



TOMORROW INTERNATIONAL HOLDINGS LIMITED

明日國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

2007 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Tomorrow International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries and associates (collectively called the “Group”) for the six months ended 30 June 2007 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	3	222,848	242,483
Cost of sales		<u>(189,467)</u>	<u>(209,068)</u>
Gross profit		33,381	33,415
Other revenue		19,849	12,431
Other gains and losses		(63)	—
Amortisation of share-based compensation		(8,486)	—
Selling and distribution costs		(4,972)	(5,505)
Administrative expenses		<u>(43,953)</u>	<u>(42,742)</u>
Loss from operating activities	4	(4,244)	(2,401)
Taxation	5	<u>(910)</u>	<u>(268)</u>
Loss for the period		<u>(5,154)</u>	<u>(2,669)</u>
Attributable to:			
Shareholders of the Company		(3,632)	474
Minority interests		<u>(1,522)</u>	<u>(3,143)</u>
		<u>(5,154)</u>	<u>(2,669)</u>
(Loss)/earning per share	6		
Basic		(0.162) cents	0.045 cents
Diluted		<u>(0.160) cents</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June	31 December
		2007	2006
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		89,811	94,704
Leasehold land and land use rights		9,931	10,057
Investment properties		0	18,542
Interests in an associate		151,367	151,367
Prepaid rental		1,105	1,166
Deferred product development costs		8,147	8,387
Available-for-sale financial assets		93,043	33,612
Loans receivables		2,341	562
		<u>355,745</u>	<u>318,397</u>
Current assets			
Cash and cash equivalents		632,197	619,730
Property held for sale		5,439	5,439
Financial assets at fair value through profit and loss		6,516	13,217
Inventories		71,376	64,559
Accounts receivables	7	44,519	36,017
Loans receivables		3,500	7,876
Interest receivables on loans		28	28
Prepayments, deposits and other receivables		33,741	26,933
		<u>797,316</u>	<u>773,799</u>
LIABILITIES			
Current liabilities			
Accounts payables	8	81,670	82,899
Other payables and accruals		30,579	31,068
Tax payables		21,952	21,667
		<u>134,201</u>	<u>135,634</u>
Net current assets		<u>663,115</u>	<u>638,165</u>
Total assets less current liabilities		<u>1,018,860</u>	<u>956,562</u>
Non-current liabilities			
Provision for long service payments		570	570
Deferred tax liabilities		1,688	1,319
		<u>2,258</u>	<u>1,889</u>
NET ASSETS		<u>1,016,602</u>	<u>954,673</u>
CAPITAL AND RESERVES			
Issued capital		8,991	8,991
Reserves		1,000,234	936,783
Equity attributable to equity holders of the Company		1,009,225	945,774
Minority interests		7,377	8,899
TOTAL EQUITY		<u>1,016,602</u>	<u>954,673</u>

1 Basis of preparation

The interim financial statements are unaudited but have been reviewed by the Audit Committee.

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2007. The adoption of the new HKFRSs has had no material effect on the results for the current or prior accounting periods are prepared.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new standards and interpretations but is not yet in a position to state whether they would significantly 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 consist of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards (“PCBs”), the trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing. There were no significant changes in the nature of the Group’s principal activities during the period.

3 Segment information

The Group's operating businesses are classified as follows:

- (a) the electronic products segment consists of the manufacture and sale of electronic products;
- (b) PCBs segment consists of the manufacture and sale of PCBs;
- (c) the electronic components and parts segment consists of the trading and distribution of electronic components and parts;
- (d) the listed equity investments segment consists of the trading of listed equity investments; and
- (e) the provision of finance segment consists of the provision of loan financing services.

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

The following table presents revenues and results for the Group's business segments.

Business segments information

	Electronic products		PCBs		Electronic components & parts		Listed equity investments		Provision of finance		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenues:														
Sales to external customers	165,193	162,294	45,863	50,441	—	—	11,682	29,586	110	162	—	—	222,848	242,483
Inter-segment sales	—	—	—	—	6,898	8,231	—	—	954	578	(7,852)	(8,809)	—	—
Other revenues	2,211	1,073	2,658	2,488	—	—	147	13	—	—	—	—	5,016	3,574
Total	<u>167,404</u>	<u>163,367</u>	<u>48,521</u>	<u>52,929</u>	<u>6,898</u>	<u>8,231</u>	<u>11,829</u>	<u>29,599</u>	<u>1,064</u>	<u>740</u>	<u>(7,852)</u>	<u>(8,809)</u>	<u>227,864</u>	<u>246,057</u>
Segment results	<u>2,582</u>	<u>1,519</u>	<u>(3,460)</u>	<u>(6,923)</u>	<u>(97)</u>	<u>(275)</u>	<u>(1,546)</u>	<u>633</u>	<u>(3,153)</u>	<u>(3,874)</u>	<u>(1,219)</u>	<u>(849)</u>	<u>(6,893)</u>	<u>(9,769)</u>
Interest, dividend income and unallocated gains													14,842	8,857
Loss on disposal of fixed assets													(90)	—
Gain on disposal of a subsidiary													—	557
Gain on closure of a subsidiary													27	—
Amortisation of share-based compensation													(8,486)	—
Unallocated expenses													<u>(3,644)</u>	<u>(2,046)</u>
Loss from operating activities													<u>(4,244)</u>	<u>(2,401)</u>
Taxation													<u>(910)</u>	<u>(268)</u>
Loss for the period													<u>(5,154)</u>	<u>(2,669)</u>

4 Loss from operating activities

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

	Six months ended 30 June	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Cost of inventories sold	189,467	209,068
Depreciation	11,278	11,726
Amortisation of prepaid rental	61	368
Amortisation of deferred product development costs	1,005	929
Amortisation of share-based compensation	8,486	—
Net loss on disposal of investment properties	87	—
Net gain on disposal of listed equity investments	(1,164)	(3,467)
Net loss on disposal of fixed assets	3	—
Unrealised holding (gain)/loss of listed equity investments	(107)	817
Provision against inventories	600	1,216
Bank interest income	(13,514)	(8,372)

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in Hong Kong during the period. 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.

	Six months ended 30 June	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Group:		
Hong Kong	471	45
Mainland China	70	223
	541	268
Deferred tax	369	—
Total tax charge for the period	910	268

6 (Loss)/earning per share

The calculation of basic (loss)/earning per share is based on the loss attributable to shareholders of the Company for the period of HK\$3,632,000 (2006: profit HK\$474,000) and the weighted average of 2,247,682,010 (2006: 1,054,691,620) shares in issue during the period.

The comparative basic (loss)/earning per share amounts have been adjusted to reflect the share subdivision.

Diluted loss per share is calculated based on the loss attributable to shareholders of the Company of HK\$3,632,000 and the weighted average number of shares of 2,263,878,143 shares calculated as follow:

	30 June 2007 (unaudited)	30 June 2006 (unaudited)
Weighted average number of shares	2,247,682,010	1,054,691,620
Effect of deemed issued under the Company's share option scheme	16,196,133	—
Weighted average number of shares (diluted)	<u>2,263,878,143</u>	<u>1,054,691,620</u>

Diluted earning per share for the six months ended 30 June 2006 are not presented as there was no diluted potential ordinary shares.

7 Accounts receivables

The aging analysis of the Group's accounts receivables is as follows:

	As at 30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Current to three months	40,016	30,795
Four to six months	606	1,454
Seven months to one year	1,915	848
Over one year	14,501	15,139
	57,038	48,236
Provision	(12,519)	(12,219)
	<u>44,519</u>	<u>36,017</u>

The normal credit period granted by the Group to customers ranges from 30 days to 120 days.

8 Accounts payables

The aging analysis of the Group's accounts payables is as follows:

	As at 30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Current to three months	60,508	52,751
Four to six months	4,878	8,412
Seven months to one year	10,454	14,156
Over one year	5,830	7,580
	81,670	82,899

Accounts payables aged less than four months accounts for 74% (2006: 64%) of the total accounts payables.

INTERIM DIVIDENDS

The Board has resolved that no interim dividend will be declared in respect of the six months ended 30 June 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND BUSINESS REVIEW

Another half year had passed. Turnover of the Group for the six months ended 30 June 2007 was HK\$222.8 million as compared with HK\$242.5 million for the same period last year.

Loss before taxation for the current period was HK\$3.6 million (2006: loss HK\$2.4 million), after taking into account the amortisation of share-based compensation of HK\$8.5 arising from the granting of share options. The profit generated from operation during the period was HK\$4.8 million.

Turnover of Electronics Product Division for the period under review was HK\$165.2 million (2006: HK\$162.3 million), slightly increased by 1.8% compared to that of year 2006. The market competition remained fierce and pricing pressure weighed on the performance of the division. Despite these unfavourable impacts, the division still managed to increase in gross profit ratio. Segmental profit was HK\$2.6 million (2006: HK\$1.6 million).

The PCB manufacturing industry continued to exhibit keen market competition. Upon adopting new strategies, the PCB business had successful in reducing the loss to HK\$3.4 million (2006: loss HK\$6.9 million). The new strategy included re-structuring our customer bases, strengthening the management control, investing on new sophisticated equipments and re-arranging the production processes layout. With newly invested capital expenditure, the division benefited by diverting more efforts to serving quality customers who could contribute higher profit margin. However, the cost impacts on Renminbi appreciation and raw material price increase would affect the division result adversely.

Turnover of trading of listed equity investments amounted to HK\$11.7 million (2006: HK\$29.6 million), with segmental loss of HK\$1.5 million (2006: profit HK\$0.6 million).

Loan financing business was not active during the period. Segmental loss amounted to HK\$3.2 million (2006: loss HK\$3.9 million). In relation to the loan to Moulin Global Eyecare Holdings Limited, legal proceedings are still in progress and the Board will make announcement in due course.

CORPORATE MOVE

On 30 April 2007, the Board made an announcement to propose subdivision of authorized and issued share capital into ten subdivided shares (the “Share Subdivision”) and to change in board lot size. Upon the Share Subdivision became effective on 18 June 2007, the authorized share capital of the Company remained HK\$500,000,000, comprising of 125,000,000,000 subdivided shares of HK\$0.004 each, of which 2,247,682,010 subdivided shares were issued and each board lot size of shares for trading on The Stock Exchange of Hong Kong Limited was changed from 5,000 shares to 15,000 subdivided shares.

FUTURE OUTLOOK

The Electronics Product Division will continue to focus on the wireless application and radio-frequency product as a core direction for development. The management will allocate appropriate resources and focus on exploring the high-valued products including audio-visual products which the management believes that it can leverage on its industrial expertise and experience to diversify its product range so as to enhance competitiveness.

In viewing of the stringent environmental regulations, raising labour cost, appreciation of Renminbi and reduction of various tax incentives, it is expected that the Group will be oriented to manufacturing of the less labour intensive but high value-added products to cope with the adverse business environment as stated above.

With years of hand-on experiences in conforming the environmental regulations and quality requirements, the Group gains its faith and successfully solicits the business from various international branded customers. In the long run, the direction of emphasizing on profitable customers as well as niche products and market segments will be continued to achieve a healthy and sustainable growth of the Group.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2007, cash and bank balances (including time deposits) maintained by the Group were HK\$632.2 million, representing an increase of HK\$12.5 million compared with the position as at 31 December 2006. In addition, the Group had available banking facilities of HK\$45.3 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 12.0% as at 30 June 2007, comparing with 12.6% as at 31 December 2006.

Most of the business transactions conducted by the Group were nominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 30 June 2007, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

HUMAN RESOURCES

As at 30 June 2007, the Group employed approximately 2,284 employees, with about 2,216 in the Mainland China and about 68 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.

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, the interests of the directors in the shares and underlying shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO") or notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name of Director	Nature of interest	Number of shares
Mr. Yau Tak Wah, Paul	Personal	2,000,000
Ms. Louie Mei Po	Personal	11,785,710
Ms. Wong Shin Ling, Irene	Personal	13,000,000

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentive and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Scheme include executive directors, independent non-executive directors and employees of the Company and any of its subsidiaries and associates.

As at 30 June 2007, details of the share option granted to participants was as follows:

Participants	Date of grant	Number of shares (Note a & c)	Exercise price (Note a & b)	Exercise period
Employees	21 May 2007	71,500,000	HK\$0.3	21 May 2007 to 20 May 2012

Note:

- The number of shares granted and the exercise price was adjusted when the share subdivision became effective on 18 June 2007.
- The closing price of the shares on the trading day immediately on the date of the grant of the share options was HK\$0.3.
- Of which 22,450,000 shares were lapsed on 1 August 2007.

The share options granted on 21 May 2007 have a fair value of HK\$0.173 per option which was determined at the date of grant using the Black-Scholes pricing model.

Details of the assumptions used to calculate the fair value of share options granted on 21 May 2007 was as follows:

Exercise price	HK\$0.3
Expected life	5 years
Expected volatility	64.44%
Expected dividend yield	0%
Risk free rate	4.135%

Expected volatility was determined by using the historical volatility of the Company's past 5 years' share price to the grant date of share options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations. The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, according to the register of interest in shares and short positions required to be kept by the Company under section 336 of the SFO, the Company has been notified that the following shareholder was interested in 5% or more of the share capital of the Company.

Name of shareholder	Note	Number of shares	Approximate percentage
Winspark Venture Limited	a	1,437,411,140	63.95%

Note:

- a. The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.

Saved as disclosed above, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 5% or more of the issued share capital of the Company, has short positions in the share or underlying shares or has any rights to subscribe for shares in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS

On 28 May 2007, Mr. Koo Hung Yuan, Kevin was appointed as an executive director and the chief executive officer of the Company. On 9 August 2007, Ms. Liu Yee Nee was appointed as an executive director, the qualified accountant, the company secretary and an authorized representative of the Company.

As at the date of this announcement, 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. Koo Hung Yuan, Kevin and Ms. Liu Yee Nee and three independent non-executive directors, namely Mr. Ng Wai Hung, Mr. Cheung Chung Leung, Richard and Mr. Wu Wang Li.

CORPORATE GOVERNANCE

The Board has been committed to maintaining the high level of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interests and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited, except for the following deviations.

CG Code Provision A4.1

Under the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

During the period, two independent non-executive directors of the Company, namely Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard, are not appointed for any specific fixed term and one independent non-executive director, Mr. Wu Wang Li, is appointed for the term of one year from 27 September 2006. In accordance with the bye-laws of the Company, at each annual general meeting of the Company one third of the directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the CG Code.

CG Code Provision B.1

Under the CG Code, the issuers shall establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties.

Currently, there is no remuneration committee in the Board. Meanwhile, the Board conducts an informal assessment of the individual director's contribution. No director decides his or her own remuneration and their remuneration has been relatively stable in the past years. The remuneration committee will be established and the Board will review and formulate its terms of reference in accordance with the CG Code in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all directors whether the directors have complied with the required standard set out in the Model Code regarding directors' securities transactions and all directors confirmed that they have complied with the Model Code.

AUDIT COMMITTEE REVIEW

The 2007 interim report has been reviewed by the Company's Audit Committee which comprises three independent non-executive directors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITE OF THE COMPANY AND OF THE STOCK EXCHANGE

The interim results announcement is published on the websites of the Company (www.tihl.com.hk) and the Stock Exchange. The interim report containing all the information required by the Listing Rules will be dispatched to shareholders and will be available at the above websites in late September 2007.

By Order of the Board
Yau Tak Wah, Paul
Chairman

Hong Kong, 24 September, 2007

As at the date hereof, the Board comprises Mr. Yau Tak Wah, Paul, Miss Louie Mei Po, Miss Wong Shin Ling, Irene, Mr. Koo Hung Yuan Kevin and Miss Liu Yee Nee as Executive Directors and Mr. Ng Wai Hung, Mr. Cheung Chung Leung, Richard and Mr. Wu Wang Li as Independent Non-executive Directors.