

The Board of Directors (the "Board") of Tomorrow International Holdings Limited (the "Company") is pleased to announce the 2004 audited annual results of the Company, its subsidiaries and associates, collectively the Group, for the year ended 31 December 2004.

### RESULTS

The Group's profit attributable to shareholders for the year was HK\$30.5 million (2003: HK\$11.7 million), an increase of 160.7% from the previous year. Earnings per share amounted to HK\$10.67 cents, compared with HK\$4.09 cents in the previous year. At 31 December 2004, the Group's net cash position amounted to HK\$397.7 million (2003: HK\$456.6 million), representing 53.8% of the shareholders fund of HK\$739.2 million (2003: 1HK\$698.2 million).

The Board does not recommend the payment of any final dividend (2003: Nil).

### BUSINESS REVIEW

In 2004, the confidence of the Hong Kong economy gained a full recover after the SARS had been over. It benefited the local retails and property markets together with the service industries at large. However, the manufacturing and export businesses in Hong Kong had continuously confronted with keen competition from the exporters in other Asian countries including Mainland China. The economic condition in the US and the European market was also another major factor. In view of the weakened US dollar currency and the rising oil prices, the consumption power in the American market had been suppressed. On the other hand, the economy in European countries was still stagnated in spite of the strong Euro currency. For the year ended 31 December 2004, the total turnover of the Group's electronic business slightly decreased by 5.4 % to HK\$500.6 million (2003: HK\$529.3 million).

The turnover of the Electronic Products Division moderately decreased by 1.7% to HK\$391.6 million (2003: HK\$398.4 million) on a year-on-year basis. It was mainly due to the unsatisfactory business performance in both the US and European market during the year under review. Price competition in these markets was persistent and it did not show any improvement yet. Nevertheless, the new business in the production of lithium rechargeable battery parts had been growing rapidly and performed satisfactorily in the year of 2004. It had already provided a profit contribution to the Group. On the other hand, in order to remain competitive in the market, the Group had exercised stringent cost controls which substantially reduced the operating costs. Although it recorded a decrease in turnover, the segmental profits contributed by the Electronic Products Division remained approximately the same when compared with last year.

Market competition and quality issues continually hindered the development of printed circuit board ("PCB") business. The turnover for the manufacture and sale of PCB decreased by over 16.7% to HK\$109.0 million (2003: HK\$130.9 million) and it suffered an operating loss of HK\$18.3 million (2003: loss HK\$18.3 million) for the year under review.



## Chairman's Statement

Regarding the manufacture and sale of optical products, Swank International Manufacturing Company Limited ("Swank") recorded a turnover of HK\$174.9 million (2003: HK\$192.2 million), representing a decrease of 9% compared with last year. Sales orders for the current year were HK\$176.2 million, versus last year of HK\$195.8 million. The gross profit margin decreased from 12.4% last year to 10.4% this year.

In 2004, with a more active stock market, turnover derived from trading of listed equity investments increased to HK\$15.5 million (2003: HK\$0.9 million).

As low interest rate in Hong Kong prevailed, the loan interest income from provision of loan financing for 2004 amounted to HK\$0.1 million (2003: HK\$0.4 million).

In 2003, the Group entered into a sale and purchase agreement with SW Kingsway Capital Holdings Limited and its subsidiaries ("SW Kingsway Group"), whereby the Group sold approximately 593.7 million shares of Swank to SW Kingsway Group, representing approximately 19.0% of the issued share capital of Swank, at a total consideration of approximately HK\$16.0 million. The transaction gave rise to a total gain of approximately HK\$16.0 million, of which approximately HK\$8.5 million was booked in year 2004 and the remaining gain was booked in year 2003.

Following years of decline, the local property market revived at a fast pace during the year under review. To seize this opportunity, the Group invested in luxury residential properties. By end of 2004, the Group recorded a valuation surplus of HK\$9.7 million in respect of its investment properties. This has been accounted for as a reserve movement.

### **FUTURE PLANS**

In the year ahead, the interest rate hikes and the high oil prices will be the main obstacles on the economic growth of the global economy. A sign of rising inflation has recently been found in the US and European countries. Nevertheless, with a growth momentum in the US economy and the strong Euro which has strengthened the consumers' purchasing power in Europe, an expectation of a recovery in the consumer market is still optimistic.

Research and development is always our strength and target. The process of product upgrade and diversification has been going on without a pause. The Group has placed more emphasis on the wireless applications and radio-frequency products which are believed to be the prevailing trend in the consumer electronics market. With newly developed product lines, it empowers the Group to reach a more sophisticated market of lesser price sensitivity and competition. On the other hand, the Group is open to any opportunity in business co-operation or partnership with well-known electronic enterprises in the industry. It enables the Group to enter new product markets and to enhance its production capability.



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Optical industry continues to be a growing industry and eyewear has basically shifted from its basic functions of eye protection and vision correction to become more fashionable products. To cope with the shortening product life cycles and the increasing fashion elements in products, we will put in more resources in the samples production as well as the research and development department so as to give more quality and fashionable choices to our customers by introducing more new design concepts, new material and new technology. We also tend to restructure each single sizable production line into a number of smaller production lines in order to increase the production flexibility. Coupled with certain production flow changes as suggested by some renowned Japanese consultants, we will be able to capture the growing market opportunities with improved operational efficiency. On the other hand, various cost-saving measures have proven to be effective in 2004 and will continue in 2005. We remain optimistic about the future of our optical division.

With a pick-up in Hong Kong's property market, the Group is expected to share a satisfactory return upon appreciation in value of those properties. In fact, some of the luxury residential properties have been disposed or agreed to be disposed with a gain.

The management team is seeking to maximize the advantages afforded by our strong financial position, while maintaining strict cost controls. While searching for investment opportunities to increase our potential for earnings growth, we will continue to focus on our core business.

On behalf of the Board  
**Yau Tak Wah, Paul**  
*Chairman*

Hong Kong, 22 April 2005