
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in Tomorrow International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Tomorrow International Holdings Limited

明日國際集團有限公司

(incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS

**Independent financial adviser to the independent board committee of
Tomorrow International Holdings Limited**



Barits Securities (Hong Kong) Limited

A letter from the independent board committee of Tomorrow International Holdings Limited containing its recommendation in respect of the Share Sale Agreement and the Loan Settlement Agreement is set out on pages 17 of this circular.

A letter from Barits Securities (Hong Kong) Limited containing its advice to the independent board committee of Tomorrow International Holdings Limited in respect of the Share Sale Agreement and the Loan Settlement Agreement is set out on pages 18 to 27 of this circular.

A notice convening a special general meeting of Tomorrow International Holdings Limited to be held at Unit 3301, Level 33, Metroplaza, Tower I, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong at 11:00 a.m. on 17th October, 2003 is set out on pages 33 to 35 of this circular, whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Hong Kong branch share registrar of Tomorrow International Holdings Limited, Computershare Hong Kong Investor Services Limited, at Room 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

30th September, 2003

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Barits”	Barits Securities (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and a deemed licensed corporation under the SFO
“Board”	the board of Directors
“Completion”	completion of the Share Sale Agreement
“Completion Date”	date of Completion
“Directors”	the directors of Tomorrow
“EGM”	an extraordinary general meeting of Swank to be convened to consider and, if thought fit, approve by the shareholders of Swank (other than Probest and its associates), amongst other matters, the Share Sale Agreement, the Loan Settlement Agreement and the Open Offer
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of Tomorrow comprising Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard, which has been formed to make recommendation to the Shareholders in respect of the Share Sale Agreement and the Loan Settlement Agreement
“Latest Practicable Date”	26th September, 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the unsecured loan with an aggregate principal amount of HK\$250 million owing by Swank to Probest as at the date of the Share Sale Agreement and the Loan Settlement Agreement

DEFINITIONS

“Loan Settlement Agreement”	the conditional agreement dated 3rd September, 2003 entered into between Swank and Probest for the settlement of the Loan
“Long Stop Date”	5:00 p.m. on 18th November, 2003 or such later date as Probest may agree in writing
“Offer Shares”	2,901,658,253 Shares proposed to be offered to the Qualifying Shareholders pursuant to the Open Offer
“Open Offer”	proposed issue of the Offer Shares to the Qualifying Shareholders on the terms set out in the Underwriting Agreement
“Probest”	Probest Holdings Inc., a company incorporated in the British Virgin Islands with limited liabilities which is interested in approximately 57.9% of the existing issued share capital of Swank and a wholly-owned subsidiary of Tomorrow, also the underwriter of the Open Offer
“Profitown”	Profitown Investment Corporation, a company formed in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Swank
“Profitown Loan”	the entire amount of shareholder’s loan due from Profitown to Swank at the time of completion of the Share Sale Agreement
“Promissory Note”	the promissory note in the sum of HK\$163 million to be issued by Swank pursuant to the Loan Settlement Agreement
“Qualifying Shareholder(s)”	the shareholders who, on 17th October, 2003, being the date by reference to which entitlements under the Open Offer will be determined, have addresses in Hong Kong on the register of members of Swank
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	a special general meeting of Tomorrow to be convened, to consider and, if thought fit, approve by the Shareholders, amongst other matters, the Share Sale Agreement and the Loan Settlement Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of Tomorrow
“Shareholder(s)”	holders of the Shares
“Share Sale Agreement”	the conditional sale and purchase agreement dated 3rd September, 2003 entered into between Probest, Swank, and Tomorrow relating to the sale of 30% of the entire issued share capital in Profitown and 30% of the Profitown Loan by Swank to Probest
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swank”	Swank International Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and is owned as to approximately 57.9% by Probest
“Swank Group”	Swank and its subsidiaries
“Tomorrow”	Tomorrow International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Tomorrow Group”	Tomorrow and its subsidiaries other than the Swank Group
“Underwriting Agreement”	the agreement entered into between Probest, Swank and Tomorrow dated 3rd September, 2003 in relation to the underwriting of the Open Offer
“Winspark”	Winspark Venture Limited, a company incorporated in British Virgin Islands with limited liability
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



Tomorrow International Holdings Limited

明日國際集團有限公司

(incorporated in Bermuda with limited liability)

Executive Directors:

Yau Tak Wah, Paul (*Chairman*)

Tam Ping Wah

Louie Mei Po

Wong Shin Ling, Irene

Tam Wing Kin

Registered Office:

Clarendon House

Church Street

Hamilton HM11

Bermuda

Head Office and Principal Place of Business:

27th Floor

Henley Building

5 Queen's Road Central

Hong Kong

Independent non-executive Directors:

Ng Wai Hung

Cheung Chung Leung, Richard

30th September, 2003

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

On 31st January, 2002, Tomorrow and Swank jointly announced that, on 21st January, 2002, Probest and the vendor entered into a sale and purchase agreement pursuant to which Probest agreed to acquire (i) approximately 71.9% of the shareholding interests in Swank, at a consideration of HK\$10.0 million; and (ii) bank debts of an aggregate principal amount of HK\$250 million then owed by Swank Group to 26 banks and financial creditors, at a consideration of HK\$58 million.

Following Probest's acquisition of a controlling stake in Swank in early 2002, the financial performances of the Swank Group have been improved, however, the Swank Group has still been operating under tight cashflow and Swank failed to fulfill its legal obligations to make principal repayments and interest payment for the Loan since 1st March, 2002.

LETTER FROM THE BOARD

Reference is made to the joint announcements issued by Tomorrow and Swank dated 4th March, 2003 and 27th August, 2003 and the circulars of Tomorrow and Swank dated 7th April, 2003. On 4th March, 2003, a conditional asset disposal agreement was entered into between Tomorrow, Swank and Probest and a conditional loan restructuring agreement was entered into between Probest and Swank. According to the asset disposal agreement, Swank conditionally agreed to sell to Probest its 30% equity interest in Profitown and 30% of the Profitown Loan. Pursuant to the conditional loan restructuring agreement, agreement was reached regarding the remaining principal of the loan of HK\$247 million and it was proposed to restructure the Loan including, among others, the issue of a convertible note and the execution of a share mortgage by Swank in favour of Probest. These transactions were subsequently terminated on 27th August, 2003 as the directors of Swank were in discussion with Probest on other possible settlement arrangement in relation to the Loan.

On 9th September, 2003, Tomorrow and Swank jointly announced that, on 3rd September, 2003, they and Probest entered into, among others, the conditional Share Sale Agreement and the Underwriting Agreement. On 3rd September, 2003, Swank and Probest also entered into the conditional Loan Settlement Agreement relating to the remaining principal of the Loan of HK\$247 million. Set out below are the major terms of the Share Sale Agreement and the Loan Settlement Agreement.

- **The Share Sale Agreement**

Pursuant to the Share Sale Agreement, Swank conditionally agreed to sell to Probest 30% of the entire issue share capital in Profitown and 30% of the Profitown Loan as at the Completion Date for an aggregate consideration of HK\$3 million. Such consideration will be satisfied by Probest upon Completion by offsetting an equivalent amount of HK\$3 million outstanding principal of the Loan of HK\$250 million due from Swank to Probest.

- **The Loan Settlement Agreement**

Set out below are the major terms conditionally agreed between Swank and Probest under the Loan Settlement Agreement:

- (i) Probest agrees to waive the repayment of the outstanding principal of HK\$47 million of the Loan and the normal and default interest accrued on the entire Loan since 1st March, 2002 up to the effective date of the Loan Settlement Agreement. As at the date of the Loan Settlement Agreement, the normal and default interest amounted to approximately HK\$23.7 million;
- (ii) Swank agrees to apply the net proceeds from the Open Offer to repay HK\$37 million of the Loan; and

LETTER FROM THE BOARD

- (iii) the remaining outstanding principal of HK\$163 million of the Loan after completion of the Share Sale Agreement and the Open Offer and the Loan Settlement Agreement being effective shall be repaid by Swank to Probest by instalments in accordance with the terms of the Promissory Note.

- **The Underwriting Agreement**

Pursuant to the Underwriting Agreement, Tomorrow and Probest have respectively agreed to act as the guarantor and the underwriter in respect of the Open Offer proposed to provisionally allot 13 Offer Shares for every Swank share held by the Qualifying Shareholders. The subscription price for each Offer Share is HK\$0.013. Shareholders should note that as at the date of the Underwriting Agreement, Probest, a wholly owned subsidiary of Tomorrow, already holds approximately 57.9% shareholding interest in Swank. Hence, the underwriting of Swank shares by Probest will not trigger any general offer obligation on the part of Probest under the Hong Kong Code on Takeovers and Mergers. As at the Latest Practicable Date, Swank had net liabilities of approximately HK\$0.403 per share (based on the audited net liabilities of approximately HK\$89.9 million as at 31st December, 2002 and a total number of 223,204,481 Swank shares in issued as at the Latest Practicable Date).

The Share Sale Agreement and the Loan Settlement Agreement are inter-conditional on each other. Upon Completion and the Loan Settlement Agreement becoming effective (but not taking into account of the effect of the Open Offer), total outstanding indebtedness (excluding interests) owed by Swank to Probest will be reduced by HK\$50 million, and in return, Probest will receive 30% equity interest in Profitown and 30% of the Profitown Loan which in total amounted to approximately HK\$52 million as at 31st December, 2002 or approximately HK\$51.4 million as at 30th June, 2003. The proforma unaudited consolidated net tangible assets of Profitown (including the Profitown Loan) and the Profitown Loan as at (i) 31st December, 2002 was approximately HK\$42.5 million and HK\$130.9 million respectively; and (ii) 30th June, 2003 was approximately HK\$32.5 million and HK\$138.8 million respectively.

As at the date of the Share Sale Agreement and the Loan Settlement Agreement, Probest, which is a wholly owned subsidiary of Tomorrow, is interested in approximately 57.9% of the issued share capital of Swank. Accordingly, the entering into of the Share Sale Agreement and the Loan Settlement Agreement constitute connected transactions for Tomorrow under the Listing Rules, which will be subject to the approval by the independent Shareholders. As none of the directors, chief executive or substantial shareholders of Tomorrow has any direct interest in Swank and in the Share Sale Agreement and the Loan Settlement Agreement (save for the indirect interest in Swank through Probest), no Shareholders is required to abstain from voting on the Share Sale Agreement and the Loan Settlement Agreement at the SGM. Winspark, the controlling

LETTER FROM THE BOARD

Shareholder holding approximately 58.0% of the issued share capital of Tomorrow, has indicated that it will vote in favour of the resolutions approving the Share Sale Agreement and Loan Settlement Agreement at the SGM. The Independent Board Committee has been formed to consider the terms of the Share Sale Agreement and the Loan Settlement Agreement. Barits has been appointed as the independent financial adviser to the Independent Board Committee in this regard.

The purpose of this circular is to provide you with further information regarding the Share Sale Agreement and the Loan Settlement Agreement, and to set out the advice of the Independent Board Committee on the respective terms of the Share Sale Agreement and Loan Settlement Agreement.

THE SHARE SALE AGREEMENT

Date

3rd September, 2003

Parties

Vendor	:	Swank
Purchaser	:	Probest
Guarantor for the obligations of Probest as purchaser	:	Tomorrow

Principal terms of the Share Sale Agreement

Pursuant to the Share Sale Agreement, Swank conditionally agreed to sell to Probest 30% of the entire issued share capital in Profitown and 30% of the Profitown Loan as at the Completion Date for an aggregate consideration of HK\$3 million. Such consideration shall be satisfied by Probest upon Completion by offsetting an equivalent amount of HK\$3 million outstanding principal of the Loan due from Swank to Probest.

Profitown is a wholly-owned subsidiary of Swank and is the intermediate holding company of all the operating subsidiaries and associated companies of Swank engaging in the design, manufacture and marketing of frames, sunglasses and lenses.

The consideration under the Share Sale Agreement of HK\$3 million was determined after arm's length negotiations among the parties after taking into account (i) the waiver of the Loan principal of HK\$47 million by Probest pursuant to the Loan Settlement Agreement (as described below); (ii) with reference to the 30% attributable value of the proforma unaudited consolidated net tangible assets of Profitown (including the Profitown Loan) and the Profitown Loan of approximately HK\$52 million as at 31st December, 2002. The proforma unaudited consolidated net tangible assets of Profitown (including the Profitown Loan) and the Profitown Loan as at 31st December, 2002 was approximately HK\$42.5 million and HK\$130.9 million respectively.

LETTER FROM THE BOARD

Conditions of the Share Sale Agreement

The Share Sale Agreement is conditional upon, inter alia:

- (i) the passing at the EGM by the shareholders of Swank (other than Probest and its associates) of ordinary resolutions approving (i) the Share Sale Agreement; (ii) the Open Offer; and (iii) the Loan Settlement Agreement and the issue of the Promissory Note;
- (ii) all other consents and acts required of Swank in connection with the Share Sale Agreement under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (iii) the approval by the Shareholders of the Share Sale Agreement by way of an ordinary resolution to be passed at the SGM;
- (iv) the Loan Settlement Agreement becoming unconditional, save for any condition therein requiring the Share Sale Agreement to become unconditional or having been completed;
- (v) the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Offer Shares; and
- (vi) the Open Offer becoming unconditional.

If any of the abovementioned conditions are not fulfilled on or before the Long Stop Date (unless extended by agreement with Probest), the Share Sale Agreement shall lapse and be of no further effect, and no party to the Share Sale Agreement shall have any claim against or liability to the other parties thereunder, save in respect of any antecedent breaches thereof.

Information on Profitown

Profitown was incorporated with limited liability in the British Virgin Islands on 19th November, 2002. Profitown is a wholly-owned subsidiary of Swank. Pursuant to a group reorganisation of the Swank Group in August 2003, all the interest of Swank in its operating subsidiaries and associated companies and all intra-company indebtedness between Swank and its subsidiaries and associated companies were transferred to Profitown. As a result, Profitown became the intermediate holding company of all the operating subsidiaries and associated companies of Swank engaging in the design, manufacture and marketing of frames, sunglasses and lenses. All the businesses previously carried out by the Swank Group, namely, the design, manufacture and marketing of frames, sunglasses and lenses, have since then been conducted by Profitown's subsidiaries and associated companies.

LETTER FROM THE BOARD

Principal terms of the Loan Settlement Agreement

Pursuant to the Loan Settlement Agreement, Probest conditionally agreed that the remaining principal of the Loan of HK\$247 million due from Swank to Probest after completion of the Share Sale Agreement and the Open Offer will be settled in the following manner:

- (i) Probest agrees to waive the repayment of the outstanding principal of HK\$47 million of the Loan and the normal and default interest accrued on the entire Loan since 1st March 2002 up to the date of the Loan Settlement Agreement taking effect which amounted to approximately HK\$23.7 million as at the date of the Loan Settlement Agreement. Completion of the Loan Settlement Agreement shall take place on satisfaction of the conditions set out in the paragraph headed “Conditions of the Loan Settlement Agreement” below (provided such conditions are satisfied no later than the Long Stop Date);
- (ii) Swank agrees to apply the net proceeds from the Open Offer to repay HK\$37 million of the Loan; and
- (iii) the remaining outstanding principal sum of the Loan of HK\$163 million shall be repaid by Swank to Probest by instalments in accordance with the terms of the Promissory Note.

Principal terms of the Promissory Note

Principal amount: HK\$163 million, which shall be payable by Swank to Probest by the following instalments, subject as hereinafter provided.

<i>Principal amount</i>	<i>Repayment date</i>
HK\$25,500,000	1st June, 2004
HK\$62,500,000	1st June, 2005
HK\$75,000,000	1st June, 2006
<u>HK\$163,000,000</u>	

Maturity Date: 1st June, 2006

Interest: 1% per annum above the prime rate for Hong Kong dollar quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited, which is based on the prevailing market rate and is equal to the existing interest rate of the Loan

LETTER FROM THE BOARD

The Promissory Note is unsecured. If any event of default has occurred Probest may, by written notice to Swank, demand immediate payment of all outstanding principal and accrued interest. At any time after the Promissory Note has become immediately due and payable, Probest may, without further notice, institute such proceedings as it may think fit to enforce payment due.

The Promissory Note shall replace the existing loan agreement governing the Loan. The effect of the Share Sale Agreement, the Loan Settlement Agreement and the Open Offer on Swank's indebtedness to Probest is as follows:

HK\$' million

Outstanding principal of the Loan	250.0
Set off against the consideration under the Share Sale Agreement	(3.0)
Waived by Probest pursuant to the Loan Settlement Agreement	(47.0)
Repaid by net proceeds from the Open Offer	<u>(37.0)</u>
Principal balance due under the Promissory Note	163.0

The Promissory Note has no particular conditions to be fulfilled by both Probest and Swank. However, the Promissory Note will only be issued upon the Loan Settlement Agreement becoming effective, which is conditional upon the fulfilment of all the conditions set out in the paragraph headed "Conditions of the Loan Settlement Agreement" below.

Conditions of the Loan Settlement Agreement

The Loan Settlement Agreement shall take effect on the date when the last of the following conditions shall have been satisfied:

- (i) the passing at the EGM by shareholders of Swank (other than Probest and its associates) of ordinary resolutions approving (i) the Loan Settlement Agreement and the issuance of the Promissory Note; (ii) the Share Sale Agreement and the transactions contemplated thereunder; and (iii) the Open Offer;
- (ii) the approval by the Shareholders of the Loan Settlement Agreement (including the Promissory Note) having been obtained by way of an ordinary resolution to be passed at the SGM;
- (iii) all other consents and acts required of Swank/Tomorrow in connection with the Loan Settlement Agreement and the Promissory Note under the Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

LETTER FROM THE BOARD

- (iv) the Share Sale Agreement becoming unconditional, save for any condition therein requiring the Loan Settlement Agreement to become unconditional or having taken effect, and having been completed;
- (v) the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Offer Shares;
- (vi) the Open Offer becoming unconditional;
- (vii) the net proceeds of the Open Offer having been paid to Probest in partial reduction of the Loan; and
- (viii) the due execution by Swank of the Promissory Note contemplated under the Loan Settlement Agreement and their proper delivery to Probest (including the certified true copies of resolutions of the board of directors of Swank approving the aforesaid documents).

None of the abovementioned conditions can be waived by any of Probest or Swank. If any of these conditions are not fulfilled on or before the Long Stop Date (unless extended by agreement with Probest), the Loan Settlement Agreement shall lapse and be of no further effect, and no party to the Loan Settlement Agreement shall have any claim against or liability to the other parties thereunder, save in respect of any antecedent breaches thereof.

COMPLETION

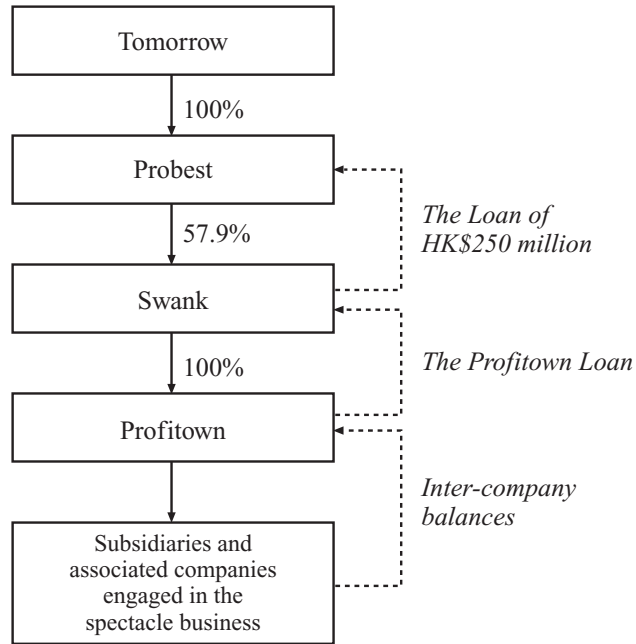
Completion of the Share Sale Agreement and Loan Settlement Agreement is to take place on the first business day after the satisfaction of the conditions (and in any event no later than the Long Stop Date) referred to in the paragraphs headed “Conditions of the Share Sale Agreement” and “Conditions of the Loan Settlement Agreement” above.

LETTER FROM THE BOARD

SHAREHOLDING AND GROUP STRUCTURES

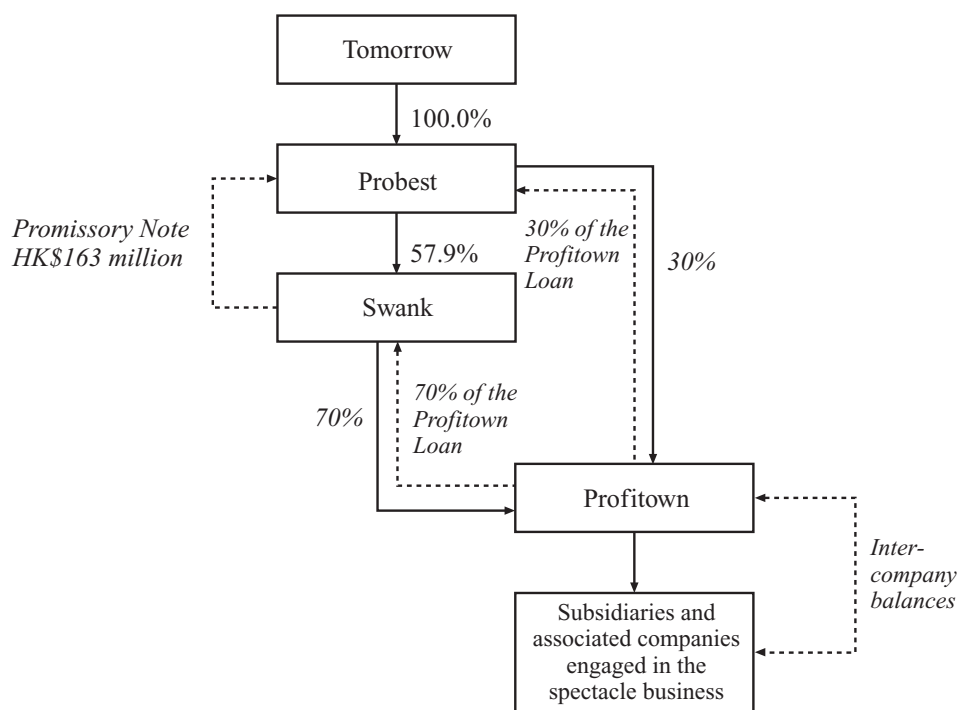
Set out below are the group structures of the Swank Group before and after Completion and the Loan Settlement Agreement becoming effective (not taken into account of any increase in shareholdings of Probest in Swank as a result of its underwriting the Open Offer):

Before Completion and the Loan Settlement Agreement becoming effective:



LETTER FROM THE BOARD

After Completion and the Loan Settlement Agreement becoming effective (not taken into account of any increase in shareholdings of Probest in Swank as a result of its underwriting the Open Offer):



REASONS FOR ENTERING INTO THE SHARE SALE AGREEMENT AND THE LOAN SETTLEMENT AGREEMENT

The Tomorrow Group is mainly engaged in the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards, the trading and distribution of electronic parts and components, the trading of listed equity investment, the provision of loan financing and the manufacture and sale of optical products.

Following the acquisition of the controlling stake in Swank by the Tomorrow Group in early 2002, the Swank Group's financial results have improved. Notwithstanding the improvement in its financial results, the Swank Group has still been operated under tight cashflow and it failed on several occasions to meet its legal obligation as regards the repayment of principal and payments of interest for the Loan since 1st March, 2002.

The Directors are of the view that the entering into of the Share Sale Agreement and the Loan Settlement Agreement are intended for Tomorrow to partly recover the Loan from Swank to the extent of HK\$50 million in kind, namely the 30% of the entire issued share capital in Profitown and 30% of the Profitown Loan, on completion of the Share Sale Agreement and the Loan Settlement Agreement. Pursuant to the Loan Settlement Agreement, the Tomorrow Group will waive the interest receivable from Swank from 1st March, 2002 up to the effective date of

LETTER FROM THE BOARD

the Loan Settlement Agreement, which amounted to approximately HK\$23.7 million as at the date of the Loan Settlement Agreement (or of approximately HK\$27.1 million expected to be as at the Long Stop Date). In light of Swank being a subsidiary of Tomorrow, the interest income and accrued interest of Tomorrow and the interest expense and interest payable of Swank would be set off against each other on group level upon consolidating the financial statements of Tomorrow. Accordingly, the Directors anticipate that solely as a result of entering into the Share Sale Agreement and the Loan Settlement Agreement, the profit and loss account and balance sheet of Tomorrow will not be materially affected on a consolidated basis. The waiver of the interest forms part of the whole arrangement pursuant to the Share Sale Agreement and the Loan Settlement Agreement. The Directors also consider that the overall arrangement shall relieve the cashflow pressure of Swank, and having taken into account that Swank is a subsidiary of Tomorrow, the enhanced financial condition of Swank shall be favourable to the Tomorrow Group and the Swank Group as a whole. The Directors therefore consider that the entering into of the Share Sale Agreement and the Loan Settlement Agreement protect the rights of Tomorrow as a creditor of Swank while allowing financial flexibility for the Swank Group to continue its operation.

In addition, the entering into of the Share Sale Agreement and the Loan Settlement Agreement will result in Tomorrow increasing its attributable interest and share of results in the spectacle business of Swank as the Tomorrow Group would own 30% direct interest in Profitown in addition to its indirect holdings in Profitown through its approximately 57.9% interest in Swank. Pursuant to the Share Sale Agreement and the Loan Settlement Agreement (but not taking into account of the effect of the Open Offer), total outstanding indebtedness (excluding interests) owed by Swank to Probest will be reduced by HK\$50 million, and in return, Probest will own 30% equity interest in Profitown and 30% of the Profitown Loan which amounted to approximately HK\$52 million as at 31st December, 2002 (or approximately HK\$51.4 million as at 30th June, 2003). Having taken into consideration that (i) the net liabilities of the Swank Group; (ii) the proforma unaudited consolidated net asset value of Profitown (including the Profitown Loan) and the Profitown Loan (of approximately HK\$42.5 million and HK\$130.9 million respectively as at 31st December, 2002 and approximately HK\$32.5 million and approximately HK\$138.8 million respectively as at 30th June, 2003); and (iii) the working capital position of the Swank Group, the Directors consider that the terms of the Share Sale Agreement and the Loan Settlement Agreement are fair and reasonable and are in the interests of Tomorrow and its Shareholders as a whole.

Upon Completion and the Loan Settlement Agreement becoming effective, the Tomorrow Group is expected to record a HK\$3 million investment, and the Loan will be decreased by HK\$3 million, while a negative goodwill of approximately HK\$48 million (based on the proforma unaudited consolidated net tangible assets of Profitown (including the Profitown Loan) and the Profitown Loan as at 30th June, 2003 of approximate HK\$32.5 million and HK\$138.8 million respectively) generated from the acquisition of 30% of the equity interest in Profitown and 30% of the Profitown Loan is expected to be offset by the HK\$47 million Loan waived. The proforma unaudited consolidated net tangible assets of Profitown (including the Profitown Loan) and the Profitown Loan as at 31st December, 2002 was approximately HK\$42.5 million and HK\$130.9 million respectively.

LETTER FROM THE BOARD

Save as the aforesaid Loan, as at the Latest Practicable Date, there are no other outstanding advances or loans made by the Tomorrow Group to the Swank Group.

SGM

A notice convening the SGM to be held at Unit 3301, Level 33, Metroplaza Tower I, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong on 17th October, 2003 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to the Share Sale Agreement and the Loan Settlement Agreement is set out on pages 33 and 35 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy to Tomorrow's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Room 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

The text of a letter to the Shareholders from the Independent Board Committee, containing its recommendation in relation to the Share Sale Agreement and the Loan Settlement Agreement, is set out in this circular. Having considered the advice from Barits to the Independent Board Committee, in relation to the Share Sale Agreement and the Loan Settlement Agreement, which is set out in this circular, the Independent Board Committee is of the opinion that the Share Sale Agreement and the Loan Settlement Agreement are in the interests of Tomorrow and the Shareholders and the terms of the Share Sale Agreement and the Loan Settlement Agreement are fair and reasonable so far as the Shareholders and Tomorrow as a whole are concerned.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix in this circular.

Yours faithfully,
By order of the board of
Tomorrow International Holdings Limited
Yau Tak Wah, Paul
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Tomorrow International Holdings Limited

明日國際集團有限公司

(incorporated in Bermuda with limited liability)

30th September, 2003

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

We refer to the circular of Tomorrow dated 30th September, 2003 (the “Circular”) of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We, being the independent non-executive Directors constituting the Independent Board Committee, have been appointed by the Board to advise you as to whether the respective terms of the Share Sale Agreement and the Loan Settlement Agreement are (i) fair and reasonable so far as the Shareholder are concerned; and (ii) in the interest of Tomorrow and the Shareholders as a whole. Barits has been appointed as the independent financial adviser to advise us in this regard.

Having considered the respective terms of the Share Sale Agreement and the Loan Settlement Agreement, and the principal factors, reasons and recommendation of Barits as set out in the Circular, we are of the view that the respective terms of the Share Sale Agreement and the Loan Settlement Agreement are fair and reasonable so far as Tomorrow and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions to approve the Share Sale Agreement and the Loan Settlement Agreement as set out in the notice of SGM contained in this Circular.

Your attention is also drawn to the (i) letter from the Board; (ii) the letter from Barits; and (iii) the additional information set out in the appendix of/to the Circular.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Ng Wai Hung

Independent non-executive Director

Cheung Chung Leung, Richard

Independent non-executive Director

LETTER OF ADVICE FROM BARITS

The following is the text of a letter of advice from Barits to the Independent Board Committee in connection with the Share Sale Agreement and the Loan Settlement Agreement, which has been prepared for the purpose of inclusion in this circular.



Barits Securities (Hong Kong) Limited

Room 3406, 34/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

30th September, 2003

To the Independent Board Committee of
Tomorrow International Holdings Limited

Dear Sirs,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee as regards the fairness and reasonableness of the respective terms of the Share Sale Agreement and the Loan Settlement Agreement, details of which are set out in the letter from the Board contained in this circular, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in this circular.

On 9th September, 2003 Swank and Tomorrow jointly announced that, on 3rd September, 2003, they and Probest entered into the conditional Share Sale Agreement and that Swank and Probest entered into the conditional Loan Settlement Agreement (collectively, the "Agreements"). As at the date of the Agreements, Probest, which is a wholly owned subsidiary of Tomorrow, is interested in approximately 57.9% of the issued share capital of Swank. Accordingly, the entering into of the Agreements constitutes connected transactions for Tomorrow under the Listing Rules and is subject to the approval by the independent Shareholders. As none of the connected persons (as defined under the Listing Rules) of Tomorrow has any direct interest in Swank and in the Agreements (save for the indirect interest in Swank through Probest), no Shareholder is required to abstain from voting on the Agreements at the SGM. Winspark, the

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controlling Shareholder holding approximately 58.0% of the issued share capital of Tomorrow, has indicated that it will vote in favour of the resolutions approving the Agreements at the SGM. The Independent Board Committee comprising the independent non-executive Directors, namely Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard, has been formed to consider the respective terms of the Agreements and to advise the Shareholders thereon. We have been appointed as the independent financial adviser to the Independent Board Committee in this regard.

In formulating our opinion and advice, we have relied on the accuracy of the information and representations contained in this circular and information provided to us by the Directors. We have assumed that all information, facts and representations made to us by the Directors or referred to in this circular are true and accurate at the time they were made and will continue to be true at the date of the SGM. The Directors have also confirmed that the information and facts supplied to us are complete and that no material facts have been omitted from the information supplied and referred to in this circular. We have no reason to doubt the truth, accuracy and completeness of the information provided, and representations made, to us by the Directors. We have relied on such information and consider that the information that we have received is sufficient for us to reach an informed view on the respective terms of the Agreements and provide us with a reasonable basis for our recommendation. We have not, however, conducted an in-depth investigation into the business affairs, financial position or future prospects of the Tomorrow Group or the Swank Group nor have we carried out any independent verification of the information supplied.

BACKGROUND

- On 31st January, 2002, an announcement was jointly issued by Tomorrow and Swank regarding a sale and purchase agreement dated 21st January, 2002 entered into between Probest, a wholly owned subsidiary of Tomorrow, and the vendor, pursuant to which Probest agreed to acquire (i) approximately 71.9% shareholding interest in Swank at a consideration of HK\$10.0 million; and (ii) bank debts in an aggregate principal amount of HK\$250 million then owed by the Swank Group to a total of 26 banks and financial creditors at a consideration of HK\$58.0 million. The abovementioned sale and purchase agreement was completed on 1st March, 2002 resulting in Swank becoming a subsidiary of Tomorrow.
- As set out in the 2002 annual report of Swank, on 1st March, 2002, the bank debts of HK\$250 million owed by the Swank Group was transferred to Probest. We are advised by the Directors that a normal interest rate of 1% per annum over the Hong Kong dollar prime rate and a default interest rate are charged on the amount due on the principal of the Loan. As disclosed in the said annual report, as at 31st December, 2002, the loan principal of HK\$25 million and the accrued loan interest of approximately HK\$13.0 million were overdue. We are advised by the Directors that the said accrued interest of approximately HK\$13.0 million forms part of the loan interests of approximately HK\$23.7 million to be waived under the Loan Settlement Agreement as mentioned below. The Loan due from Swank to Probest is unsecured.

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- On 4th March, 2003, Tomorrow and Swank jointly issued an announcement regarding (i) a conditional asset disposal agreement by Tomorrow, Swank and Probest; and (ii) a conditional loan restructuring agreement by Probest and Swank, both entered into on 4th March, 2003. Pursuant to the asset disposal agreement and the loan restructuring agreement, Swank agreed to sell to Probest its 30% equity interest in Profitown and 30% of the Profitown Loan and to restructure the Loan including, among others, the issue of a convertible note and the execution of a share mortgage by Swank in favour of Probest. These transactions were subsequently terminated on 27th August, 2003 as the directors of Swank were in discussion with Probest on other possible settlement arrangements in relation to the Loan.
- On 9th September, 2003, Tomorrow and Swank jointly announced that, among others, (i) the conditional Share Sale Agreement and the Underwriting Agreement were entered into between Tomorrow, Swank and Probest; and (ii) the conditional Loan Settlement Agreement was entered into between Swank and Probest, all on 3rd September, 2003.

PRINCIPAL FACTORS CONSIDERED

In giving our advice to the Independent Board Committee, we have taken into account the following principal factors in considering whether or not the respective terms of the Share Sale Agreement and the Loan Settlement Agreement are fair and reasonable:

1. The Share Sale Agreement

The Share Sale Agreement and the Loan Settlement Agreement are inter-conditional. Details of the Share Sale Agreement and the Loan settlement Agreement are set out in the letter from the Board.

Pursuant to the Share Sale Agreement, Swank conditionally agreed to sell to Probest its 30% equity interest in Profitown and 30% of the Profitown Loan as at the Completion Date for an aggregate consideration of HK\$3 million. Such consideration will be satisfied by Probest upon Completion by offsetting an equivalent amount of HK\$3 million outstanding principal of the Loan of HK\$250 million due from Swank to Probest.

As set out in the letter from the Board, the consideration under the Share Sale Agreement of HK\$3 million was determined after arm's length negotiations among the parties and taking into account (i) the waiver of the Loan principal of HK\$47.0 million by Probest pursuant to the Loan Settlement Agreement; (ii) the 30% attributable value of Profitown's proforma unaudited consolidated net tangible assets value (including the Profitown Loan) and the Profitown Loan of approximately HK\$52.0 million as at 31st December, 2002.

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Information on Profitown

Profitown is a wholly owned subsidiary of Swank. Following completion of a group reorganisation of the Swank Group in August 2003, Profitown became the intermediate holding company of all the operating subsidiaries and associated companies of Swank engaging in the design, manufacture and marketing of frames, sunglasses and lenses.

A summary of the proforma unaudited consolidated net losses and profits before and after taxation of Profitown for the two years ended 31st December, 2002 and for the six months ended 30th June, 2003 is set out in the letter from the Board. According to the said proforma unaudited consolidated profit and loss account of Profitown, Profitown reported (i) an unaudited loss attributable to shareholders of approximately HK\$58.9 million in year 2001; (ii) an unaudited profit attributable to shareholders of approximately HK\$10.1 million in year 2002; and (iii) an unaudited loss attributable to shareholders of approximately HK\$9.8 million for the six months ended 30th June, 2003. We are advised by the Directors that the improvement in the results of Profitown in year 2002 was mainly due to (i) strict cost control measures adopted by Swank; (ii) write back of interests on bank loans and overdraft of approximately HK\$17.3 million; and (iii) certain provisions of approximately HK\$31.6 million were made in year 2001 (nil in year 2002) for impairment loss on interests in associates, fixed assets, unrecoverable debts and closure of certain subsidiaries. As set out in the letter from the Board, the proforma unaudited consolidated net tangible assets of Profitown (including the Profitown Loan) and the Profitown Loan as at (i) 31st December, 2002 amounted to approximately HK\$42.5 million and HK\$130.9 million, respectively; and (ii) 30th June, 2003 amounted to approximately HK\$32.5 million and HK\$138.8 million, respectively.

In general, one of the most commonly used references for valuing an entity is based on a price earnings multiple. However, we consider that in this case a reliable price earnings multiple is not available for evaluation purpose given the fact that (i) Swank has a long loss-making history for six out of seven financial years from 1996 to 2002; and (ii) it is uncertain as to whether profitability achieved in year 2002 could be sustained as the latest published unaudited interim results of Swank for the six month ended 30th June, 2003 revealed that an unaudited consolidated loss attributable to shareholders of approximately HK\$9.8 million was recorded.

2. The Loan Settlement Agreement

Pursuant to the Loan Settlement Agreement, the following major terms are conditionally agreed between Swank and Probest:

- (i) Probest agrees to waive the repayment of the outstanding principal of HK\$47 million of the Loan and the normal and default interest accrued on the entire Loan since

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1st March, 2002 up to the effective date of the Loan Settlement Agreement, which amounted to approximately HK\$23.7 million as at the date of the Loan Settlement Agreement;

- (ii) Swank agrees to apply the net proceeds from the Open Offer to repay HK\$37 million of the Loan; and
- (iii) the remaining outstanding principal of HK\$163 million of the Loan after completion of the Share Sale Agreement and the Open Offer and the Loan Settlement Agreement Becoming effective shall be repaid by Swank to Probest by instalments in accordance with the terms of the Promissory Note set out in the paragraph headed “Principal terms of the Promissory Note” in the letter from the Board.

The Promissory Note

Pursuant to the Loan Settlement Agreement, the Promissory Note shall replace the existing loan agreement governing the Loan.

Set out below is a table comparing the repayment schedule under the loan agreement and the Promissory Note:

The loan agreement		The Promissory Note	
Principal amount	Repayment date	Principal amount	Repayment date
HK\$' million		HK\$' million	
25.0	1st June, 2002	N/A	N/A
37.5	1st June, 2003	N/A	N/A
50.0	1st June, 2004	25.5	1st June, 2004
62.5	1st June, 2005	62.5	1st June, 2005
75.0	1st June, 2006	75.0	1st June, 2006
250.0		163.0	

According to the above table, we note that under both the loan agreement and the Promissory Note, the unexpired repayment dates for the three installments commencing 1st June, 2004 are identical to each other. In addition, as set out in the paragraph headed “Principal terms of the Promissory Note” in the letter from the Board, a normal interest rate at 1% per annum over the prime rate for Hong Kong dollar is charged under both the loan agreement and the Promissory Note. As a result, we consider that the replacement of the loan agreement by the Promissory Note does not have any adverse impact on the Tomorrow Group.

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In addition, both of the Loan and the Promissory Note is unsecured. According to the Promissory Note, if any event of default has occurred Probest may, by written notice to Swank demand immediate payment of all the outstanding principal and accrued interest. In addition, at any time after the Promissory Note has become immediately due and payable, Probest may, without further notice, institute such proceedings as it may think fit to enforce payment due.

As set out in the letter from the Board, the Profitown Loan is unsecured and has no fixed date of repayment. Profitown has undertaken to Swank that any surplus cash generated from the businesses carried out by its subsidiaries and associated companies shall, after appropriating a sum for operating expenses, be applied to repay the Profitown Loan or to make advances to Swank on the same terms as the Profitown Loan for the purposes of enabling Swank to repay the amounts due under the Promissory Note. We consider that the undertaking given by Profitown is favourable to the Tomorrow Group as it provide further assurance on the repayment of Loan, provided that Profitown is able to generate net operating cash flow in the future.

Shareholders should note that as at the date of the Loan Settlement Agreement, Swank has not been able to fulfill its legal obligations under the loan agreement governing the Loan to make repayment of the first and second installments of HK\$25 million and HK\$37.5 million due under the Loan on 1st June, 2002 and 1st June, 2003, respectively and the payment of interests accruing on the Loan from 1st March, 2002 up to the date of the Loan Settlement Agreement of approximately HK\$23.7 million. In this regard, we wish to draw the Shareholders attention that Swank may or may not be able to fulfill its obligations under the Promissory Note.

3. Reasons for entering into the Agreements

The reasons for Tomorrow entering into the Share Sale Agreement and the Loan Settlement Agreement are set out in the section headed “Reasons for entering into the Share Sale Agreement and the Loan Settlement Agreement” contained in the letter from the Board.

We are advised by the Directors that the Agreements serve to protect the rights of Tomorrow as a creditor of Swank and the major reason for Tomorrow and Probest to enter into the Agreements is to recover partly the Loan. The Directors are of the view that in the event that Probest is not required to fulfill its obligations under the Underwriting Agreement to take up any of the unsubscribed Offer Shares, the assets to be received by Tomorrow under the Agreements will be (i) approximately HK\$15.2 million cash from the Open Offer; and (ii) a 30% equity interest in Profitown and 30% of the Profitown Loan (which amounted to an aggregate amount of approximately HK\$52.0 million and HK\$51.4 million as at 31st December, 2002 and 30th June, 2003, respectively). On the other hand, if Probest is required to take up all the unsubscribed Offer Shares, the assets to be received by Tomorrow under the

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Agreements will be (i) a 30% equity interest in Profitown and 30% of the Profitown Loan; and (ii) an additional shareholding interest of approximately 39.1% in Swank (which together with Tomorrow's existing indirect interest of approximately 57.9% will result in an aggregate shareholding of approximately 97.0% in Swank). In addition, the Directors are of the view that the existing arrangements under the Agreements allow financial flexibility for the Swank Group to continue its operation, given the fact that the Swank Group has been operating under tight cashflow. Having taken into account the said reasons set out above and, in particular, Swank's history in defaulting repayments of the loan principal and payment of interest accrued on the Loan since 1st March, 2002, we concur with the Directors' view and consider that the reasons for entering into the Agreements are justified.

4. Alternative method to repay the Loan

We are advised by the Directors that the directors of Swank had considered various means (including, among other, (i) debt financing such as borrowings from financial institutions and issue of convertible notes; and (ii) equity fund raising such as share placing) to raise funds to repay the Loan. Having taken into account (i) the tight cashflow position that has been encountered by Swank; (ii) the long loss-making history of Swank (except for year 2002) as mentioned above; and (iii) the low liquidity of the Swank shares and low share price, the Directors are of the view that the existing arrangement under the Agreements are a reasonable and acceptable means for the Tomorrow Group (as a creditor and shareholder) to recover partly the Loan.

5. Financial effects to the Tomorrow Group

Earnings

As stated above, the Agreements (without taking into account the consequence of the Open Offer as explained below) will at least result in the Tomorrow Group increasing its attributable interest in the spectacle business of Swank through Probest's direct interest of 30% in Profitown and indirect interest through Probest's 57.9% interest in Swank. In the event that Probest is required to take up all unsubscribed Offer Shares under the Open Offer as described below, its indirect interest in the spectacle business through Swank may be further increased to approximately 97.0%.

In this regard, we have reviewed the annual report of Swank for the past seven years ended 2002 and noted that except in the year 2002, shareholders of Swank suffered attributable losses for all of the other six years from 1996 to 2001. In addition, we note that in Swank's latest published interim results for the six months ended 30th June, 2003, Swank reported an unaudited consolidated loss attributable to shareholders of approximately HK\$9.8 million. Given the abovementioned track record of Swank, Shareholders should note that there is no guarantee as to whether Tomorrow will benefit from such an increase in the interest in the spectacle business of Swank.

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In addition, given that (i) Swank is a subsidiary of Tomorrow; and (ii) the Share Sale Agreement and the Loan Settlement Agreement are inter-conditional on each other, on group level, the interest income of HK\$23.7 million recorded in the book of Tomorrow would be offset against the interest expenses of HK\$23.7 million recorded in the book of Swank, when the financial results of the Tomorrow Group and the Swank Group are consolidated. Accordingly, the Directors anticipate that the waiver as mentioned above will not have a material impact on the consolidated profit and loss account of the Tomorrow Group including the Swank Group.

In the absence of any material impact on the consolidated profit and loss account of Tomorrow as mentioned above and having considered that the major reasons for entering into the Agreements as set out in the paragraph headed “Reasons for entering into the Agreements” above, we therefore concur with the Directors’ view and consider that the entering into of the Agreements and, in particular, the waiving of the interests, is justified.

Cashflow and shareholding in Swank

Pursuant to the Loan Settlement Agreement, Swank agrees to apply the net proceeds from the Open Offer to repay HK\$37 million of the Loan. Under the Open Offer, Qualifying Shareholders will be entitled to provisionally allot 13 Offer Shares for every Swank share held on the 17th October, 2003, being the date on which entitlements under the Open Offer will be determined, at a subscription price of HK\$0.013 per Offer Share. As set out in the letter from the Board, as at the Latest Practicable Date, the Swank Group had net liabilities of approximately HK\$0.403 per share (based on the audited net liabilities of approximately HK\$89.9 million as at 31st December, 2002 and a total number of 223,204,481 Swank Shares in issued as at the Latest Practicable Date). Tomorrow, Probest and Swank have entered into the Underwriting Agreement for the Open Offer. Probest will not receive any underwriting commission or any fee in connection with the Open Offer.

Even though the Open Offer is not the subject of our recommendation, we consider that completion of which will have impacts on Tomorrow depending on the number of Offer Shares taken up by the shareholders of Swank other than Probest and its associates as discussed below. Under the Open Offer, (i) Probest has undertaken to subscribe or procure subscribers for its provisional entitlement of the Offer Shares in full, amounting to approximately HK\$21.8 million (equivalent to 1,679,130,245 Offer Shares); and (ii) Probest has conditionally agreed to act as the underwriter to the Open Offer. If Probest is required to take up all of the Offer Shares underwritten by it, Probest would be required to pay a consideration of approximately HK\$15.9 million for 1,222,528,008 unsubscribed Offer Shares.

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In this regard, we have discussed with the Directors and evaluated the overall impacts of the implementation of the Open Offer on Tomorrow. The Directors have advised that, assuming 100% to nil subscription of the Offer Shares by the shareholders of Swank other than Probest and its associates under the Open Offer, immediately upon completion of the Open Offer and the Agreements, (i) the shareholding of Tomorrow in Swank will range from approximately 57.9% to approximately 97.0%; and (ii) the net effect of cash flow to the Tomorrow Group will range from a cash inflow of about HK\$15.2 million (being repayment of the Loan of HK\$37 million less Probest's subscription amount of HK\$21.8 million under the Open Offer) to a cash outflow of about HK\$0.7 million (being repayment of the Loan of HK\$37 million less Probest's subscription amount of HK\$37.7 million under the Open Offer). We are further advised by the Directors that having taken into account the possible financial impact of the Open Offer on Tomorrow Group as mentioned above, they are of the view that the Open Offer will not constitute any material adverse impact on Tomorrow Group. We concur with the Directors' view in this regard.

SUMMARY

In summary, we would like to draw your attention to the following key factors in arriving at our opinion:

- (a) Swank has not been able to fulfill its legal obligations under the loan agreement governing the Loan to make repayment of the first and second installments of HK\$25 million and HK\$37.5 million due under the Loan on 1st June, 2002 and 1st June, 2003 respectively and the payment of interest accruing on the Loan from 1st March, 2002 up to the date of the Agreements of approximately HK\$23.7 million;
- (b) the Share Sale Agreement and the Loan Settlement Agreement are inter-conditional and completion of the Agreements will enable the Tomorrow Group to recover part of the Loan from Swank by receiving assets in the form of (i) a 30% equity interest in Profitown and 30% of the Profitown Loan, having a value of approximately HK\$51.4 million based on the proforma unaudited consolidated net tangible assets of Profitown (including the Profitown Loan) and the Profitown Loan as at 30th June, 2003 of approximately HK\$32.5 million and HK\$138.8 million, respectively; and a combination of (ii) cash up to approximately HK\$15.2 million; and/or (iii) additional shareholding interest in Swank of up to approximately 39.1%, having a market value of approximately HK\$30.5 million based on the theoretical ex-entitlement price of approximately HK\$0.025 per Swank share based on the closing price of the Swank shares on the Latest Practicable Date and a negative value of approximately HK\$35.2 million and approximately HK\$39.1 million, respectively, based on Swank's (i) audited net liabilities as at 31st December, 2002; and (ii) unaudited net liabilities as at 30th June, 2003, respectively;

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- (c) pursuant to the Loan Settlement Agreement, Probest agrees (i) to waive the repayment of the outstanding principal of HK\$47 million of the Loan and the normal and default interest accrued on the Loan up to the date on which the Loan Settlement Agreement becoming effective which amounted to approximately HK\$23.7 million as at the date of the Loan Settlement Agreement; (ii) receive from Swank net proceeds of HK\$37 million under the Open Offer; and (iii) to settle the remaining balance of the Loan of HK\$163 million by instalments in accordance with the terms of the Promissory Note;
- (d) completion of the Agreements will result in the Tomorrow Group increasing its exposure to the spectacle business of Swank but given the track record of Swank, there is no guarantee as to whether Tomorrow will benefit from such an increase;
- (e) the Directors have advised that the waiver of the accrued interest of approximately HK\$23.7 million as at the date of the Loan Settlement Agreement (or approximately HK\$27.1 million expected to be as at the Long Stop Date) under the Loan will not have any material impact on the Tomorrow Group including the Swank Group on a consolidated basis; and
- (f) the Directors consider that the overall arrangement shall relieve the cashflow pressure of Swank and given that Swank is a subsidiary of Tomorrow, the enhanced financial condition of Swank shall be favourable to the Tomorrow Group and the Swank Group as a whole. The Directors consider that the entering into of the Share Sale Agreement and the Loan Settlement Agreement protect the rights of Tomorrow as a creditor of Swank.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the respective terms of the Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the resolutions in relation to the Agreements.

Yours faithfully,

For and on behalf of

Barits Securities (Hong Kong) Limited

Terence Hong	Alfred Wong
<i>Executive Director</i>	<i>Director</i>

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Tomorrow. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests of the Directors and Tomorrow's chief executive in any underlying shares or debentures of, or has a short position in the relevant share capital of, Tomorrow or any of its associated corporation (within the meaning of Part XV of the SFO) which (a) were notified to Tomorrow and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were notified to Tomorrow and the Stock Exchange pursuant to the Model Code for Securities Share Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Directors	Note	Nature of interest	Number of shares	Approximate percentage
Mr. Yau Tak Wah, Paul	1	Corporate	14,847,400	5.2%
Mr. Tam Ping Wah	2	Corporate	8,000	0.003%

Notes:

1. These Shares were held through Pacific Shore Profits Limited, a company beneficially wholly owned by Mr. Yau Tak Wah, Paul.
2. These Shares were held through Strong Trend International Limited, a company beneficially wholly owned by Mr. Tam Ping Wah.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of Tomorrow, none of the Directors and chief executive of Tomorrow or their respective associates had any personal, family, corporate or other interest or short position in the shares, underlying shares or debentures of Tomorrow or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were notified to Tomorrow and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were notified to Tomorrow and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listing Companies contained in the Listing Rules.

(ii) Interests of Substantial Shareholders

- (a) As at the Latest Practicable Date, according to the register of interests in shares and short positions kept by Tomorrow pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiries by the Directors, the following company and/or person was directly or indirectly interested in 5% or more of the issued share capital of Tomorrow:

	<i>Note</i>	Number of ordinary Shares	Approximate Percentage
Winspark	<i>1</i>	165,835,963	58.0%
Mr. Yau Tak Wah, Paul	<i>2</i>	14,847,400	5.2%

Notes:

1. Winspark is wholly beneficially owned by Mr. Chan Yuen Ming.
2. These Shares were held through Pacific Shore Profits Limited, a company beneficially wholly owned by Mr. Yau Tak Wah, Paul.

Save as disclosed herein, the Directors are not aware of any company and/or person who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of Tomorrow or in any options in respect of such capital as at the Latest Practicable Date.

- (b) None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of Tomorrow were made up, acquired or disposed of by, or leased to Tomorrow or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to Tomorrow or any of its subsidiaries.
- (c) None of the Directors is materially interested in any contract or arrangement entered into with Tomorrow or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Tomorrow.
- (d) Save as disclosed below, none of the Directors has entered or is proposing to enter into a service contract with Tomorrow or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation):

Mr. Yau Tak Wah, Paul and Mr. Tam Ping Wah, Directors of Tomorrow, have entered into service contracts with Tomorrow for a fixed term of three years from 26th April, 2003 to 25th April, 2006, which thereafter are terminable by either party upon the giving of six months' notice.

The terms of the contracts are that the remuneration of each Director shall be a fixed salary at the rate of HK\$2,600,000 per annum. During the term of the engagement, each Director shall be entitled to an annual management bonus after the end of each financial year in the following amount:

- (i) if the audited consolidated net profit of Electronics Tomorrow International Limited (a wholly owned subsidiary of Tomorrow) and its subsidiaries and associated companies attributable to shareholders before such management bonus (the "Net Profit") for the relevant financial year exceeds HK\$16,800,000 but not more than HK\$21,000,000, 3% of the Net Profit;
- (ii) if the Net Profit for the relevant financial year exceeds HK\$21,000,000 but not more than HK\$25,000,000, additional management bonus at 6% of such excess amount of Net Profit;
- (iii) if the Net Profit for the relevant financial year exceeds HK\$25,000,000 but not more than HK\$29,000,000, additional management bonus at 11% of such excess amount of Net Profit (on top of bonuses described in (i) to (ii) above);
- (iv) if the Net Profit for the relevant financial year exceeds HK\$29,000,000 but not more than HK\$33,000,000, additional management bonus at 15% of such excess amount of Net Profit (on top of bonuses described in (i), (ii) and (iii) above); and

- (v) if the Net Profit for the relevant financial year exceeds HK\$33,000,000, additional management bonus at 19% of such excess amount of Net Profit (on top of bonuses described in (i), (ii), (iii) and (iv) above).
- (e) As at the Latest Practicable Date, Barits is not beneficially interested in the share capital of any member of the Tomorrow Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Tomorrow Group.
- (f) As at the Latest Practicable Date, Barits has no interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of Tomorrow were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Tomorrow Group.

3. LITIGATION

(a) Hanmy (Holding) Limited and its related companies (collectively “Hanmy”)

The Swank Group commenced legal proceedings against Hanmy in February 1999 to recover the amounts owed by Hanmy to the Swank Group of approximately HK\$96 million, in relation to certain loans and other advances by the Swank Group to Hanmy, which included issuance of writ and petitions for winding-up. The Swank Group has not yet obtained a judgement due to Hanmy’s defence. Legal proceedings are still in progress and the Swank Group is currently seeking legal opinion regarding the merits of continuing the case.

(b) Litigation against Mr. Lam Yin Sang and Ms. Chan Hoi Wo

The Swank Group instigated legal proceedings in October 1999 against Mr. Lam Yin Sang and Ms. Chan Hoi Wo for the losses of HK\$385,800,000 sustained as a result of various alleged breaches of fiduciary and other duties while acting formerly as directors of the Swank Group. Legal proceedings are still in progress and the Swank Group is currently seeking legal opinion regarding the merits of continuing the case.

Save as disclosed above, neither Tomorrow nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against Tomorrow or any of its subsidiaries.

4. QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Barits	a deemed licensed corporation under the SFO

5. CONSENT

Barits has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its names in the form and context in which they appear herein.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2002, the date to which the latest published audited financial statements of Tomorrow were made up.

7. GENERAL

- (a) The registered office of Tomorrow is at Clarendon House, Church Street, Hamilton HM11, Bermuda.
- (b) The secretary of Tomorrow is Mr. Ma Wing Kuen, Ricky, FCCA, AHKSA.
- (c) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of Tomorrow at 27th Floor, Henley Building, 5 Queen's Road Central, Hong Kong during normal business hours on any weekday, except public holidays up to and including 17th October, 2003:

- (a) the memorandum of association and bye-laws of Tomorrow;
- (b) the service contracts referred to on page 30 and 31 in this appendix;
- (c) the Share Sale Agreement;
- (d) the Loan Settlement Agreement;
- (e) the Underwriting Agreement
- (f) the consent referred to on page 32 in this appendix; and
- (g) the letter of advice from Barits set out on pages 18 to 27 of this circular.

NOTICE OF SGM



Tomorrow International Holdings Limited

明日國際集團有限公司

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Tomorrow International Holdings Limited (the “Company”) will be held at Unit 3301, Level 33, Metroplaza, Tower I, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong on 17th October, 2003 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION

1. “THAT:

- (a) the share sale agreement dated 3rd September, 2003 (the “Share Sale Agreement”, a copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked (“A”) made between the Company, Probest Holdings Inc. (“Probest”) and Swank International Manufacturing Company Limited (“Swank”) whereby Swank conditionally agreed to sell to Probest 30% of the entire issued share capital in Profitown Investment Corporation (“Profitown”) and 30% of the loan due by Profitown to Swank on completion of the Share Sale Agreement at an aggregate consideration of HK\$3 million, and the transactions contemplated thereunder, be and are hereby approved; and
- (b) the Directors be and are hereby authorised for and on behalf of the Company to execute any documents and instruments as may be necessary or incidental to completion of the Share Sale Agreement and to do all such acts and things as they consider necessary or expedient or desirable in connection with or to give effect to the Share Sale Agreement.”

NOTICE OF SGM

ORDINARY RESOLUTION

2. “THAT:

- (a) the loan settlement agreement dated 3rd September, 2003 (the “Loan Settlement Agreement”, a copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked (“B”) made between Swank and Probest in respect of the settlement of the loan in the principal sum of HK\$247 million due from Swank to Probest, including the issue of a HK\$163 million promissory note (the “Promissory Note”) by Swank pursuant to the Loan Settlement Agreement, the form of which is annexed as Schedule 3 to the Loan Settlement Agreement, and the transactions contemplated thereunder, be and are hereby approved;
- (b) the proposed issue by Swank of the Promissory Note and the transactions contemplated thereunder be and are hereby approved; and
- (c) the Directors be and are hereby authorised (i) to execute the Promissory Note pursuant to the Loan Settlement Agreement; (ii) to execute any documents and instruments and to do all such acts and things as they may consider necessary or expedient or desirable in order to give effect to the issue of the Promissory Note; and (iii) to execute any other documents and instruments as may be required or incidental to the Loan Settlement Agreement and to do all such acts and things as they consider necessary or expedient or desirable in connection with or to give effect to the Loan Settlement Agreement and the transactions contemplated thereunder.”

By Order of the Board
Tomorrow International Holdings Limited
Yau Tak Wah, Paul
Chairman

Hong Kong, 30th September, 2003

Registered Office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business:
27th Floor
Henley Building
5 Queen’s Road Central
Hong Kong

NOTICE OF SGM

Notes:

1. A shareholder of the Company entitled to attend and vote at the meeting (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the special general meeting is enclosed herewith.
3. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Room 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof), and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting (or any adjournment thereof), and in such event, the instrument appointing a proxy shall be deemed to be revoked.