

Report of the Directors

The directors herein present their annual report and the audited financial statements of the Company and the Group for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Group has expanded its principal activities into (1) production, acquisition and distribution of television programmes and provision of related multi-media services; (2) sale of festival gift products through an internet portal; and (3) provision of anti-theft car alarm and tracking services. The principal activities of its principal subsidiaries are set out in note 12 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for each of the two years ended 31st December, 2000 is as follows:

	Turnover		Contribution to profit from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Design, manufacture and sale of life-like plants	111,693	123,553	6,121	14,929
Production, acquisition and distribution of television programmes and provision of related multi-media services	34,134	—	7,421	—
Sale of festival gift products through an internet portal	—	—	(1,615)	—
Provision of anti-theft car alarm and tracking services	—	—	(1,797)	—
	145,827	123,553	10,130	14,929
By geographical area:				
The United States of America	79,468	93,407	4,355	11,286
People's Republic of China:				
Hong Kong	20,808	21,180	(475)	2,559
Elsewhere	34,134	—	5,624	—
Europe	11,288	7,750	619	936
Other countries	129	1,216	7	148
	145,827	123,553	10,130	14,929

Report of the Directors**RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31st December, 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 50.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group prepared on the basis set out in the note below.

	Year ended 31st December, 2000 HK\$'000	Year ended 31st December, 1999 HK\$'000	Period from 1st September 1997 to 31st December, 1998 HK\$'000	Year ended 31st August, 1997 HK\$'000	Year ended 31st August, 1996 HK\$'000
Turnover	<u>145,827</u>	<u>123,553</u>	<u>184,045</u>	<u>162,075</u>	<u>150,743</u>
Net profit attributable to shareholders	<u>7,005</u>	<u>11,514</u>	<u>14,090</u>	<u>30,077</u>	<u>35,036</u>
			As at		
	31st December, 2000 HK\$'000	31st December, 1999 HK\$'000	31st December, 1998 HK\$'000	31st August, 1997 HK\$'000	31st August, 1996 HK\$'000
TOTAL ASSETS	207,539	182,675	173,044	213,917	119,506
TOTAL LIABILITIES	(34,366)	(15,409)	(36,352)	(80,965)	(107,638)
MINORITY INTERESTS	(938)	—	—	—	—
NET ASSETS	<u>172,235</u>	<u>167,266</u>	<u>136,692</u>	<u>132,952</u>	<u>11,868</u>

Note : The combined results of the Group for the year ended 31st August, 1996 have been extracted from the Company's prospectus dated 19th December, 1996. The consolidated results for the years ended 31st December, 2000 and 1999, the period ended 31st December, 1998 and the year ended 31st August, 1997 are extracted from the audited financial statements. The summary of the results of the Group includes the combined results of the Company and its subsidiaries as if the structure following the Group reorganisation, which took place on 13th December, 1996, had been in existence throughout the two years ended 31st August, 1997.

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FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 12 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the Group's borrowings as at 31st December, 2000 are set out in note 20 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year, together with reasons therefor, are set out in note 22 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31st December, 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$76,900,000. In addition, the Company's share premium account with a balance of HK\$48,956,000 may be distributed in the form of fully paid bonus shares.

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DIRECTORS

The directors of the Company during the year were:

Executive Directors

Lai Kam Wing, Jimmy (*Chairman and Managing Director*)

Lai Ma Yuk Wah, Monita (*Deputy Chairman and Deputy Managing Director*)

Leung Mei Yee

Independent Non-executive Directors

Sir Gordon Macwhinnie

Wu Wing Kit

In accordance with the Company's bye-laws, Leung Mei Yee and Wu Wing Kit will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

The Company entered into a service contract with each of the following executive directors for the provision of management services by these directors to the Group:

Lai Kam Wing, Jimmy

Lai Ma Yuk Wah, Monita

Leung Mei Yee

Each service contract has an unexpired term of 12 months as at 31st December, 2000 and continues thereafter on a yearly basis until terminated by either party.

Save as disclosed above, no director has a service contract with the Company which is not determinable by the Company within one year without the payment of compensation other than the statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

None of directors had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

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DIRECTORS' INTERESTS IN SHARES

At 31st December, 2000, the interests of the directors and chief executives in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Ordinary shares

Director	Number of ordinary shares Other interest
Lai Kam Wing, Jimmy	110,400,000 (Note)

Note: Raffles International Holdings Limited ("Raffles") is the beneficial owner of 110,400,000 shares representing 38% of the total issued share capital of the Company. The entire issued share capital of Raffles is beneficially owned by Lai Kam Wing, Jimmy.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Share options

Director	Number of shares in respect of which options were granted	Exercise period	Exercise price HK\$
Lai Ma Yuk Wah, Monita	4,000,000	7/3/1997 — 6/3/2007	0.7056
Leung Mei Yee	4,000,000	7/3/1997 — 6/3/2007	0.7056

The share options were granted on 7th March, 1997. No share options were granted or exercised during the current year. Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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Substantial shareholders

As at 31st December, 2000, the following interests of 10% or more in the issued share capital of the Company were recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of issued shares
Raffles International Holdings Limited (<i>Note</i>)	110,400,000	38%

Note: Raffles International Holdings Limited is beneficially owned by Lai Kam Wing, Jimmy, a director of the Company, as detailed under "Directors' interests in shares" above.

Save as disclosed herein, the directors were not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 31st December, 2000 that was required to be recorded under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions which constitute as "Connected transactions" as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

Pursuant to an agreement dated 9th February, 2000, FT Strategic Investments Limited ("FT Strategic"), a wholly-owned subsidiary of the Group, agreed to advance loans from time to time in the aggregate amount of HK\$10 million to FT Multi-Media Limited ("FT Multi-media"), a 60%-owned subsidiary of the Group. The loans bear interest at the rate of 10% per annum and are repayable no later than 8th February, 2003.

Pursuant to a further agreement dated 25th August, 2000, the Company and FT Strategic have jointly and severally undertaken to advance loans to Billion Wealth Investment Limited ("Billion Wealth"), a 51%-owned subsidiary of a subsidiary of the Group from time to time in an aggregate amount of HK\$13 million. These loans bear interest at the rate of 2% above the best lending rate quoted by a bank in Hong Kong and are repayable no later than 24th August, 2002.

As at 31st December, 2000, FT Strategic had amounts due from (a) FT Multi-media of HK\$10,415,000, which comprised a loan amount of HK\$9,875,000 and interest receivable of HK\$540,000, and (b) Billion Wealth, of HK\$8,877,000, which comprised a loan amount of HK\$8,400,000 and interest receivable of HK\$477,000.

In addition, pursuant to tenancy agreements entered between the Group with FT Multi-media and between the Group with Spectrum Consultants Limited ("Spectrum"), a company of which a director of FT Multi-media is also a director and shareholder, the Group rented part of the office premise to respective companies at a monthly rent of HK\$25,000 and HK\$12,500, respectively, effective from 1st March, 2000 for a period of two years. The amount of rent was determined with reference to the prevailing market rate. During the year, the Group received rental income of HK\$250,000 from FT Multi-media and HK\$125,000 from Spectrum.

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CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year and up to the date of this report, save that independent non-executive directors have not been appointed for a specific term. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

In order to increase the level of corporate governance and to comply with the Code of Best Practice, the Company set up an audit committee in November 1998 which consists of the two independent non-executive directors. The audit committee's principal duties are the review and supervision of the Group's financial reporting process and internal controls. Five audit committee meetings were held during the year and prior to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the year under review, the Group's largest customer and the Group's five largest customers accounted for 29% and 53% of the Group's total sales, respectively.

During the year under review, the Group's largest supplier and the Group's five largest suppliers accounted for 18% and 44% of the Group's total purchases, respectively.

As far as the directors are aware, neither the directors, nor their associates, nor any shareholder (which, to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in any of these customers and suppliers of the Group during the year.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lai Kam Wing, Jimmy

Chairman

Hong Kong

23rd April, 2001