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TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 978)

DESPATCH OF THE RIGHTS ISSUE DOCUMENTS AND ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS

The Directors are pleased to announce that the Rights Issue Documents have been despatched to the Qualifying Shareholders on 25 February 2005.

The issuance of the Rights Shares will cause an adjustment to each of the exercise price and the number of Shares falling to be issued upon the exercise of the outstanding Share Options, details of which are set out below.

Reference is made to the announcement (the "Announcement") issued by Tonic Industries Holdings Limited (the "Company") dated 28 January 2005 in relation to the rights issue of 317,629,987 Rights Shares at HK\$0.20 each on the basis of one Rights Share for every two existing Shares held on the Record Date. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

DESPATCH OF THE RIGHTS ISSUE DOCUMENTS

The Directors are pleased to announce that the Rights Issue Documents have been despatched to the Qualifying Shareholders on 25 February 2005.

A copy of each of the Rights Issue Documents, having attached thereto the written consent referred to under the heading "Qualification and consent of expert" in Appendix II to the Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance.

DEALINGS IN THE RIGHTS SHARES

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No part of the equity or debt securities of the Company is listed or dealt with in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

LATEST TIME FOR ACCEPTANCE AND PAYMENT

If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the provisional allotment letter, the Qualifying Shareholders must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's branch share registrars in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by no later than 4:00 p.m. on Monday, 14 March 2005. All remittances must be made by cheque drawn or cashier's order in Hong Kong dollars.

WARNINGS OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES

Existing Shares have been dealt with on an ex-rights basis since Wednesday, 16 February 2005. The Rights Shares will be dealt with in their nil-paid forms from Tuesday, 1 March 2005 to Wednesday, 9 March 2005 (both dates inclusive). If prior to 4:00 p.m. Wednesday, 16 March 2005 (or such later date as Success Forever may agree with the Company), Success Forever terminates the Underwriting Agreement or all the conditions of the Rights Issue cannot be fulfilled (or, if appropriate, waived), the Rights Issue will not proceed.

Any person dealing in the Shares until the date on which all the conditions of the Rights Issue are fulfilled (or, if appropriate, waived), and any person dealing in the Rights Shares in their nil-paid form between Tuesday, 1 March 2005 to Wednesday, 9 March 2005, both dates inclusive, will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid forms are recommended to consult their own professional advisers.

ADJUSTMENTS TO THE EXERCISE PRICE AND THE NUMBER OF SHARES TO BE ISSUED UNDER THE SHARE OPTIONS

Pursuant to the provisions of the share option scheme conditionally adopted by the Company on 18 September 1997, adjustments are required to be made to the exercise price and the number of Shares falling to be issued upon exercise of the outstanding Share Options as a result of the issue of the Rights Shares.

Based on the written confirmation of the auditors of the Company dated 25 February 2005, after the completion of the Rights Issue, the exercise price of the outstanding Share Options should be adjusted from HK\$0.700 per Share to HK\$0.467 per Share, and the number of Shares falling to be issued upon full exercise of the outstanding Share Options should be adjusted from 48,250,000 Shares to 72,375,000 Shares.

By Order of the Board
Tonic Industries Holdings Limited
LING Siu Man, Simon
Chairman & Managing Director

Hong Kong, 25 February 2005

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. LING Siu Man, Simon, Mr. LEE Ka Yue, Peter, Mr. WONG Ki Cheung, Ms. LI Fung Ching, Catherine, Mr. AU Wai Man, Mr. LIU Hoi Keung, Gary and Mr. LAM Kwai Wah, one non-executive Director, namely Mr. WONG Wai Kwong, David and three independent non-executive Directors, namely Mr. HO Fook Hong, Ferdinand, Mr. PANG Hon Chung and Mr. CHENG Tsang Wai.

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