

On March 2002, Tomorrow Group took over the majority shareholding in Swank as well as the HK\$250 million bank loans from the bank creditors. From that date onward Swank became a part of the Tomorrow Group. With this financial restructuring, Swank was able to concentrate its efforts on running the company, rather than worrying about the bank loan repayments that fall due from time to time.

As a first year after the investor changeover, Swank has delivered a positive cash flow, signifying a good turnaround from loss into profit. A downsizing of the organization was done during the year, which resulted in a staffing which is not only lean and mean, but is operationally efficient and cost effective. This also helped to lower the breakeven point required to make a profit. Besides the cost restructuring, a lot of work has also been done to improve the business fundamentals in order fulfillment, manufacturing, and sales and marketing. As a result of all these improvements, Swank was able to rebuild the customer connections, paving the way for longer term account and product development.

Because of the stiff competition emerging on the horizon, and the changing product mix, the Group had a decrease in gross profit margin. While the orders have grown by 14% year-to-year, net operating cash flow did not grow as much.

Looking ahead, the Group still has enormous competitive strengths built up over its past history. To meet the competition, which is going to be tougher because of the recent Gulf War and the atypical pneumonia disease affecting both Hong Kong and PRC, the Group will speed up many of the profit improvement initiatives which have started early this year. We believe this optical industry is worth investing and Swank will continue to be a good player in the industry.

On behalf of the Board

Tam Wing Kin

Executive Director

Hong Kong, 28 April 2003