book value of the Property was amounted to approximately HK\$4.8 million. Upon completion of the Sale and Purchase Agreement, the Company will record a gain of approximately HK\$29.2 million from the Disposal and its cash balance will be enhanced by the gross sale proceeds of HK\$34.0 million.

In view of the possible financial effects of the Disposal to the Group as outlined above, we are of the opinion that the Disposal is in the interests of the Company and the Shareholders as a whole.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Disposal.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Moreover, although the Disposal is not entered into in the ordinary and usual course of business of the Company, it is still in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 May 2008 of the property interest contracted to be disposed of by the Group.



Jones Lang LaSalle Sallmanns Limited
22nd Floor Siu On Centre
188 Lockhart Road
Wanchai Hong Kong
tel +852 2169 6000 fax +852 2169 6001

7 July 2008

The Board of Directors
Tonic Industries Holdings Limited
Unit B, 10th Floor
Summit Building
30 Man Yue Street
Hung Hom
Kowloon
Hong Kong

Dear Sirs,

**Re: Town House No. 113, Sunderland Estate, No. 1 Hereford Road, Kowloon Tong,
Kowloon, Hong Kong**

In accordance with your instructions to value the captioned property of which Tonic Industries Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interest in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 31 May 2008 (the “date of valuation”).

Our valuation of the property interest represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have valued the property interest by the direct comparison approach assuming sale of the property in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

In valuing the property interest in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of valuation.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not been provided with copies of the title documents relating to the property and have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify ownership or to ascertain any amendment.

We have not carried out detailed site measurements to verify the correctness of the area in respect of the property but have assumed that the area shown on the title documents and official site plans handed to us is correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK\$).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

VALUATION CERTIFICATE

PROPERTY INTEREST CONTRACTED TO BE DISPOSED OF BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008 HK\$
Town House No. 113 Sunderland Estate No. 1 Hereford Road Kowloon Tong Kowloon Hong Kong (43/4,945th shares of New Kowloon Inland Lot No. 5792)	The property comprises a 4-storey town house within a large-scale residential development completed in 1983. The saleable area of the property is approximately 268.02 sq.m. (2,885 sq.ft.) plus a carport of about 34.37 sq.m. (370 sq.ft.) and an open area of about 100.61 sq.m. (1,083 sq.ft.). The property is held under a Conditions of Sale No. 11382 for a term of 99 years less the last 3 days commencing from 1 July 1898. The said term has been extended till 30 June 2047 by virtue of Section 6 of the New Territories Leases (Extension) Ordinance 1988 without premium but subject to a payment of Government Rent which equals to 3% of the ratable value for the time being of the lot.	The property is currently occupied by the Group for staff-accommodation purpose.	34,000,000

Notes:

1. The registered owner of the property is Tonic Electronics Limited vide Memorial No. 4688307 dated 4 January 1991.
2. Tonic Electronics Limited is a wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant with Plans vide Memorial No. 2439835 dated 16 June 1983.
4. The property is subject to an Order No. CRT/RT/001886/06/K by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 06042800630115 dated 28 March 2006. In the course of our valuation, we have not taken into account the cost of complying with such order.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this circular misleading.

2. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or (ii) were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or (iii) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in Shares

Directors	Nature of interests	Number of Shares held	Approximate % of the Company's issued share capital
LING Siu Man, Simon	Corporate (<i>Note</i>)	668,492,476	63.19
WONG Ki Cheung	Personal	1,749,000	0.17
LI Fung Ching, Catherine	Personal	2,142,000	0.20
CHENG Tsang Wai	Personal	1,626,000	0.15

Note: These Shares were held by Success Forever Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. LING Siu Man, Simon.

(ii) Long position in underlying Shares in respect of share options

Directors	Number of share options held	Exercise period	Exercise price per Share HK\$
LING Siu Man, Simon	15,000,000	10 April 2000 to 9 April 2010	0.467
WONG Ki Cheung	2,715,000	10 April 2000 to 9 April 2010	0.467
LI Fung Ching, Catherine	2,715,000	10 April 2000 to 9 April 2010	0.467
AU Wai Man	2,715,000	10 April 2000 to 9 April 2010	0.467
LAM Kwai Wah	1,650,000	10 April 2000 to 9 April 2010	0.467

(iii) Long position in shares of associated corporation

Mr. LING Siu Man, Simon personally held 3,000 non-voting deferred shares of HK\$100 each in the capital of Tonic Electronics Limited, a subsidiary of the Company.

Save as disclosed above and other than certain shares of the Company's subsidiaries held by certain Directors in trust for the Group solely for the purpose of complying with the minimum company membership requirement, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or (ii) were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or (iii) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(iv) Other Directors' interests

- (a) None of the Directors has, or has had, any direct or indirect interest in any assets which have been since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

- (c) As at the Latest Practicable Date, other than Mr. LING Siu Man, Simon being a Director, is a director of Success Forever Limited which is interested in 668,492,476 Shares, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital, were as follows:

Long position in Shares

Directors	Nature of interests	Number of Shares held	Approximate % of the Company's issued share capital
Success Forever Limited (<i>Note</i>)	Beneficially owned	668,492,476	63.19

Note: The entire issued share capital of Success Forever Limited is beneficially owned by Mr. LING Siu Man, Simon, a Director.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital, as at the Latest Practicable Date.

4. QUALIFICATIONS AND CONSENTS OF EXPERTS

Guangdong Securities, the Independent Financial Adviser, is a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO. Jones Lang LaSalle Sallmanns Limited, the Independent Valuer, is an independent firm of qualified valuers.

Each of Guangdong Securities Limited and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and the references to its name included herein the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Guangdong Securities Limited and Jones Lang LaSalle Sallmanns Limited was not interested in any Share or share in any members of the Group, nor does it have a right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share of share in any member of the Group.

As at the Latest Practicable Date, none of Guangdong Securities Limited or Jones Lang LaSalle Sallmanns Limited had any direct or indirect interests in any assets which have since 31 March 2007 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

5. MATERIAL ADVERSE CHANGES

Save as disclosed in the circular, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation). As at the Latest Practicable Date, the Company did not have any proposed Director.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. LITIGATION

On 20 October 2006, Tonic Digital Products Limited, an indirect wholly-owned subsidiary of the Company, commenced legal proceedings against Senlan Limited, a former customer for goods sold and delivered in the sum of US\$456,135 (equivalent to approximately HK\$3,557,853) together with interest. The proceedings is now in a pre-trial stage of discovery of documents of both parties and the date of trial has not been confirmed.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against the Company or any of its subsidiaries.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any business days (Saturdays and public holidays excepted) at the head office and principal place of business in Hong Kong, at Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the Sale and Purchase Agreement;
- (ii) the letter from the Independent Board Committee as set out in this circular;
- (iii) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders as set out in this circular;
- (iv) the Valuation Report; and
- (v) the written consents from Guangdong Securities Limited and Jones Lang LaSalle Sallmanns Limited referred to in paragraph 4 of this appendix.

10. MISCELLANEOUS

- (i) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (ii) The Company's secretary and qualified accountant is Ms. Wong Pui Shan, Cammy, *FCCA, CPA, ACIS, ACS*.
- (iii) The registered office of the Company is P.O. Box 309 GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (iv) The head office and principal place of business of the Company is Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong.
- (v) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.



TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 978)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tonic Industries Holdings Limited (“**Company**”) will be held at Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 29 July 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the sale and purchase agreement dated 16 June 2008 (the “Sale and Purchase Agreement”) between Ms. Tam Lai Ha and Mr. Ling Ka Ka, Jennifer as the purchasers and Tonic Electronic Limited as vendor, in relation to the sale and purchase of the property located at Town House, No.113, Sunderland Estate, No.1 Hereford Road, Kowloon Tong, Kowloon, Hong Kong, a copy of the Sale and Purchase Agreement has been produced at the meeting marked “A” and signed by the Chairman of the meeting for identification purpose, as more particularly described in the circular to the shareholder of the Company dated 7 July 2008 (the “Circular”), of which this notice forms part and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder.”

By order of the board of directors of
Tonic Industries Holdings Limited
Ling Sin Man, Simon
Chairman

Hong Kong, 7 July 2008

NOTICE TO THE EGM

Registered office:
P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

*Head office and principal place
of business in Hong Kong:*
Unit B, 10th Floor
Summit Building
30 Man Yue Street
Hung Hom
Kowloon
Hong Kong

Notes:

1. A form of proxy to be used for the meeting is enclosed.
2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
4. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting.
5. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.