



Tomorrow International Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 0760)

Announcement of 2004 Annual Results

The Board of Directors (the “Board”) of Tomorrow International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004, together with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
TURNOVER	3	691,136	722,782
Cost of sales		(599,715)	(621,877)
Gross profit		91,421	100,905
Other revenue	4	14,089	11,652
Negative goodwill recognised as income		13,062	23,550
Gain on disposal of properties held for sale		3,900	–
Gain on disposal of partial interest in Swank		8,458	18,407
Surplus/(deficit) on revaluation of leasehold land and buildings, net		4,843	(1,015)
Write back of over-provision/(provision) against properties held for sale		3,150	(2,967)
Gain on disposal of interests in associates		10,900	–
Provision against loans receivable		–	(20)
Distribution costs		(24,050)	(27,194)
Administrative expenses		(102,639)	(109,870)
Other operating expenses		(720)	(10,640)
PROFIT FROM OPERATING ACTIVITIES	5	22,414	2,808
Share of profits less losses of associates		2,791	1,727
PROFIT BEFORE TAXATION		25,205	4,535
TAXATION	6	(452)	(1,778)
PROFIT BEFORE MINORITY INTERESTS		24,753	2,757
Minority interests		5,758	8,941
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		30,511	11,698
EARNINGS PER SHARE	7		
Basis		10.67 cents	4.09 cents
Diluted		N/A	N/A

Notes :

1. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards, the trading and distribution of electronic components and parts, the trading of listed equity investments, the provision of loan financing and the manufacture and sale of optical products. There were no significant changes in the nature of the Group's principal activities during the year.

3. SEGMENT INFORMATION

Turnover represents the invoiced value of goods sold, net of returns and allowances, the proceeds from sales of listed equity investments and the interest income from the provision of loan financing.

a) Business segments

The following tables present revenue, profit/(loss) and expenditure information for the Group's business segments.

Group

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue																
Sales to external customers	391,632	398,361	108,992	130,901	-	2	15,515	870	107	412	174,890	192,236	-	-	691,136	722,782
Inter-segment sales	-	-	4,787	11,458	19,416	21,071	-	-	2,887	-	-	-	(27,090)	(32,529)	-	-
Other revenue	3,356	1,904	5,192	1,412	-	25	469	421	-	-	2,800	3,167	-	-	11,817	6,929
Total	<u>394,988</u>	<u>400,265</u>	<u>118,971</u>	<u>143,771</u>	<u>19,416</u>	<u>21,098</u>	<u>15,984</u>	<u>1,291</u>	<u>2,994</u>	<u>412</u>	<u>177,690</u>	<u>195,403</u>	<u>(27,090)</u>	<u>(32,529)</u>	<u>702,953</u>	<u>729,711</u>
Segment results	<u>17,288</u>	<u>17,027</u>	<u>(18,328)</u>	<u>(18,342)</u>	<u>683</u>	<u>673</u>	<u>(3,607)</u>	<u>(7,297)</u>	<u>(5,800)</u>	<u>(9,177)</u>	<u>(5,345)</u>	<u>(21,673)</u>	<u>642</u>	<u>(60)</u>	<u>(14,467)</u>	<u>(38,849)</u>
Interest, dividend income and unallocated gains															2,272	4,723
Negative goodwill recognised as income															13,062	23,550
Gain on disposal of partial interest in Swanik															8,458	18,407
Gain on disposal of properties held for sale															3,900	-
Write back of over-provision (provision) against properties held for sale															3,150	(2,967)
Surplus (deficit) on revaluation of leasehold land and buildings, net															4,843	(1,015)
Gain on disposal of interests in associates															10,900	-
Unallocated expenses															(9,704)	(1,041)
Profit from operating activities															22,414	2,808
Share of profits less losses of associates															2,791	1,727
Profit before taxation															25,205	4,535
Taxation:																
Company and subsidiaries Associates															(452)	(1,627)
Profit before minority interests															-	(151)
Minority interests															24,573	2,757
Minority interests															5,758	8,941
Net profit from ordinary activities attributable to shareholders															<u>30,511</u>	<u>11,698</u>

b) Geographical segments

The following tables present revenue information for the Group's geographical segments.

Group

	Europe		North America		Hong Kong		Japan		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:														
Sales to external customers	89,922	100,032	189,345	231,592	183,782	197,090	180,807	150,401	47,280	43,667	-	-	691,136	722,782

4. OTHER REVENUE

	2004 HK\$'000	2003 HK\$'000
Bank interest income	1,575	3,621
Dividends income from listed investments	363	–
Sales of obsolete inventories	2,795	889
Management fee received	1,908	2,346
Product development income	2,678	2,709
Rental income	1,024	421
Sales of raw materials	1,778	446
Others	1,968	1,220
	<u>14,089</u>	<u>11,652</u>

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2004 HK\$'000	2003 HK\$'000
Cost of inventories	583,563	621,192
Depreciation	35,279	34,836
Amortisation of prepaid rental	737	737
Amortisation of deferred product development costs	1,421	1,189
Provision against inventories	289	12,397
	<u>289</u>	<u>12,397</u>

6. TAXATION

	2004 HK\$'000	Group 2003 HK\$'000
The PRC:		
Hong Kong:		
Current year provision	976	1,524
(Over)/under provision in prior years	(750)	80
Mainland China	226	23
	<u>452</u>	<u>1,627</u>
Share of tax attributable to associates	–	151
Total tax charge for the year	<u>452</u>	<u>1,778</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$30,511,000 (2003: HK\$11,698,000) and the weighted average of 286,068,644 (2003: 286,068,644) ordinary shares in issue during the year.

A diluted earnings per share for the year ended 31 December 2004 and 2003 have not been disclosed as no diluting events existing during these years.

FINAL DIVIDEND

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.

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.

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.

CORPORATE TRANSACTIONS

On 20 January 2005, China Time Investment Holdings Limited (the “Offeror”) entered into a sale and purchase agreement (the “S&P Agreement”), amongst others, with Probest Holdings Inc. (“Probest”), a subsidiary of the Company and subsidiaries of SW Kingsway Group, pursuant to which the Offeror conditionally agreed, inter alia, to acquire 1,437,396,440 and 437,521,205 shares of Swank, representing approximately 46% and 14% of the existing issued share capital of Swank from Probest and SW Kingsway Group respectively for total consideration of approximately HK\$56 million (i.e. equivalent to HK\$0.03 per share).

Subject to completion of the S&P Agreement (the “Completion”), the Offeror will be obliged under Rule 26 of the Takeovers Code to make a mandatory cash offer to acquire all the issued shares of Swank (other than those already owned by the Offeror and parties acting in concert with it).

On 20 January 2005, Swank, Probest and Profitown Investment Corporation (“Profitown”) also entered into a conditional loan restructuring agreement (the “Loan Restructuring Agreement”). Pursuant to the terms of the Loan Restructuring Agreement, subject to Completion taking place, Profitown will issue a new promissory note in favour of Probest, in consideration of Probest waiving portion of the outstanding loan due and owing by Swank to Probest under the existing promissory note and releasing Swank from all future obligations and liabilities under the existing promissory note and Swank will also execute a guarantee to guarantee Profitown’s obligations in respect of interest payment under the new promissory note.

On Completion, Swank, Probest, Profitown and the Company will enter into a shareholders agreement, the principal terms of which will include unanimous board approval on material issues regarding Profitown, a put option exercisable by Swank in respect of its shares in Profitown and an indemnity by Probest in favour of Profitown in the event of deficit in the net tangible asset value of Profitown during the 30-month period from the completion date. On Completion, Probest and the Company will also execute a deed in favour of the Offeror. Under certain events, Probest will indemnify the Offeror.

For details of the above transactions, please refer to the announcement dated 18 April 2005.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, cash and bank balances (including time deposits) maintained by the Group were HK\$397.7 million (2003: HK\$456.6 million), representing a decrease of HK\$58.9 million compared with the position as at 31 December 2003. On the other hand, the Group has available banking facilities of HK\$28.3 million. It is believed that the Group has adequate cash resources to meet the normal working capital requirements and all commitments for future development. The gearing of the Group, measured as total debts to total assets, was 19.5% as at 31 December 2004, comparing with 23.7% as at 31 December 2003.

Most of the business transactions conducted by the Group were nominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 31 December 2004, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2004, the Group employed approximately 4,720 employees, with about 4,590 in the Mainland China and about 130 in Hong Kong. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonuses and mandatory provident fund would be provided by the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice (the “Code”) as set out by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in Appendix 14 of the Listing Rules, except that two independent non-executive directors of the Company, Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard, are not appointed for specific terms as required by paragraph 7 of the Code. Mr. Wu Wang Li, the independent non-executive director of the Company, has entered into a service contract with the Company for a term of one year from 27 September 2004. All independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company’s Bye-laws.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or its subsidiaries during the year.

DIRECTORS

As at the date hereof, the Board comprises of eight directors, of which five are executive directors, namely Mr. Yau Tak Wah, Paul, Ms. Louie Mei Po, Ms Wong Shin Ling, Irene, Mr. Tam Wing Kin and Mr. Tam Ping Wah and three independent non-executive directors, namely Mr. Ng Wai Hung, Mr. Cheung Chung Leung, Richard and Mr. Wu Wang Li.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors and reports to the Board. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

PUBLICATION OF ANNUAL REPORT ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange website in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Monday, 30th May 2005 at 12:00 noon (the "AGM"). For details of the AGM, please refer to the notice of the AGM which is expected to be published on or about 28th April 2005.

By Order of the Board
Yau Tak Wah, Paul
Chairman

Hong Kong, 22 April, 2005

Please also refer to the published version of this announcement in The Standard.