

May 17, 1999

Dear Sirs,

Upbest Securities –Research Paper

We are pleased to report that the Basel Fair in Switzerland, the world's largest timepiece and jewellery fair, has just ended and was a success for our company resulting in a 30% increase in orders from our distributors in the first quarter of this year as compared to same quarter last year.

The market's positive reaction to Egana is further reflected in the Research Paper recently issued by Upbest Securities, which is enclosed for your perusal. Upbest Securities has mentioned that our true intrinsic value is not reflected in our book net asset value (page 13). Our shareholders have increased their holdings up to 8,058 million shares up from 960 million within 5 years, primarily from shares issued on the conversion of upto 87% of the convertible notes issued in July 1997 and Rights Issue (within which Egana Jewellery was spun-off for listing on the Hong Kong Stock Exchange) in May 1998. Along this growth, the shareholder value has been increased accordingly (pages 1, 16 and 17). To us this demonstrates shareholder confidence in our business prospects, financial strength and future strategy. Egana's relatively strong liquidity position has been remarked positively by Upbest Securities (pages 11 and 12).

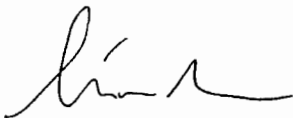
We are committed to maintaining our position as a brandname collector to further enhance our intrinsic value and by remaining a trendsetter in the timepiece industry expanding our product range and distribution network to increase our earnings base.

Throughout the 1980's Egana first established itself as one of the world's largest manufacturers of quartz analogue timepieces and expanded it to cover the jewellery business. The trend for the new millenium is towards more application of electronic technology to increase the functionality of timepieces, including communication and lifestyle functions (controlling appliances and consumer products).

This evening the Board approved the 1998 Annual Results which showed a 21% increase in turnover to HK\$1,689 million with an after-tax distributable earnings of HK\$123.4 million. This is in line with the estimates by the various investment analysts (see Page 8, 9 and 11 of the attached Upbest Securities Research Paper as an example). Asia Financial, SEG and Luen Fat Securities carried similar direction of estimates in their recent Research Papers on us. The shareholders funds reached HK\$1,120 million, representing 4 times of the 1993's HK\$280 million. To reflect the true asset value of Egana International, the off balance sheet value of brandname portfolio and the fair market value of our three listed affiliates should be included. In the attached Upbest Securities Research Paper, it is estimated to be in excess of HK\$2,700 million or HK\$35¢ per share (Page 17). We are committed to continue to enrich the Company's true asset value which should form a valid basis for translating into an increase in shareholders return for the benefit of our supporters.

We will forward to you under separate cover our 1998 Annual Report and communicate further with you in due course.

Yours sincerely,



Peter Lee  
Executive Director



Peter Law  
Group Financial Controller

Encl.

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November 1, 1999

Mr. David M. Webb MHKSI

Mid-levels, Hong Kong

Dear Mr. Webb,

**Upbest Securities' Research Paper on Egana International**

We are pleased to enclose for your perusal a research paper issued by Upbest Securities on our substantial shareholder, Egana International.

In the research paper, Egana International group's consistent and persistent approach in extending its core business is highly appraised and Egana is also being recognized as the leader in timepiece industry.

We are proud of being a partner of Egana International group and stand ready to contribute in the application of electronics technology to timepieces for the mutual benefits of Egana International and our group.

We are pleased to see that in October, Egana International has concluded a license for golf-related goods under the "Goldpfeil" trademark with Yamani, Inc. of Japan, which is its further step in capitalizing its commitment and strategy of introducing lifestyle products on "Goldpfeil" globally. You may refer to Egana International's press release on its website, <http://www.irasia.com.listco/hk/egana>, for further information.

Yours sincerely,



Gary Liu  
Executive Director

Encl.