



# TOMORROW INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## ANNOUNCEMENT OF 2001 ANNUAL RESULTS

### GROUP ANNUAL RESULTS

The Board of Directors (the "Directors") 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 2001 with comparative figures for the previous corresponding year as follows:

	Notes	2001 HK\$'000	2000 HK\$'000
<b>TURNOVER</b>	1	<b>544,174</b>	659,807
Cost of sales	2	<u>(436,012)</u>	<u>(529,310)</u>
Gross profit		<b>108,162</b>	130,497
Other revenue		<b>9,512</b>	10,305
Write-back of provisions against loans receivable/(provisions against loans receivable)		<b>9,449</b>	(12,500)
Gain on disposal of partial interest in subsidiaries		—	33,409
Surplus on revaluation of leasehold land and buildings, net		<b>5,927</b>	848
Provision for properties held for sale		<b>(4,833)</b>	—
Distribution costs		<b>(10,129)</b>	(11,910)
Administrative expenses		<b>(87,919)</b>	(77,517)
Net unrealised holding losses on short term investments		<b>(31)</b>	(32,170)
Other operating expenses		<b>(1,333)</b>	(2,555)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	3	<b>28,805</b>	38,407
Finance costs		<b>(343)</b>	(1,464)
<b>PROFIT BEFORE TAX</b>		<b>28,462</b>	36,943
Tax	4	<b>(3,079)</b>	(5,424)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>25,383</b>	31,519
Minority interests		<b>5,734</b>	976
<b>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>31,117</b>	32,495
<b>EARNINGS PER SHARE</b>	5		
Basic		<b>2.63 cents</b>	4.27 cents
Diluted		<b>2.61 cents</b>	4.27 cents

Notes:

#### (1) Turnover and 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 table presents revenue and profit/(loss) information for the Group's business segments.

Group	Electronic products		Electronic components and parts				Listed equity investments		Provision of finance		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	420,554	455,973	84,692	137,454	950	47,164	31,556	9,690	6,422	9,526	—	—	544,174	659,807
Inter-segment sales	—	—	12,070	18,023	32,703	52,846	—	—	—	—	(44,773)	(70,869)	—	—
Other revenue	3,105	1,940	1,474	954	261	387	414	—	—	—	—	—	5,254	3,281
<b>Total</b>	<b>423,659</b>	<b>457,913</b>	<b>98,236</b>	<b>156,431</b>	<b>33,914</b>	<b>100,397</b>	<b>31,970</b>	<b>9,690</b>	<b>6,422</b>	<b>9,526</b>	<b>(44,773)</b>	<b>(70,869)</b>	<b>549,428</b>	<b>663,088</b>
Segment results	<b>48,061</b>	52,417	<b>(12,085)</b>	(6,197)	<b>729</b>	2,912	<b>(13,298)</b>	(33,244)	<b>7,098</b>	(7,409)	<b>(45)</b>	(127)	<b>30,460</b>	8,352
Interest, dividend income and unallocated gains													4,258	7,024
Gain on disposal of partial interest in subsidiaries													—	33,409
Unallocated expenses													<b>(5,913)</b>	(10,378)
Profit from operating activities													<b>28,805</b>	38,407
Finance costs													<b>(343)</b>	(1,464)
Profit before tax													<b>28,462</b>	36,943
Tax													<b>(3,079)</b>	(5,424)
Profit before minority interests													<b>25,383</b>	31,519
Minority interests													<b>5,734</b>	976
Net profit attributable to shareholders													<b>31,117</b>	32,495

##### (b) Geographical segments

The following table presents revenue and profit information for the Group's geographical segments.

Group	Europe		North America		Hong Kong		Japan		Others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	57,764	54,080	134,974	177,360	188,914	244,766	138,078	115,557	24,444	68,044	—	—	544,174	659,807
Segment results	<b>3,233</b>	685	<b>7,555</b>	2,245	<b>10,574</b>	3,098	<b>7,729</b>	1,463	<b>1,369</b>	861	—	—	<b>30,460</b>	8,352

(2) Included in the cost of sales was the cost of inventories sold of HK\$400,565,000 (2000: HK\$520,534,000).

#### (3) Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	2001 HK\$'000	2000 HK\$'000
Depreciation of fixed assets	<b>19,141</b>	17,614
Amortisation of prepaid rental	<b>737</b>	736
Deferred product development costs:		
Amortisation for the year	<b>971</b>	846
Impairment arising during the year	<b>95</b>	496
	<b>1,066</b>	1,342
Net losses/(gains) on disposals of listed equity investments	<b>3,891</b>	(914)

#### (4) Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	2001 HK\$'000	2000 HK\$'000
Group:		
The People's Republic of China (the "PRC"):		
Hong Kong		
Current year provision	<b>4,089</b>	4,746
Overprovision in prior year	<b>(1,250)</b>	(202)
Deferred	<b>—</b>	833
Mainland China	<b>240</b>	47
Tax charge for the year	<b>3,079</b>	5,424

#### (5) Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$31,117,000 (2000: HK\$32,495,000) and the weighted average of 1,183,527,852 (2000: 760,291,915) ordinary shares in issue during the year.

The comparative basic and diluted earnings per share have been adjusted to reflect the rights issue of shares on the basis of two rights shares for every one share held on 18 October 2001.

The calculation of diluted earnings per share for the year is based on the net profit attributable to shareholders for the year of HK\$31,117,000 (2000: HK\$32,495,000) and the weighted average of 1,193,943,852 (2000: 761,197,264) ordinary shares in issue during the year.

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation for the year ended 31 December 2001 to that used in the diluted earnings per share calculation is as follows:

	2001	2000
Weighted average number of shares used in the basic earnings per share calculation	<b>1,183,527,852</b>	760,291,915
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	<b>10,416,000</b>	905,349
Weighted average number of shares used in the diluted earnings per share calculation	<b>1,193,943,852</b>	761,197,264

### FINAL DIVIDEND

The Board of Directors does not recommend the payment of any final dividend (2000: Nil).

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 27 May 2002 to Wednesday, 29 May 2002, both days inclusive, during which period no transfer of shares will be registered.

### BUSINESS REVIEW

It was a difficult year for the electronics industry in 2001. The market demand was slowing down as a result of the correction of excessive supply in previous year. Coupled with the slow recovery in the global economy and the "11 September" event in the United States of America, the electronics industry confronted with an unfavourable business environment during the year under review.

In spite of the severe business environment, the Group's electronics business as a whole was still profitable in 2001 although the turnover reduced by 8% to HK\$420.6 million compared with last year.

For the manufacture and sale of electronic products, in view of the slowdown economy in 2001, the total sales to North America decreased by about 24%. In the Hong Kong local market, it was continually affected by the depressed market condition that leading to a decrease of about 23% in its turnover compared with 2000. Although it succeeded to maintain a growth in the OEM business with Japanese customers and was also benefited from the preliminary recovery of the European markets, the total turnover of the electronic products division dropped by approximately 8% for the year 2001. Nevertheless, under the effective cost controls, the electronic products division of the Group was still profitable for the year under review and recorded a profit contribution of HK\$48.1 million.

The year of 2001 was a hard time for the printed circuit board ("PCB") industry. The contraction of the electronics industry and the worldwide over-supply of PCBs led to a very keen competition. The turnover of the PCB division of the Group decreased by over 38% compared with last year and suffered a loss of approximately HK\$12.1 million for the year of 2001.

In view of the continuing unfavourable market condition, the trading and distribution of electronic components and parts business of the Group became dormant commencing from second quarter of the year 2001.

Regarding trading of listed equity investments, turnover for the year amounted to HK\$31.6 million, compared to that of HK\$9.7 million in year 2000 and the Group had disposed substantial part of its investment in Cedar Base Electronic (Group) Limited.

As the market condition was not favourable, interest income from loan financing decreased by 33% to HK\$6.4 million compared with last year.

Pursuant to two separate placing agreements dated 8 May 2001 and 11 March 2002, Winspark Venture Limited ("Winspark"), the major shareholder of the Company, placed 69 million and 178 million shares through independent placing agents to independent investors at a price of HK\$0.17 and HK\$0.15 per share, respectively. Moreover, pursuant to two top-up subscription agreements between the Company and Winspark on the same corresponding dates, Winspark subscribed for 69 million and 178 million new shares of the Company at a price of HK\$0.17 and HK\$0.15 per share respectively. The net proceeds of approximately HK\$11.5 million and HK\$26 million from the share placement were used for general working capital of the Group.

On 10 August 2001, the Directors announced that the Company proposed to raise a gross proceeds of HK\$178.8 million by issuing not less than 1,788,457,630 new shares by way of rights issue at a price of HK\$0.10 per rights share on the basis of two rights shares for every existing share held on the record date. 936,884,000 rights shares were accepted and the balance of 851,573,630 rights shares were underwritten by Winspark.

The rights issue raised the net proceeds of HK\$177.5 million which are mainly used to finance any possible acquisition of listed or non-listed assets and the expansion and/or diversification of the Group's existing operations and businesses. The expansion plan may include widening of the Group's product range, upgrading of technical knowledge and expansion of production capacity of the electronic product business. However, the funds raised under the rights issue are not currently earmarked for any specific projects or any specific business.

On 16 July 2001, the Company entered into an exclusivity agreement with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), the trust agent of Optiset Limited ("Optiset"), the then major shareholder of Swank International Manufacturing Company Limited ("Swank"), the beneficiaries of the trust being the individual bank creditors of Swank, in relation to, among others, the Company's proposed acquisition of the entire interests of Optiset in Swank. Swank is a Hong Kong listed company principally engaged in the manufacture and sale of optical products.

Subsequently, in January 2002, Probest Holdings Inc. (“Probest”), an indirect wholly owned subsidiary of the Company, signed a sale and purchase agreement with Optiset to acquire from it the majority stake in Swank and the related bank loans. The transaction was completed in March 2002 whereby the creditors banks agreed to sell its majority stake in Swank and the related bank loan of HK\$250 million to the Company for a total consideration of HK\$68 million. Full amount was paid as deposit in August 2001. Moreover, following a General Offer made by Probest in compliance with the Takeover Code, which was completed in early April 2002, Probest totally acquired 1,641,638,651 Swank shares, representing 73.5% interest in Swank.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group had a strong financial position. The gearing of the Group, measured as total debts to assets, has improved from 33.5% in year 2000 to 17.3% in year 2001. Together with the placement of 69.0 million shares totalling HK\$11.5 million in May 2001 and a 2:1 rights issue raising funds of HK\$177.5 million in November 2001, cash and bank balances (including time deposits) as at 31 December 2001 were HK\$373.8 million, representing an increase of HK\$229.2 million compared with last year. On the other hand, the Group had no outstanding bank borrowings as at the balance sheet date compared with HK\$6.1 million trade finance borrowings at the end of last year.

The Group has available banking facilities of HK\$47.3 million for the normal working capital requirements. Together with the net positive cash and bank balances, it is believed that it has adequate cash resources to meet working capital requirements and all commitments for future expansion should the opportunities arises.

## CAPITAL STRUCTURE

Pursuant to a placing agreement between the Company and a placing agent, a total of 69.0 million new shares were issued to independent investors in May 2001. Following a 2:1 rights issue in November 2001, additional 1,788.5 million new shares were issued to the then shareholders. The issued share capital of the Company had increased to 2,682.7 million shares by 31 December 2001. Moreover, the Company’s issued share capital will be increased by 91.5 million shares should the options granted to three directors in 2000 be fully exercised.

Subsequent to the balance sheet date, pursuant to another placing agreement between the Company and a placing agent, a total of 178.0 million new shares were issued to independent investors in March 2002.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2001, the Group employed approximately 2,300 full time employees, more than 2,200 in the PRC and 90 in Hong Kong.

The Group remunerates its employees largely based on industry practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including medical scheme, performance related bonuses and mandatory provident fund.

## FUTURE PLANS

For the manufacture of electronic products, it is anticipated that more well-known overseas electronic manufacturers are on the way to move their manufacturing bases from their home countries to the Southern China. This is intended to reduce the production costs and to develop the potential market in the Greater China. It will create a room for the further development of our OEM business in the coming future. To cope with this market trend, the Group will allocate more resources to enhance its manufacturing capabilities on new technologies, especially the application of advanced packages for product miniaturization

in mobile computing and electronic products. Based on the existing strength in research and development, the Group will upgrade and expand its capabilities to handle the advanced packages and processes to equip for the future development of OEM business.

The PCBs industry is still under keen competition. The Group will place more efforts to streamline its PCB operations in order to maintain its competitiveness in the market. With the result of stringent cost control, it is expected to resume its profitability in the nearest future.

Regarding the new investment in Swank, Swank continues to be a strong market player in the eyewear industry, with well-known products covering a full range from metal, plastics to handmade, and include anything from sunglasses, optical frames to readers. To enhance its competitiveness in the market place, Swank needs to improve all aspects of operation, including but not limited to better linkages between sales, manufacturing and support functions. Swank’s future will likely to be remarkably different from the past few years, during which Swank had to generate cash from operations to repay bank loan interest, while not being able to make significant improvements to the company’s profitability.

The Group continues to be in a position of solid base and will continue to explore suitable investment opportunities to enhance its earning base and acts promptly as and when suitable opportunities arise. Currently, the Group is under a very preliminary discussion with various independent parties for acquisition of various projects including pharmaceutical businesses and that no detailed terms have yet been finalized.

## SHARE OPTION SCHEME

The Board proposes to adopt a new share option scheme (the “Scheme”) at the forthcoming annual general meeting to be held on 29 May 2002. A circular setting out the terms and conditions of the Scheme will be sent to shareholders.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## CODE OF BEST PRACTICE

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) throughout the year ended 31 December 2001, except that the independent non-executive directors of the Company were not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s Bye-laws.

## PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEB-SITE

The Company’s annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board  
**Yau Tak Wah, Paul**  
*Chairman*

Hong Kong, 23 April 2002

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Company will be held at Unit 903–906, 9th Floor, Tower I, Harbour Centre, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong on Wednesday, 29 May 2002 at 11:30 a.m. for the following purposes:

- To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December, 2001.
- To re-elect retiring directors and to authorise the board of directors to fix the directors’ remuneration.
- To re-appoint auditors and to authorise the board of directors to fix their remuneration.
- As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

(A) **“THAT:**

- subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); (b) the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into shares of the Company; (c) any share option scheme of the Company; and (d) any scrip dividend or similar arrangement providing for the allotment of shares in the Company in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws of the Company in force from time to time; shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and the approval granted under (A)(i) and A(ii) shall be limited accordingly; and
- for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares, or offer or issue of warrants, options or other securities giving rights to subscribe for shares of the Company open for a period fixed by the directors of the Company to holders of shares of the Company whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

(B) **“THAT:**

- subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- the aggregate nominal amount of shares in the capital of the Company which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and the approval granted under paragraph (B)(i) shall be limited accordingly; and

- for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

- (C) **“THAT** the general mandate granted to the directors to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to resolution numbered 4(A) above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution numbered 4(B) above.”

- As special business, to consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions:

(A) **“THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval for the new Share Option Scheme of the Company (the “Scheme”), the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman thereof, and subject to such amendments to the Scheme as the Stock Exchange may request, the Scheme (as may be amended as aforesaid) be approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Scheme notwithstanding that they or any of them may be interested in the same.”

(B) **“THAT** subject to and conditional upon the passing of Resolution no. 5(A) and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option scheme of the Company adopted on 21 July 1995 be hereby terminated with effect from the adoption of the Scheme (such that no further options could thereafter be offered under the existing share option scheme of the Company but in all other respects the provisions of the existing share option scheme of the Company shall remain in full force and effect).”

- As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as special resolution:

**“THAT** “明日國際集團有限公司” be adopted as the Chinese corporate name of the Company for registration under Part XI of the Hong Kong Companies Ordinance (Cap. 32).”

- To transact any other business of the Company.

By Order of the Board  
**Yau Tak Wah, Paul**  
*Chairman*

Hong Kong, 23 April 2002

*Registered office:*  
Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Principal place of Business:*  
27th Floor  
Henley Building  
5 Queen’s Road Central  
Hong Kong

## Notes:

- Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.
- To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the head office and principal place of business of the Company at 27th Floor, Henley Building, 5 Queen’s Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- With regards to Resolution 5(A), a circular setting out the terms and conditions of the Scheme will be sent to shareholders in due course.