



## Chairman's Statement



The Board of Directors (the "Board") of Tomorrow International Holdings Limited (the "Company") is pleased to announce the 2003 audited annual results of the Company, its subsidiaries and associates (collectively the "Group") for the year ended 31 December 2003.

### Results

The Group's profit attributable to shareholders for the year was HK\$11.7 million (2002: HK\$62.8 million), a decrease of 81.4% from the previous year. Earnings per share amounted to HK\$4.09 cents, compared with HK\$22.3 cents, adjusted for a capital reorganisation which took effect on 30 June 2003, in the previous year. At 31 December 2003, the Group's net cash position amounted to HK\$456.6 million (2002: HK\$322.4 million), representing 65.4% of the shareholders fund of HK\$698.2 million (2002: HK\$688.1 million).

The Board does not recommend the payment of any final dividend (2002: Nil).


### Business Review

In the year of 2003, the world economy got on a roller-coaster with an exciting journey. The economic condition reached the trough during the first quarter at the time of the Iraq war and finally exhibited an encouraging recovery. Fuelled by the outbreak of the Severe Acute Respiratory Syndrome ("SARS"), the Hong Kong economy inevitably confronted with a difficult time during the first half of the year under review. However, in consequence of the Iraq war passing off and the encouraging support from the Chinese Government through a number of economic recovery measures, the local economy has been regaining a recovery by the end of the year.

Owing to the SARS outbreak and the Iraq war, the export business of the Electronic Products Division deteriorated in the first half of the year. Although the sales orders have gradually been picking up in the last quarter, the turnover of the Electronic Products Division moderately decreased by 8.3% for the year under review. During the year, apart from the manufacture of consumer electronic products, the Group has successfully established new production lines in a new leased factory building in Shenzhen for the manufacture of lithium rechargeable battery parts for Matsushita Group, a well-known Japanese electronic giant. The new factory has become fully operational in the fourth quarter of 2003 and has already achieved a breakeven position by the end of the year. It is an encouraging progress in implementing business diversification program and is in line with the long-term strategy of the Group.

The printed circuit boards ("PCB") business experienced a low time in 2003. As a result of the restructure of the production management organisation during the year, unstable output quality had caused higher-than-normal material consumption that significantly reduced the already thinned profit margin. Although the turnover increased by 35.1% to HK\$130.9 million (2002: HK\$96.9 million), the PCB Division suffered an operating loss of HK\$18.3 million (2002: HK\$1.3 million) for the year ended 31 December 2003.

To adopt a prudent approach, the trading of listed equity securities and the provision of loan financing activities remained inactive.



The SARS outbreak and the Iraq war also hit the business of Swank International Manufacturing Company Limited ("Swank"). Turnover dropped from HK\$207.7 million in year 2002 to HK\$192.2 million in year 2003. Sales orders of the year decreased by HK\$49.5 million to HK\$195.8 million (2002: HK\$245.3 million) resulting in the low utilisation of production capacity. Coupled with the price cutting pressure from certain customers, gross profit margin decreased to 12.4% (2002: 20.2%). Somehow, the adverse impact was partially offset by savings in overhead cost through various cost reduction measures.

### Future Plans

In the year of 2004, it is believed that the world economy will gradually gather momentum. In particular, a signal of turnaround in the Japanese economy is being uncovered after its over 10 years of economic recession. The export business of the Group is likely to benefit from it.

In view of the widely adoption of wireless application in electronic devices, the Group will dedicate more resources and efforts for in the development of new products with wireless features to cater for the ever-changing consumer market. On the other hand, as most of the international electronics manufacturers have relocated or prepared to relocate their manufacturing bases to the Mainland China, it provides ample opportunities for the further development of our OEM business. In addition to the manufacture of consumer electronic products, business diversification within the electronics industry is always on our agenda.

As a key player in the optical industry, the Group aims to widen its customer base by implementing viable business development plans with international brand name customers and by developing new markets, including Asian region. Moreover, the Group will focus on enhancement of production efficiency and on implementation of supply chain management to drive down production and procurement costs so as to improve the profit margin. Adequate investments will be made in these respect if and when appropriate.

With much dedication, the management has been acquiring valuable experiences in searching for and identifying opportunities with promising business potential. Through inorganic growth by acquisition and organic growth by expansion of existing business and development of new business, the management aims at becoming a successful investor on the one hand and a good quality manufacturer in light industry on the other hand.

In view of the long-term growth of the Group, the management believes that enriching human resources through recruiting competent and experienced senior management staff, who would be able to share their expertise and knowledge with the existing management team from time to time, is vital importance. The main objective is to make the operation platform more solid in order to cope with the future expansion. Together with the strong financial position, the Group is well-positioned to act with high flexibility when investment opportunities with good earnings potential arise.

On behalf of the Board

**Yau Tak Wah, Paul**

*Chairman*

Hong Kong, 26 April 2004