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TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

www.tonic.com.hk

(Stock code: 978)

ANNOUNCEMENT

The board of directors (“Board”) of Tonic Industries Holdings Limited (the “Company”) refers to the legal disputes raised by Toshiba in the International Trade Commission and Northern District Federal Court in the United States against the Company and certain of its subsidiaries for the infringement of Toshiba’s DVD technology patents (“Proceedings”).

The Board announces that the Company’s indirect wholly owned subsidiary, Tonic Digital Products Limited (“Tonic”), has on 25 July 2007 entered into a license agreement with the DVD 6C Patent Licensing Group. Under the DVD licensing agreement, Tonic is permitted to manufacture DVD player products under a license to a pool of patents owned by Toshiba, Mitsubishi, Hitachi, JVC, Panasonic, Samsung, Sanyo, Warner Brothers and Sharp.

Toshiba has now agreed to settle the Proceedings by reason that Tonic has entered into the license agreement with the DVD 6C Patent Licensing Group. Toshiba and the Company including its subsidiaries are in the process of dismissing the Proceedings.

The Board is of the view that the settlement with Toshiba is in the best interest of the Company, its subsidiaries, customers and shareholders.

Made by the order of the Board of the Company, the directors of which individually and jointly accept responsibility for the accuracy of this statement.

By Order of the Board
Ling Siu Man, Simon
Chairman

Hong Kong, 31 July 2007

As at the date of this announcement, the Board comprises Mr. Ling Siu Man, Simon, Mr. Liu Hoi Keung, Gary, Mr. Lee Ka Yue, Peter, Mr. Wong Ki Cheung, Ms. Li Fung Ching, Catherine, Mr. Au Wai Man and Mr. Lam Kwai Wah as Executive Directors, Mr. Wong Wai Kwong, David as Non-executive Director and Mr. Pang Hon Chung, Mr. Cheng Tsang Wai and Dr. Chung Hing Wah, Paul as Independent non-executive Directors.

Please also refer to the published version of this announcement in The Standard.