



CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of Tomorrow International Holdings Limited (the "Company") is pleased to announce the 2006 audited annual results of the Company, its subsidiaries and associates (collectively the "Group") for the year ended 31 December 2006.

RESULTS

The Group's loss attributable to equity holders of the Company for the year was HK\$16.2 million (2005: profit of HK\$4.8 million). Loss per share amounted to HK9.8 cents, compared with earnings HK5.1 cents (as restated) in the previous year. At 31 December 2006, the Group's net cash position amounted to HK\$619.7 million (2005: HK\$396.8 million) representing 65.5% of the equity attributable to equity holders of the Company of HK\$945.8 million (2005: 50.6%). Moreover, the Group has banking facilities of HK\$45.3 million.

BUSINESS REVIEW

The result of the Group for the year 2006 was not encouraging. It reported HK\$16.2 million loss attributable to equity holders, compared with profit of HK\$4.8 million in 2005.

Electronic products division still made a profit. Turnover of electronic products division for the year was HK\$353.7 million (2005: HK\$386.4 million), representing a decrease of HK\$32.7 million or 8% to that of last year. Manufacturing business continued to face a hard operating environment of increase in operating cost. Despite continuous effort, the Group could not shift all increase in operating cost to customers, resulting in a drop in net profit margin of the division. For the business of production and sale of lithium rechargeable battery parts, sales dropped by 28%. As a whole, segmental profit was HK\$4.6 million, compared with HK\$18.5 million profit in year 2005.

The PCB manufacturing industry continues to exhibit keen market competition as the trend of the US and European PCB makers to migrate their manufacturing bases to the PRC is expected to continue in the future. However, the turnover of the PCB division for the year was HK\$104.3 million (2005: HK\$95.8 million), representing an increase of 9% comparing with last year. The increase in turnover was the result of our plan of new customer development and the future sales plan will continue to concentrate on expanding business with industrial grade industries e.g. automotive, medical equipments. Facing the continuous increase in raw material costs especially in metals, the PCB division reported a loss of HK\$23.8 million. During the reporting period, management exerted effective cost control measures to trim down the overhead costs and could also successfully transfer part of the costs burden to our customers by increasing the average selling price of multi-layers products.

The local securities market remained robust throughout 2006. Speculation over Renminbi's appreciation and economic growth in China attracted capital inflow to Hong Kong, particularly into China-related shares. Given that, turnover of trading of listed equity investments amounted to HK\$56.0 million (2005: HK\$7.3 million) and the Group managed to make a profit of HK\$2.2 million (2005: loss of HK\$3.0 million).

Loan financing business remained inactive during the year. It reported segmental loss of HK\$5.9 million. Legal case relating to loan to Moulin Eyecare Holdings Limited was still in progress and further update will be published in due course.



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FUTURE PLANS

Looking forward, wireless application and radio-frequency product range is our direction for product development. The Board expects this target market will be less price-sensitive and competitive. Moreover, the Group is developing to manufacture products relating to audio/visual market. Products relate to broadcasting tuners (a unique system of digital television broadcasting in Japan) and portable pocket size television. As more stringent environmental regulations will come into effect, the Group believes it would be an opportunity to gradually eliminate competitors which are less-equipped and quality-oriented in producing products which conform with the relevant requirements. Moreover, management will try to shift the increase in operating cost to customers by increasing the selling price of products. Cost-saving measures will continue in year 2007. Barring any unforeseen circumstances, there should be improvement in the performance of the division in coming year.

The Board intends to double up its monthly production capacity in two years in order to fulfil the ever-growing market demand on industrial grade PCB products. With our experienced sales forces and dedicated management teams, we will progressively capture large market shares from the US and Europe market onwards.

The continuously rapid and healthy growth of the Chinese economy has created excellent investment opportunities and a favorable operating environment for us. The Board will focus on investments with core businesses which are PRC based and may allocate appropriate resources in subscribing for initial public offerings shares of companies with sound fundamental and prospect.