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TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

**PROPOSED CAPITAL REORGANISATION;
PROPOSED GROUP REORGANISATION AND CREDITOR SCHEME;
PROPOSED SUBSCRIPTION OF NEW SHARES
AND
PROPOSED ISSUE OF REMUNERATION SHARES**

**PROGRESS OF THE CAPITAL REORGANISATION AND
TRADING ARRANGEMENT**

**Financial adviser to
Tonic Industries Holdings Limited**

 **SOMERLEY LIMITED**

**PROGRESS OF THE CAPITAL REORGANISATION AND TRADING
ARRANGEMENT AND THE ARRANGEMENTS OF THE FREE EXCHANGE OF
THE NEW SHARE CERTIFICATES**

The Capital Reorganisation is expected to be effective on or around 3 December 2010. The indicative timetable for the trading arrangement and the arrangements for free exchange of the New Share certificates for the Existing Share certificates are set out in this announcement.

Reference is made to the circular dated 28 June 2010 jointly published by the Company and the Subscriber, the joint announcements made by the Company and the Subscriber dated 26 July 2010 and 5 October 2010 (the “**Joint Announcement**”), and the announcements of the Company dated 2 August 2010, 11 August 2010, 27 August 2010, 30 August 2010, 28 September 2010, 12 October 2010, 28 October 2010 and 17 November 2010, in respect of, among other things, the proposed capital reorganisation, the proposed group reorganisation and creditor scheme, the proposed subscription of new shares and the proposed issue of remuneration shares. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Joint Announcement.

PROGRESS OF THE CAPITAL REORGANISATION AND TRADING ARRANGEMENT AND THE ARRANGEMENTS OF THE FREE EXCHANGE OF THE NEW SHARE CERTIFICATES

The Capital Reorganisation is expected to be effective on or around 3 December 2010. The trading arrangement and the arrangements for free exchange of the New Share certificates for the Existing Share certificates are set out below:

Board lot size and trading arrangement

The board lot size of the Shares for trading on the Stock Exchange will remain unchanged in board lots of 2,000 Shares upon the Capital Reorganisation becoming effective. Based on the closing price of HK\$0.153 per Share as at the date of this announcement, the value of each existing board lot is HK\$306.

Following the Capital Reorganisation and based on the theoretical closing price of HK\$1.53 per New Share as at the date of this announcement, the expected value of each board lot of 2,000 New Shares will be HK\$3,060.

Set out below are the proposed trading arrangements for dealings in New Shares following the Capital Reorganisation:

- (i) with effect from 9:30 a.m. on Monday, 6 December 2010, the original counter for trading in Shares in board lots of 2,000 Shares will be temporarily closed. A temporary counter for trading in New Shares in the form of existing share certificates in board lots of 200 New Shares will be established. Every 10 Existing Shares in the form of existing share certificates will be deemed to represent 1 New Share. Existing share certificates for Existing Shares can only be traded at this temporary counter;
- (ii) with effect from 9:30 a.m. on Monday, 20 December 2010, the original counter for trading in Shares will be reopened for trading in the New Shares in board lots of 2,000 New Shares. New share certificates for the New Shares can be traded at this counter;
- (iii) with effect from 9:30 a.m. on Monday, 20 December 2010 to 4:00 p.m. on Monday, 10 January 2011 (both dates inclusive), there will be parallel trading at the two counters mentioned in (i) and (ii) above; and
- (iv) the temporary counter for trading in New Shares in the form of the existing share certificates in board lots of 200 New Shares will be removed after the close of trading on Monday, 10 January 2011. Thereafter, trading will be in New Shares in the form of new share certificates in board lots of 2,000 New Shares only and the existing share certificates for Existing Shares will cease to be marketable and will not be acceptable for trading and settlement purposes.

Odd lot arrangements and fractional New Shares

Fractional New Shares will be disregarded and not issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional New Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots of the New Shares, Quam Securities Company Limited will be appointed by the Company to provide a matching service, on a “best effort” basis, to those Shareholders who wish to acquire or to dispose of their holding of odd lots of New Shares. Holders of odd lots of the New Shares who wish to take advantage of this trading facility may contact Mr. Eric Ho of Quam Securities Company Limited at Room 3208, Gloucester Tower, the Landmark, 11 Pedder Street, Central, Hong Kong (Tel: (852) 2817 2203) either directly or through their licensed securities dealers during the period from 20 December 2010 to 10 January 2011. Holders of odd lots of the New Shares should note that the matching of the sale and purchase of odd lots of the New Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot facility, is recommended to consult his/her/its own professional advisers.

Exchange of Share certificates

Shareholders may, during the period from 6 December 2010 to 12 January 2011, submit existing share certificates for the Shares in yellow colour to Tricor Tengis Limited (the “**Registrar**”), the Company’s branch share registrar in Hong Kong located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for exchange, at the expense of the Company, for new share certificates in grey colour for New Shares. It is expected that the new share certificates for the New Shares will be available for collection within 10 business days after the submission of the existing share certificates to the Registrar for exchange. Thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for New Shares or each existing share certificate submitted, whichever number of share certificate involved is higher. Existing share certificates for the Existing Shares will cease to be good for delivery but will continue to be good evidence of legal title and may be exchanged for share certificates for the New Shares at any time at the expense of the Shareholders.

Expected timetable

Set out below is an expected timetable for the implementation of the Capital Reorganisation. The Company will notify the Shareholders of any changes to the expected timetable by way of announcement(s) as and when appropriate.

Capital Reorganisation becoming effective	3 December 2010 (after trading hours)
Dealings in New Shares commence	6 December 2010
Original counter for trading in existing Shares in board lots of 2,000 Existing Shares closes	9:30a.m. on 6 December 2010
Temporary counter for trading in New Shares in board lots of 200 New Shares (in the form of existing share certificates) opens	9:30a.m. on 6 December 2010
First day of free exchange of existing share certificates for new share certificates for the New Shares	6 December 2010
Original counter for trading in New Shares in board lots of 2,000 New Shares (in the form of new share certificates) re-opens	9:30a.m. on 20 December 2010
Designated broker starts to stand in the market to provide matching services for odd lots of New Shares	9:30a.m. on 20 December 2010
Parallel trading in New Shares (in form of new share certificates and existing share certificates) commences	9:30a.m. on 20 December 2010
Designated broker ceases to stand in the market to provide matching services for odd lots of New Shares	4:00p.m. on 10 January 2011
Temporary counter for trading in New Shares in board lots of 200 New Shares (in the form of existing share certificates) ends	4:00p.m. on 10 January 2011
Parallel trading in New Shares (in form of new share certificates and existing share certificates) ends	4:00p.m. on 10 January 2011
Last day for free exchange of existing share certificates for new share certificates for the New Shares	12 January 2011

The Company will make further announcements if and when there are material developments in relation to the progress of the Capital Reorganisation.

As at the date of this announcement, Completion is still subject to certain conditions precedent being fulfilled (or, if applicable, waived). Further announcement(s) will be made to inform Shareholders and potential investors of any further developments as and when appropriate. **Shareholders and potential investors should be aware that the Completion is subject to the satisfaction and/or waiver of the conditions precedent set out in the Subscription Agreement which may or may not be obtained. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 22 November 2010

As at the date of this announcement, the Board comprises Mr. Ling Siu Man, Simon, Mr. Wong Ki Cheung and Ms. Li Fung Ching, Catherine as Executive Directors and Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul as Independent Non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.