Tomorrow International Holdings Limited

明日國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 00760)

2008 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Tomorrow International Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000 (Re-presented)
Continuing operations			
Revenue		**366,226**	374,042
Cost of sales		**(300,573)**	(306,120)
Gross profit		**65,653**	67,922
Other revenue and net income	4	**26,577**	36,371
Share-based compensation		**—**	(16,966)
Gain on disposal of available-for-sale financial assets		**8,000**	17,256
Impairment loss on a loan receivable		**—**	(3,500)
Impairment loss on available-for-sale financial assets		**(1,549)**	—
Distribution costs		**(7,241)**	(8,401)
Administrative expenses		**(97,640)**	(75,504)
Operating (loss)/profit		**(6,200)**	17,178
Impairment loss on an other receivable	5	**(151,367)**	—
(Loss)/profit before income tax	6	**(157,567)**	17,178
Income tax expense	7	**(10,181)**	(32,408)
Loss for the year from continuing operations		**(167,748)**	(15,230)

CONSOLIDATED INCOME STATEMENT (Continued)

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Re-presented)
Discontinued operations			
Loss for the year from discontinued operations	8	**(12,325)**	(10,708)
Loss for the year		**(180,073)**	(25,938)
Attributable to:			
Equity holders of the Company			
— Continuing operations		**(167,748)**	(15,230)
— Discontinued operations		**(12,325)**	(10,708)
Loss for the year		**(180,073)**	(25,938)
		HK cents	HK cents
Basic loss per share	9		
From continuing operations		**(7.46)**	(0.68)
From discontinued operations		**(0.55)**	(0.47)
From continuing and discontinued operations		**(8.01)**	(1.15)
Diluted loss per share	9		
From continuing operations		**N/A**	N/A
From discontinued operations		**N/A**	N/A
From continuing and discontinued operations		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	**2008**	2007
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**57,683**	87,830
Leasehold land and land use rights		**9,301**	9,553
Amount due from an associate		**—**	151,367
Prepaid rental		**—**	429
Deferred product development costs		**1,000**	7,880
Available-for-sale financial assets		**1,901**	46,066
		69,885	303,125
Current assets			
Property held for sale		**—**	5,439
Financial assets at fair value through profit or loss		**4,012**	—
Leasehold land and land use rights		**252**	252
Inventories		**52,425**	73,810
Trade and bill receivables	10	**32,408**	42,470
Prepayments, deposits and other receivables		**9,041**	34,661
Loans receivable		**—**	11,372
Cash and cash equivalents		**643,884**	657,200
		742,022	825,204
Assets of a disposal group classified as held for sale	8	**52,698**	—
		794,720	825,204
Current liabilities			
Trade payables	11	**34,403**	74,326
Amount due to a related company		**—**	10,530
Accruals and other payables		**26,355**	19,269
Provision for tax		**1,069**	52,054
Obligation under finance leases		**55**	45
		61,882	156,224
Liabilities of a disposal group classified as held for sale	8	**51,300**	—
		113,182	156,224
Net current assets		**681,538**	668,980
Total assets less current liabilities		**751,423**	972,105

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2008

	2008	2007
	HK$'000	HK$'000
Non-current liabilities		
Provision for long service payment	**2,963**	570
Obligation under finance leases	**100**	132
	3,063	702
Net assets	**748,360**	971,403
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	**8,991**	8,991
Reserves	**730,470**	953,513
	739,461	962,504
Minority interests	**8,899**	8,899
Total equity	**748,360**	971,403

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[6]
Various – Annual Improvements to HKFRS 2008[5]	

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs
6 Effective for transfer of assets from customers received or after 1 July 2009

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements.

2. PRINCIPAL ACTIVITY

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 trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing. The Group disposed its business segment of manufacture and sale of printed circuit boards ("PCBs") after the year end date and such business segment and the associated assets and liabilities were classified as discontinued operations and assets and liabilities of a disposal group separately presented in the financial statements for the year ended 31 December 2008 respectively.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the total invoiced value of goods sold, net of returns and allowances and the interest income from the provision of loan financing.

(a) Business segments

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

For the year ended 31 December 2008

	Continuing operations						Discontinued operations		
	Electronic products HK$'000	Electronic components and parts HK$'000	Equity investments HK$'000	Provision of finance HK$'000	Eliminations HK$'000	Total HK$'000	PCBs HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue									
Sales to external customers	366,225	—	—	1	—	366,226	83,658	—	449,884
Inter-segment sales	—	11,712	—	1,361	(13,073)	—	—	—	—
Other revenue	6,604	2	4,601	122	—	11,329	3,167	—	14,496
Total	372,829	11,714	4,601	1,484	(13,073)	377,555	86,825	—	464,380
Segment results	(9,434)	174	2,838	(4,211)	—	(10,633)	(12,305)	—	(22,938)
Unallocated income									23,248
Unallocated expenses									(18,815)
Operating loss									(18,505)
Impairment loss on an other receivable									(151,367)
Loss before income tax									(169,872)
Income tax expense									(10,201)
Loss for the year									(180,073)
As at 31 December 2008									
Other information									
Segment assets									
Total assets	164,151	538	51,008	—	—	215,697	52,698	595,310	863,705
Segment liabilities									
Total liabilities	59,754	48	10	—	—	59,812	51,300	5,133	116,245
Other segment information									
Capital expenditure	4,263	—	—	—	—	4,263	3,267	1,316	8,846
Depreciation on property, plant and equipment	8,727	—	—	—	—	8,727	6,864	1,800	17,391
Amortisation of leasehold land and land use rights	62	—	—	—	—	62	—	190	252
Amortisation of prepared rental	—	—	—	—	—	—	429	—	429
Amortisation of deferred development costs	7,848	—	—	—	—	7,848	—	—	7,848
Impairment loss on an other receivable	—	—	—	—	—	—	—	151,367	151,367
Impairment loss on trade receivables	773	—	—	—	—	773	194	—	967

For the year ended 31 December 2007 (Re-presented)

	Continuing operations						Discontinued operations		
	Electronic products HK$'000	Electronic components and parts HK$'000	Equity investments HK$'000	Provision of finance HK$'000	Eliminations HK$'000	Total HK$'000	PCBs HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue									
Sales to external customers	373,740	—	—	302	—	374,042	89,855	—	463,897
Inter-segment sales	—	16,016	—	1,887	(17,903)	—	—	—	—
Other revenue	6,275	247	27,196	249	(240)	33,727	3,928	—	37,655
Total	380,015	16,263	27,196	2,438	(18,143)	407,769	93,783	—	501,552
Segment results	13,702	62	21,647	(11,107)	—	24,304	(10,667)	—	13,637
Unallocated income									19,900
Unallocated expenses									(27,026)
Profit before income tax									6,511
Income tax expense									(32,449)
Loss for the year									(25,938)
As at 31 December 2007									
Other information									
Segment assets									
Total assets	210,056	296	217,274	160,970	—	588,596	68,283	471,450	1,128,329
Segment liabilities									
Total liabilities	106,780	48	142	114	—	107,084	45,381	4,461	156,926
Other segment information									
Capital expenditure	6,300	—	—	—	—	6,300	5,065	65	11,430
Depreciation on property, plant and equipment	9,796	—	—	—	—	9,796	9,538	417	19,751
Amoritisation of leasehold land and land use rights	62	—	—	—	—	62	—	190	252
Amortisation of prepared rental	—	—	—	—	—	—	737	—	737
Amortisation of deferred development costs	2,011	—	—	—	—	2,011	—	—	2,011
Impairment loss on a loan receivable	—	—	—	3,500	—	3,500	—	—	3,500
Impairment loss on trade receivables	—	—	—	—	—	—	5,255	—	5,255

(b) Geographical segments

The Group's operations are located in four main geographical areas. The following table provides an analysis of the Group's sales by location of customers, irrespective of the origin of the sales of goods and rendering of services.

Segment revenue by geographical markets:

	Europe		North America		Hong Kong		Japan		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales to external customers												
— Continuing operations	**36,682**	42,696	**70,094**	82,904	**58,899**	68,499	**183,205**	163,041	**17,346**	16,902	**366,226**	374,042
— Discontinued operations	**2,001**	1,676	**2,799**	7,193	**71,867**	79,103	**—**	—	**6,991**	1,883	**83,658**	89,855
	38,683	44,372	**72,893**	90,097	**130,766**	147,602	**183,205**	163,041	**24,337**	18,785	**449,884**	463,897

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and deferred product development costs, analysed by the geographical area in which the assets are located.

	Hong Kong		The PRC		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information :								
Segment assets	**716,079**	745,301	**134,500**	177,778	**14,026**	53,883	**864,605**	976,962
Interest in an associate	**—**	—	**—**	—	**—**	151,367	**—**	151,367
							864,605	1,128,329
Capital expenditure	**2,324**	3,499	**4,188**	6,097	**2,334**	1,834	**8,846**	11,430

4. OTHER REVENUE AND NET INCOME

	Continuing operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other revenue						
Interest income on financial assets carried at amortised costs	**14,903**	27,591	**14**	12	**14,917**	27,603
Dividends income from listed investments	**622**	1	**—**	—	**622**	1
Sale of obsolete inventories and raw materials	**—**	—	**1,482**	1,631	**1,482**	1,631
Products development income	**3,136**	3,405	**—**	—	**3,136**	3,405
Other interest income on financial assets carried at amortised costs	**226**	794	**—**	—	**226**	794
Compensation from vendors	**110**	303	**1,096**	2,065	**1,206**	2,368
Others	**3,417**	1,378	**575**	171	**3,992**	1,549
	22,414	33,472	**3,167**	3,879	**25,581**	37,351
Other net income						
Exchange gain, net	**18**	1,493	**—**	50	**18**	1,543
Realised gain on financial assets at fair value through profit or loss	**179**	1,379	**—**	—	**179**	1,379
Gain on disposal/deregistration of a subsidiary	**1,000**	27	**—**	—	**1,000**	27
Gain on disposal of an associate	**5**	—	**—**	—	**5**	—
Gain on disposal of property held for sale	**2,961**	—	**—**	—	**2,961**	—
	4,163	2,899	**—**	50	**4,163**	2,949
	26,577	36,371	**3,167**	3,929	**29,744**	40,300

5. IMPAIRMENT LOSS ON AN OTHER RECEIVABLE

The other receivable has been reclassified from "Amount due from an associate" subsequent to the disposal of entire equity interest in the associate on 25 July 2008. Due to the continued deterioration in the global market caused by the financial tsunami which affected the recoverability of the other receivable. In the opinion of the directors of the Company, a full provision was made against the carrying amount of the other receivable.

6. (LOSS)/PROFIT BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss) / profit before income tax is arrived at after charging/(crediting):						
Cost of inventories sold	**251,207**	259,057	**50,018**	56,793	**301,225**	315,850
Depreciation on property, plant and equipment						
— Owned assets	**10,482**	10,168	**6,864**	9,538	**17,346**	19,706
— Leased assets	**45**	45	**—**	—	**45**	45
Amortisation of leasehold land and land use rights	**252**	252	**—**	—	**252**	252
Amortisation of prepaid rental	**—**	—	**429**	737	**429**	737
Amortisation of deferred product development costs	**7,848**	2,011	**—**	—	**7,848**	2,011
Operating lease charges in respect of land and building	**7,678**	7,591	**2,305**	1,366	**9,983**	8,957
Written back of allowance for inventories	**(370)**	(1,764)	**—**	—	**(370)**	(1,764)
Wages, salaries and other benefits	**68,886**	56,793	**18,804**	14,974	**87,690**	71,767
Share options granted to directors and employees	**–**	16,966	**–**	–	**–**	16,966
Pension cost – defined contribution plans	**5,702**	2,557	**2,347**	2,277	**8,049**	4,834
	74,588	76,316	**21,151**	17,251	**95,739**	93,567
Auditors' remuneration	**814**	830	**149**	120	**963**	950
Impairment loss on trade receivables	**773**	—	**194**	5,255	**967**	5,255
(Gain)/Loss on disposal of property, plant and equipment	**(75)**	145	**2,163**	(96)	**2,088**	49
Loss on disposal of investment property	**—**	48	**—**	—	**—**	48

Depreciation expenses of HK$11,883,000 and HK$5,508,000 (2007: HK$15,237,000 and HK$4,514,000) have been included in cost of sales and administrative expenses respectively.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007 : 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax						
Hong Kong						
— Tax for the year	**680**	1,267	**—**	—	**680**	1,267
— Under provision in respect of prior years	**1,761**	32,264	**—**	—	**1,761**	32,264
	2,441	33,531	**—**	—	**2,441**	33,531
The PRC						
— Tax for the year	**385**	196	**20**	41	**405**	237
— Under provision in respect of prior years	**7,355**	—	**—**	—	**7,355**	—
	7,740	196	**20**	41	**7,760**	237
Deferred tax						
Current year (note 32)	**—**	(1,319)	**—**	—	**—**	(1,319)
Total income tax expense	**10,181**	32,408	**20**	41	**10,201**	32,449

The Hong Kong SAR Government enacted a reduction in Profit Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

In accordance with the applicable enterprise income tax law of the PRC, the Group's subsidiaries, Dongguan Yifu Circuit Board Factory ("Yifu") and Gaojin Electronics (Shenzhen) Co., Ltd ("Gaojin"), were exempt from income tax for their first two profitable years of operations and are entitled to 50% relief on the income tax that would otherwise be charged for the succeeding three years. The National People's Congress of the PRC approved the Corporate Income tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25% with certain preferential provisions. The foregoing tax concessions for Yifu and Gaojin had expired. The income tax rate applicable to Yifu and Gaojin are 25% and 18% (2007: 15% and 10%) respectively.

The under provision of PRC income tax of the Group for the year ended 31 December 2008 is related to disagreement on transfer pricing arrangements of Gaojin from calendar year 2001 to 2006 by Shenzhen Local Tax Bureau. The Group has negotiated with Shenzhen Local Tax Bureau and final agreement was reached.

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2008 HK$'000	2007 HK$'000
(Loss) / profit before taxation		
Continuing operations	**(157,567)**	17,178
Discontinued operations	**(12,305)**	(10,667)
	(169,872)	6,511
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(28,028)**	1,139
Tax effect of different taxation rates in other tax jurisdictions	**(488)**	(402)
Under provision in prior years	**9,116**	32,264
Tax effect of non-taxable revenue	**(4,288)**	(3,025)
Tax effect of non-deductible expenses	**44,324**	493
Tax effect of prior year's unrecognised tax losses utilised this year	**(15,983)**	(2,632)
Tax effect of unused tax losses not recognised	**2,439**	3,739
Others	**3,109**	873
Income tax expense	**10,201**	32,449

8. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the year, the Group decided to discontinue the operation of manufacture and sale of printed circuit boards operated by Allied Trade Limited (a subsidiary of the Company) and its subsidiaries (collectively the "ATL Group"). Allied Trade Limited was disposed after the year end date.

The business segment of this operation was presented as discontinued operations upon classification of the related assets and liabilities as assets of a disposal group classified as held for sale and liabilities of a disposal group classified as held for sale.

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for continuing operations is based on the loss attributable to equity holders of the Company of approximately HK$167,748,000 (2007: HK$15,230,000) and on the weighted average of 2,247,682,010 (2007: 2,247,682,010) ordinary shares in issue during the year.

The calculation of basic loss per share for discontinued operations is based on the loss attributable to equity holders of the Company of approximately HK$12,325,000 (2007: HK$10,708,000) and on the weighted average of 2,247,682,010 (2007: 2,247,682,010) ordinary shares in issue during the year.

Diluted loss per share

Diluted loss per share for continuing and discontinued operations for the year ended 31 December 2008 was not presented as there is no potential ordinary share in existence during the year (2007: nil).

10. TRADE AND BILL RECEIVABLES

The aged analysis of the Group's trade and bills receivables is as follows:

	2008	2007
	HK$'000	HK$'000
0 to 90 days	**32,089**	35,204
91 to 180 days	**319**	–
181 to 365 days	**–**	–
Over 365 days	**–**	7,266
Total after provision	**32,408**	42,470

The normal credit period granted by the Group to customers ranges from 30 to 90 days (2007: 30 days to 120 days).

11. TRADE PAYABLES

The aged analysis of the Group's trade payables is as follows:

	2008	2007
	HK$'000	HK$'000
0 to 90 days	**34,403**	53,544
91 to 180 days	**–**	5,257
181 to 365 days	**–**	9,556
Over 365 days	**–**	5,969
	34,403	74,326

12. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to the disclosure requirement of the discontinued operations.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend (2007: Nil).

RESULTS

The Group's loss attributable to equity holders of the Company for the year was HK$180.1 million (2007 : loss of HK$25.9 million). The loss was mainly due to the provision for impairment loss on an other receivable and the provision of workers' compensation rising from the new PRC labour law. The Group's operation loss in the year was $6.2 million (2007: profits of $17.2 million).

Loss per share amounted to HK8.01 cents, as compared with loss per share of HK1.15 cents in the previous year. As at 31 December 2008, the Group's net cash position amounted to HK$643.9 million (2007: HK$657.2 million) representing 87.1% (2007 : 67.7%) of the equity attributable to equity holders of the Company of HK$739.5 million.

BUSINESS REVIEW

Electronic product division recorded operational loss of HK$9.4 million in year 2008, after provision for additional employee's compensation and other benefits of $10.2 million and additional amortisation of deferred development cost arising from the change of estimated useful lives from 7 years to 2 years of HK$5.9 million. Excluding the impact of the above, the electronic product division recorded a segmental profit of HK$6.7 million (2007: profit of HK$13.7 million). Turnover of electronic products division for the year was HK$366.2 million (2007: HK$373.7 million), representing 2% decrease as compared with last year.

After several years of efforts, the printed circuit board ("PCB") division still remained a burden to the Group. The operational loss of the PCB division in year 2008 was HK$12.3 million (2007: loss of HK$10.7 million). After the balance sheet date, the Group has disposed its entire equity interests in PCB division to an independent third party. The Board was of the view that the performance of PCB division is unsatisfactory and it is no longer in the best interest of the Company to continue and further invest into the business of manufacturing and trading of PCB.

The financial tsunami has caused the global market to swing from optimism in early 2008 to pessimism by end of the year. The Group has been very cautious in the volatile investment market. Without participating in the investment market in the first three quarters in year 2008, the Group has restarted its equity investments business in the fourth quarter of 2008. The segmental profits was HK$2.8 million (2007: profit of HK$21.6 million).

Loan financing business remained inactive during the year. The segmental loss was HK$4.2 million (2007: loss of HK$11.1 million).

FUTURE PLANS

Electronic product division will put all the efforts to stabilize the business from existing customers. Facing the turbulent worldwide economic environment, the Group is putting more marketing forces in European market that has not been fully explored before. The Group will be very cautious and pay extra attention to the sales volume in coming months. The Group has prepared to re-organize the production flow and to implement further cost saving measures to maintain its profitability. Electronic product division is developing a new product line, driving recorder, which may be fruitful in coming years.

The economy of 2009 is still challenging. To cope with the worsening economic situation, the management reassessed its businesses' operation to effectively enhance the value of the Company. Our strength in product development, well established customer base, strong financial position, and operational excellence should allow us to weather such difficult times. We remain positive about our future and believe that it is a good opportunity for the Company to grow stronger.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, cash and bank balances (including time deposits) maintained by the Group were HK$643.9 million (2007: HK$657.2 million), representing a decrease of HK$13.3 million compared with the position as at 31 December 2007. It is believed that the Group has adequate cash resources to meet the normal working capital requirements and all commitments of future development. The gearing of the Group, measured as total debts to total assets, was 13.5% as at 31 December 2008, comparing with 13.9% as at 31 December 2007.

Most of the business transactions conducted by the Group were nominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 31 December 2008, 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 2008, the Group employed approximately 2,027 employees, with about 1,962 in the Mainland China and 65 in Hong Kong. All employees are remunerated based on industry practice and in accordance with 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.

POST BALANCE SHEET EVENTS

On 5 January 2009, the Group entered into a conditional sales and purchase agreement with an independent third party, for the disposal of its entire equity interests in ATL Group for a cash consideration of HK$100,000. The disposal was completed on 5 January 2009. Details of the disposal was disclosed in the announcement of the Company dated 5 January 2009.

CORPORATE GOVERNANCE

The board of directors (the "Board") of the Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes effort to identifying and formalising best practices. The Company has applied the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, except of the following deviations.

Code A.2.1

Under the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, the Company does not appoint chief executive officer. In view of the existing structure of the Board and the operation of the Group, the Board believes that the present structure of the Board will provide a strong leadership for the Group to implement prompt decisions and to formulate efficient strategies, which is for benefits of the Group. Moreover, the day-to-day operations of the Group's businesses are shared among those executive directors and the management of the Company. Therefore, there should be a clear division of the responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code A.4.1

Under the 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 2008. 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 Code.

Code B.1

Under the Code, the issuers should 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having make specific enquiries of all directors of the Company, they have confirmed that they complied with required standard set out in the Model Code throughout the accounting period covered by the annual report.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his 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

The Board comprises of seven directors, of which four are executive directors, namely Mr. Yau Tak Wah, Paul, Ms. Louie Mei Po, Ms. Wong Shin Ling, Irene 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.

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 accounting principles and practices adopted by the Group, the effectiveness of the internal control systems and the financial matters including the review of the financial statements for the year ended 31 December 2008 of the Company.

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

An annual report of the Company for the year ended 31 December 2008 containing all the information required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the websites of the Company (http://www.tihl.com.hk) and The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

By Order of the Board
Yau Tak Wah, Paul
Chairman

Hong Kong, 17 April 2009