

[For Immediate Release]

TONIC ANNOUNCES 2006/07 INTERIM RESULTS
TURNOVER REACHES HK\$1,578 MILLION
NET PROFIT AT HK\$22 MILLION, UP 27%

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Summary

- Turnover amounted to HK\$1,578 million, up 28% as compared to HK\$1,233 million for the interim period last year
 - EBITDA increased by 11% to approximately HK\$75 million
 - Net profit at HK\$22 million, 27% higher than in the same period last year
 - Earnings per share were HK2.3 cents
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(Hong Kong, 17 December 2006) – Leading audio-visual ODM and OEM manufacturer, Tonic Industries Holdings Limited (“Tonic”/ the “Group”) (Stock Code: 978) today announced its interim results for the six months ended 30 September 2006 (“Period”).

In the Period, the Group achieved a turnover of approximately HK\$1,578 million, representing an increase of 28% when compared with the corresponding period last year (2005/06: HK\$1,233 million). EBITDA and profit attributable to shareholders were approximately HK\$75 million (2005/06: HK\$68 million) and HK\$22 million (2005/06: HK\$17 million) respectively, representing a 11% and 27% increase against the last corresponding period. Earnings per share were HK2.3 cents (2005/06: HK1.8 cents).

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2006. (2005/06: nil)

Commenting on the results, **Mr. Simon Ling, Chairman of Tonic**, said, “During the Period, the Group registered increased demands for its various products, particularly from the America markets. New features were added to enhance the products developed by the Group in the past few years. Products such as VCR+DVD combo, VCR+DVD/RW combo, digital satellite receivers and cable set top box delivered better profit margins and sales. Sales for the Period increased by 28% as compared with the last corresponding period.”

Cost of certain raw materials such as plastics and metal parts stabilized but was still relatively expensive thus continued to pose pressure on production cost during the review period. The Group’s own power generators ensured production was not affected by power shortages, but the cost of powering them was pushed up by high oil price during the Period. The Group’s cost structure also felt the impact of the elevated minimum wage level in Guangdong, effective in September 2006.

Mr. Ling continued, “To mitigate pressure on our financial resources and stay competitiveness, the Group will strive to keep its cost under tight control.”

The Group implemented corresponding compliance procedures and policies and purchased facilities in the advent of the European Union's Restrictions on Hazardous Substance ("RoHS") directive, which came into force on 1 July 2006. The Group expects other markets such as the US to impose similar requirements and is ready to meet those standards with all adequate facilities already up and running.

The United States Federal Communications Commission ("FCC") has adopted the major elements of the Advanced Television System Committee ("ATSC") Digital Television (DTV) Standard. In time, ATSC will replace NTSC, which is an American organization overseeing analog TV transmissions, and digital TV transmissions is expected to be gradually implemented in the US in 2007. Based on the market response gauged so far, demands for ATSC products such as digital high definition television (HDTV), standard definition television (SDTV), data broadcasting, and interactive television are expected to rocket in the coming year.

Mr. Ling added, "The Group will inject more resources into research and development of ATSC products to ensure it will be able to meet the demands."

"Looking ahead, we see tremendous demand for digital products such as LCD-TV, DVD recorders and DVB-T in coming years. With a portfolio comprising a wide variety of digital products, we will be able to cater for the expanding demand. Committed to improving operational and cost effectiveness continuously, we are optimistic about achieving stronger results in the future."

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About Tonic Industries Holdings Limited

Tonic was listed on the Hong Kong Stock Exchange in October 1997. It mainly engages in the design, manufacture and marketing of a wide range of consumer AV products and home appliances. Products are sold on an ODM and/or OEM basis to overseas importers and manufacturers of well-known brand names such as Emerson, Medion, Memorex, Pioneer, DK Digital, jWIN, RCA, Welkin, Hamilton Beach, Craig, Thomson, Zojirushi, Morphy Richards and Russell Hobbs. Its production facilities, located at Dongguan, the PRC, consist of a total production area of over 3,500,000 sq.ft.

This media release and the other corporate information of Tonic Group can also be accessed through the following websites:

<http://www.tonic.com.hk> or <http://www.irasia.com/listco/hk/tonic>

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