

Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I have pleasure to present the annual report of FT Holdings International Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2000.

RESULTS

The audited consolidated results of the Group for the year ended 31st December, 2000 with comparative figures for the previous financial year ended 31st December, 1999 are as follows:

	Year ended 31st December, 2000 HK\$'000	Year ended 31st December, 1999 HK\$'000
Turnover	145,827	123,553
Cost of sales	<u>(98,797)</u>	<u>(82,456)</u>
Gross profit	47,030	41,097
Other revenue	7,688	5,740
Selling expenses	(7,598)	(6,886)
Administrative expenses	(29,371)	(22,309)
Other operating expenses	<u>(7,619)</u>	<u>(2,713)</u>
Profit from operating activities	10,130	14,929
Finance costs	<u>(1,340)</u>	<u>(2,079)</u>
Profit before tax	8,790	12,850
Tax	<u>73</u>	<u>(1,336)</u>
Profit after tax	8,863	11,514
Minority interests	<u>(1,858)</u>	<u>—</u>
Net profit attributable to shareholders	<u>7,005</u>	<u>11,514</u>

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31st December, 2000.

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BUSINESS REVIEW

During the year under review, the Group recorded a total turnover of HK\$145.8 million, of which HK\$111.7 million came from the core business in manufacturing and sales of life-like plants and HK\$34.1 million was contributed by the newly established multi-media business. Net profit attributable to shareholders was HK\$7.0 million.

Despite of a drop of 9.6% in the core business as a whole, an increment of 4% was recorded on the sales of life-like Christmas trees when compared to the year before. The decrease in turnover of life-like plants was due to the competitive market situation and a tighter internal credit control over some existing and new customers alike. The Directors are confident of a healthy rebound of the core business in 2001 in both turnover and profit. The Group's new Christmas products collection introduced in the last quarter of 2000 have been well received by the customers. The Group has also taken advantage of the new product launch to expand its customer base in Europe and United States through a series of aggressive marketing campaigns.

In view of an impending economic downturn in the United States, the Group has taken preventive measures to safeguard our overall turnover volume and profits by expanding the proportion of our European business from 5% in 1999 to around 10% of the turnover in 2000.

The management has expressed concern in the loss of business in the floral and foliated products category. However, the business potential for this category will be strongly enhanced with the introduction of new production technology. As a result of this technology breakthrough, the Group estimates that the market size for our floral and foliated products will be significantly increased. A series of these new products will be available to our customers later on this year. As with the life-like Christmas tree category, the Group intends to maintain a healthy profit margin and turnover by focusing on product innovation as our key competitive edge.

The Group's decisions in the last few years to invest in product research and development and to focus on the middle to high end market segments have proven to be critical to strengthen our market position in the years to come.

The Group's efforts in business diversifications since the second quarter of last year have begun to show a handsome return on our investments. The Group's 60% owned new multi-media arm set up in March last year has recorded an operating profit of approximately HK\$7.4 million in the year under review. Considering the company has only been in operation for ten months, the Directors are satisfied with the performance which is consistent with our initial projections. The Group has high expectations for the multi-media division to fully realize their business potentials in the burgeoning China media market in the coming years.

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PROSPECTS

Core Business

The Group will continue to improve its core business products of life-like Christmas trees, floral and foliage. Our third generation of fiber optic Christmas trees and other peripheral Christmas products will be launched in the second quarter of this year for the viewing of our overseas customers. The new generation products will see major improvements in terms of design variations, quality look, durability, and most importantly, lowering of the production cost.

Due to a more efficient cost controlling system and using new components in our fiber optic products, a lower pricing structure without sacrificing the quality will give our products a strong competitive edge in the market to appeal to the customers who cannot afford our products before.

The Group is also actively seeking new sales channels to strengthen our market positions in the United States and Europe. A new e-commerce business division has been bestowed with this important mission to establish a direct business relation with our customers from all levels in the market. The business concept of this new division is to provide value-added services to our existing customers and to recruit new customers through the application of new internet technologies. This new business concept is a proactive step taken by the Group to take on new opportunities in the future.

After two years of unrelenting efforts spent in research and development, the Group has successfully achieved a crucial technological breakthrough which will be applied to our floral and foliated products. The new production technology will lead to the creation of a new market segment of which our products will enjoy a dominant status for the next few years.

Multi-Media Business

After ten months into operation, the Group's multi-media arm ("FTMM") has produced two TV drama series and acquired three more for distribution purpose. All of which were successfully sold or syndicated to over 120 regional and municipal TV stations in China to barter for valuable advertising air time in return. FTMM has also secured a 90 minutes block of program time on 60 TV stations for the broadcast of three popular Japanese cartoon series. This segment has been branded as "Cartoon Express", which is a first in the Mainland China TV history.

Looking forward, FTMM will continue to produce high quality, star-studded TV drama series as our flagship products and offer them as a total marketing solution package to the advertisers in China. A total of four TV drama series will be produced by FTMM in 2001 and the company will acquire two more to fulfill the syndication plan. Other than TV drama and children programming, the company also plans to start co-productions with specialist producers of variety shows, game shows, talk shows, and documentaries. A long term strategic goal of the company is to strengthen its market reputation as a high quality TV content provider and to build up a sizeable TV program library which will prove to be a valuable asset in generating recurring income over time.

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To become a truly multi-media power house, FTMM will also take up other projects and ventures in both Hong Kong and China to provide one-stop marketing services for its clients. New ventures in the pipeline that will be launched this year include signing up a new outdoor advertising medium in Shanghai as its exclusive agent and taking up new program blocks on various TV stations in China.

The management is pleased to see that the business model of FTMM has flourished within such a short period of time and are fully optimistic of its potential to become an important profit center within the Group.

Anti-Theft Car Alarm and Tracking System

The Anti-Theft Car Alarm and Tracking System ("CAS") is a joint-venture between the Group and a host of Mainland Chinese companies responsible for its technology development and hardware production.

Officially endorsed by the relevant government authorities, the CAS system has been successfully test run in several cities in China. The new joint-venture company set up in September 2000 is the operator and provider of the newest generation of the CAS system.

The first of this newest system will be launched in Xian city of the Shaanxi province around the second quarter of 2001. After which the system in Guangzhou city will also be ready for operation in the third quarter. The management is satisfied in general with the work in progress and has confidence that the network construction in these two cities will be completed as per scheduled.

The Group is also actively soliciting opportunities to export the system for installation in other Asian countries. The company will act as a technical consultant in establishing the network and supply all hardware components for the system.

In conclusion, the Directors will continue to focus on two aspects that determine the future success of the Group. Firstly, we shall continue to invest heavily in new product development to strengthen our market position and competitive edge without giving up a reasonable profit margin. Secondly, we are confident that the success of our new business ventures to be reflected in our next report will further justify our initial decision to diversify the Group's business portfolio and act as a strong evidence of our business acumen.

APPRECIATION

On behalf of the Directors, I would like to express my heartfelt gratitude to the shareholders, customers, suppliers, bankers and professional advisors for their support of the Company over the past year, and to sincerely thank the management and staff for their ongoing dedication and diligence.

Lai Kam Wing, Jimmy
Chairman

Hong Kong, 23rd April, 2001