Notes to Financial Statements

31st December, 2000

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 11th June, 1996 as an exempted company with limited liability under the Companies Act of Bermuda 1981 (as amended). The companies in the Group underwent a corporate reorganisation in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited ("HKSE") in 1997.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the Group was involved in the following principal activities:

- design, manufacture and sale of life-like plants for decorative purposes, specialising in life-like Christmas trees;
- production, acquisition and distribution of television programmes and the provision of related multi-media services;
- provision of anti-theft car alarm and tracking services; and
- sale of festival gift products through an internet portal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and equity investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid for subsidiaries over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. Any impairment in value of goodwill, as determined by the directors, is charged to the profit and loss account.

On disposal of a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary.

Notes to Financial Statements

31st December, 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Construction in progress represents an anti-theft car alarm and tracking system under construction and is stated at cost and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. The construction in progress will be reclassified to the appropriate category of fixed assets and depreciated thereafter when completed and ready for use.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land	Over the lease terms
Buildings	2%
Plant and machinery	$6^2/_3$%
Furniture, fixtures and equipment	20% to 30%
Motor vehicles	20-30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Television programmes and sub-licensing rights

(a) Television programmes ("TV programmes")

TV programmes produced by the Group are stated at cost less amortisation and any provision for impairment in carrying amount deemed necessary by the directors. Costs represent the carrying amount transferred from TV programmes in progress upon completion and are amortised at rates calculated to write off these costs in proportion to the expected revenues from the distribution and the licensing of video and other broadcasting of these TV programmes following their release. Provisions are made against the carrying amounts of TV programmes if the carrying amounts exceed their expected future revenue.

(b) TV programmes in progress

TV programmes in progress are stated at cost less provisions for impairment in carrying amount deemed necessary by the directors. Costs include all direct costs associated with the production of TV programmes. Provisions are made against costs which are in excess of the future revenue expected to be generated by these TV programmes. The costs of TV programmes in progress are transferred to TV programmes upon completion.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Television programmes and sub-licensing rights *(continued)*

(c) Sub-licensing rights

Licence fees paid to acquire the rights for the sub-licensing of TV programmes produced by third parties in specified geographical areas and time periods are accounted for as sub-licensing rights. Upon the release of these purchased TV programmes, the relevant portion of the licence fees are charged to the profit and loss account on a systematic basis, with reference to the projected revenue and the underlying licence periods. Provisions are made against the sub-licensing rights if the carrying amounts of the sub-licensing rights is considered to exceed their expected future revenue.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the directors having regard to, inter-alia, the prices of the most recent reported sales or purchases of the securities or the comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

Deferred development costs

These represent the expenditures incurred to develop a new product and the direct costs incurred to register the patent for the new product. The expenditure and the cost of the patent capitalised are amortised using the straight-line method over the estimated useful life from the date when the product is put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Notes to Financial Statements

31st December, 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer;

(b) income from the licensing and sub-licensing of TV programmes, upon the delivery of master tapes to customers;

(c) income from the sale of advertising air-time granted by television stations through the licensing and sub-licensing of TV programmes, when the TV programmes are telecast;

(d) commission and other service fees, when services are rendered; and

(e) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Retirement scheme and costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the ''Scheme'') under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Scheme became effective from 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Prior to the Scheme being effective, the Group did not have any retirement scheme.

Employees in subsidiaries in the Mainland China are members of the Central Pension Scheme operated by the Chinese government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the Group with respect to the Central Pension Scheme is the required contributions, which are charged to the profit and loss account in the year to which they relate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of goods sold, net of discounts and returns and gross receipts from the licensing and sub-licensing of TV programmes and the provision of related multi-media services, net of applicable business taxes.

An analysis of turnover and other revenue is as follows:

	2000 ***HK$'000***	1999 *HK$'000*
TURNOVER		
— Production and distribution of life-like Christmas trees, floral and other foliaged products	**111,693**	123,553
— Production, acquisition and distribution of TV programmes and the provision of related multi-media services, net of applicable business taxes of HK$1,796,000	**34,134**	—
Total turnover	**145,827**	123,553
Interest income	**4,971**	3,894
Sales of samples	**755**	811
Income from video recording services	**947**	—
Commission income	**31**	215
Exchange gain, net	**409**	485
Others	**575**	335
	7,688	5,740
Total revenue	**153,515**	129,293

Notes to Financial Statements

31st December, 2000

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2000 HK$'000	1999 HK$'000
Cost of inventories sold	**78,129**	82,456
Depreciation	**5,213**	4,565
Amortisation of TV programmes and sub-licensing rights	**20,668**	—
Operating lease rentals in respect of land and buildings	**1,463**	888
Staff costs (excluding directors' remuneration, note 7)	**21,431**	18,340
Auditors' remuneration	**792**	520
Provisions for bad and doubtful debts	**7,619**	2,713

The Group did not have any retirement scheme prior to the Mandatory Provident Fund becoming effective on 1st December, 2000. No contributions were made during the year.

5. FINANCE COSTS

	Group	
	2000 HK$'000	1999 HK$'000
Interest on bank loans wholly repayable within five years	**1,287**	820
Interest on shareholders' loans	**—**	1,259
Interest on loans from minority shareholders of a subsidiary	**53**	—
	1,340	2,079

6. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Tax recoverable represents the excess of provisional tax paid over the estimated tax liability.

	Group	
	2000 HK$'000	1999 HK$'000
Provision for the year:		
Hong Kong	**195**	975
Under/(over)provision in prior year	**(268)**	161
Deferred tax	**—**	200
Tax charge/(credit) for the year	**(73)**	1,336

6. **TAX** *(continued)*

The movement in deferred tax is analysed below:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Balance at beginning of year	**200**	—
Charge for the year	**—**	200
Balance at end of year	**200**	200

The provision for deferred tax is made in respect of accelerated depreciation allowances to the extent that a liability was expected to crystallise in the foreseeabe future. As at 31st December, 2000, the Group had an unprovided deferred tax liability of HK$500,000, relating to accelerated depreciation allowances, which is not expected to crystallise in the foreseeable future.

The revaluations of the Group's properties did not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been not quantified.

Company

The Company had no significant provided or unprovided deferred tax assets or liabilities at the balance sheet date.

7. **DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Executive:		
Fees	**—**	—
Other emoluments:		
Salaries, housing, other allowances and benefits in kind	**7,323**	6,906
	7,323	6,906
Independent non-executive:		
Fees	**320**	320
Other emoluments	**—**	—
	320	320
	7,643	7,226

Notes to Financial Statements

31st December, 2000

7. DIRECTORS' REMUNERATION *(continued)*

The number of directors whose remuneration fell within the following bands is set out below:

	Number of directors	
Executive:	**2000**	1999
Nil — HK$1,000,000	**—**	1
HK$1,000,001 — HK$1,500,000	**1**	1
HK$1,500,001 — HK$2,000,000	**1**	1
HK$3,500,001 — HK$4,000,000	**—**	1
HK$4,000,001 — HK$4,500,000	**1**	—
	3	4
Independent non-executive:		
Nil — HK$1,000,000	**2**	2
	5	6

There was no arrangement under which a director waived or agreed to waive any emoluments.

8. SENIOR MANAGEMENT EMOLUMENTS

The five highest paid individuals included three (1999: three) directors, details of whose remuneration are disclosed in note 7 to the financial statements. The remuneration of the two (1999: two) non-director, highest paid individuals are set out below.

	Group	
	2000	1999
	HK$'000	*HK$'000*
Basic salaries, housing, other allowances and benefits in kind	**2,326**	1,178

The remuneration of the non-director, highest paid individuals fell within the following bands:

	Number of individuals	
	2000	1999
Nil — HK$1,000,000	**1**	2
HK$1,500,001 — HK$2,000,000	**1**	—
	2	2

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company was HK$85,000 (1999: profit of HK$24,000).

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders for the year of HK$7,005,000 (1999: HK$11,514,000) and the weighted average of 276,797,131 shares (1999: 230,189,041 shares) in issue during the year.

The diluted earnings per share for the year is based on the net profit attributable to shareholders for the year of HK$7,005,000 and the weighted average of 276,797,131 shares in issue during the year plus 634,594 dilutive shares deemed to have been issued for no consideration in respect of share options outstanding during the year.

No diluted earnings per share has been presented for the year ended 31st December, 1999 as the effect of the share options outstanding was anti-dilutive for the year ended 31st December, 1999.

11. FIXED ASSETS

Group

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	90,402	27,023	9,541	2,095	—	129,061
On acquisition of subsidiaries	—	—	404	—	—	404
Additions	71	482	3,901	2,052	2,098	8,604
At 31st December, 2000	90,473	27,505	13,846	4,147	2,098	138,069
Accumulated depreciation:						
At beginning of year	8,706	7,935	7,265	1,875	—	25,781
Provided during the year	2,008	1,757	1,103	345	—	5,213
At 31st December, 2000	10,714	9,692	8,368	2,220	—	30,994
Net book value:						
At 31st December, 2000	79,759	17,813	5,478	1,927	2,098	107,075
At 31st December, 1999	81,696	19,088	2,276	220	—	103,280

The Group's land and buildings are held under the following lease terms:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Medium term leases:			
At cost	24,243	14,842	39,085
At valuation	—	51,388	51,388
	24,243	66,230	90,473

Notes to Financial Statements

31st December, 2000

11. FIXED ASSETS *(continued)*

At 31st October, 1996, the leasehold land and buildings situated in Hong Kong and the PRC were revalued by American Appraisal Hong Kong Limited, independent professional valuers. The leasehold land and buildings situated in Hong Kong were revalued at an open market value, based on their existing use. The leasehold land and buildings situated in the PRC were revalued on a depreciated replacement cost basis.

Had there been no revaluations of the leasehold land and buildings, the net carrying amount of cost less accumulated depreciation for leasehold land and buildings at 31st December, 2000 would have been HK$43,449,000 (1999: HK$47,089,000). The additional depreciation charge for the year arising in respect of the revalued amount was HK$789,000 (1999: HK$789,000).

The directors requested Chung, Chan & Associates, independent professional valuers, to conduct a valuation of the Group's leasehold land and buildings situated in Hong Kong and the PRC at 31st December, 2000. The valuation of the leasehold land and buildings situated in Hong Kong and the PRC as at 31st December, 2000 reported by Chung, Chan & Associates was not materially different from their net book value as at 31st December, 2000.

The Group's land and buildings situated in Hong Kong have been pledged to its banker as security for a long term bank loan (see note 20).

12. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK$'000	*HK$'000*
Unlisted shares, at cost	**73,218**	73,218
Due from subsidiaries	**81,632**	46,378
	154,850	119,596

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for amounts advanced to subsidiaries of HK$9,875,000 and HK$8,400,000, which respectively bear interest at 10% per annum and 2% above the best lending rate quoted by a bank in Hong Kong, and are repayable on or before 8th February, 2003 and 24th August, 2002, respectively.

Particulars of the subsidiaries as at 31st December, 2000 were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
FT Far East Limited	Hong Kong	HK$2	—	100%	Trading of life-like decorative plants
FT China Limited	Hong Kong	HK$2	—	100%	Manufacture of life-like decorative plants
FT Properties Limited	Hong Kong	HK$2	—	100%	Property rental

12. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dongguan United Art Plastic Products Limited	PRC	HK$49,000,000	—	100% *(note (a))*	Manufacture of life-like Christmas trees
Weihai FT Plastic Products Co. Ltd.	PRC	RMB13,000,000	—	100% *(note (b))*	Manufacture of life-like decorative plants
FT Multi-Media Limited*	British Virgin Islands /PRC	US$10,000	—	60% *(note (c))*	Production, acquisition and distribution of television programmes and provision of related multi-media services
e-Business Integrated Technology Limited *	Hong Kong	HK$100	—	80%	Sale of festival gift products through an internet portal
Guangdong Yong Hua New Electronic Network Investment Co. Ltd. * (“Guangdong Yong Hua”)	PRC	RMB30,000,000	—	20% *(note (d))*	Provision of anti-theft car alarm and tracking services in the PRC

* *Companies newly established in 2000.*

(a) Pursuant to a joint venture agreement dated 8th September, 1993 (the “Joint Venture Agreement”) entered into between FT China Limited and a PRC party, FT China Limited held a 75% equity interest in Dongguan United Art Plastic Products Limited (“DUAP”).

On 28th March, 1996, the relevant PRC authorities approved the increase of the equity interest held by FT China Limited in DUAP from 75% to 90%, pursuant to an agreement signed between FT China Limited and a PRC party on 22nd March, 1996. Following the approval of this agreement, the PRC party is entitled to a 10% share of the assets and liabilities of DUAP. FT China Limited provided a loan in the amount of HK$4.9 million to the PRC party for the payment of its capital contribution. The recovery of this loan is guaranteed by Mr. Lai Kam Wing, Jimmy. The directors consider that this arrangement does not have any significant impact the operating results and the financial position of Group and the operation and management of DUAP.

Pursuant to the Joint Venture Agreement, the PRC party agreed to waive its entitlement to share in the profits and losses of DUAP in return for an annual management fee of HK$55,556 (1999: HK$55,556). Pursuant to a supplemental agreement to the Joint Venture Agreement, all of the assets of DUAP will be assigned to FT China Limited upon the expiry of the Joint Venture Agreement. Accordingly, all assets, liabilities and the operating results of DUAP are consolidated into these financial statements as if it is a wholly-owned subsidiary of the Group.

Notes to Financial Statements

31st December, 2000

12. INTERESTS IN SUBSIDIARIES *(continued)*

(b) Pursuant to a joint venture agreement dated 25th April, 1997 entered into between FT China Limited and a PRC party, FT China Limited invested RMB19,000,000 in Weihai FT Plastic Products Co. Ltd. ("Weihai FT"), representing a 95% interest in Weihai FT, and the PRC party invested RMB1,000,000 in Weihai FT, representing a 5% interest. The registered capital of Weihai FT is RMB13 million. The difference between the amount invested and the registered capital represents loans to Weihai FT.

Pursuant to this agreement, the PRC party agreed to waive its entitlement to share in the profits and losses of Weihai FT in return for an annual management fee of RMB78,000 (1999: RMB78,000), with the PRC party being entitled to the return of its capital invested upon the expiry of the joint venture agreement without the sharing of any undistributed profits. Accordingly, all of the assets, liabilities and the operating results of Weihai FT are consolidated into these financial statements as if it is a wholly-owned subsidiary of the Group and the capital invested by the PRC party is treated as a long term loan payable.

On 19th June, 1998, the capital invested by the PRC party was decreased from RMB1,000,000 to RMB650,000 following the approval of the relevant PRC authority. As at the balance sheet date, the long term loan payable to the PRC party therefore amounted to RMB650,000 (equivalent to HK$601,000).

(c) Pursuant to an agreement dated 9th February, 2000, the minority shareholders have the option to purchase a further 30% equity interest in FT Multi-Media Limited from the Group within the period from 9th February, 2002 to 8th February, 2005, at a purchase price stipulated in the agreement.

(d) The Group holds a 56% equity interest in a subsidiary, which in turn holds a 51% equity interest in Billion Wealth Investment Limited ("Billion Wealth"). Billion Wealth has an effective 70.05% equity interest in Guangdong Yong Hua.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

13. DEFERRED DEVELOPMENT EXPENDITURE

The amount represented product development costs incurred in the current year. No amortisation has been made during the year as the product development work had not been completed at the balance sheet date and the related product sales did not commence until 2001.

14. LONG TERM INVESTMENTS

	Group	
	2000	1999
	HK$'000	*HK$'000*
Unlisted equity investments, at fair value	**2,332**	—

Notes to Financial Statements

31st December, 2000

15. INVENTORIES

	Group	
	2000	1999
	HK$'000	*HK$'000*
Raw materials	**7,649**	7,912
Work in progress	**5,311**	5,463
Finished goods	**679**	1,163
	13,639	14,538

As at the balance sheet date, none of the inventories included in the above balance were carried at net realisable value (1999: Nil).

16. TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

	Group	
	2000	1999
	HK$'000	*HK$'000*
TV programmes	**1,000**	—
TV programmes in progress	**2,087**	—
Sub-licensing rights	**1,547**	—
	4,634	—

17. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment and the demonstration of an established payment record. The Group usually allows an average credit period of 30 to 120 days to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The following is an aging analysis of trade receivables (net of provision for bad and doubtful debts).

	Group	
	2000	1999
	HK$'000	*HK$'000*
Aging		
Less than 90 days	**33,137**	26,158
91-180 days	**7,869**	2,856
Over 180 days	**12,481**	2,667
Total	**53,487**	31,681

The above analysis ages trade receivables, stated net of provision for bad and doubtful debts, based on the due dates after revenue is recognised from the trade transactions.

Notes to Financial Statements

31st December, 2000

18. CASH AND CASH EQUIVALENTS

	Group 2000 HK$'000	Group 1999 HK$'000
Cash and bank balances	**14,692**	28,608
Unpledged time deposits	**3,544**	859
	18,236	29,467

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following trade payables.

	Group 2000 HK$'000	Group 1999 HK$'000
Aging		
Less than 90 days	**4,147**	2,211
91-180 days	**4,355**	3,785
Over 180 days	**654**	90
Total accounts payable	**9,156**	6,086
Accrued liabilities	**11,626**	7,692
	20,782	13,778

The above analysis ages trade payables based on the invoice dates after receipts of the goods and services purchased.

20. INTEREST-BEARING BANK LOAN, SECURED

	Group 2000 HK$'000	Group 1999 HK$'000
Repayable within a period of:		
Less than one year	**2,093**	510
After one year but within two years	**7,465**	—
	9,558	510
Portion classified as current liabilities	**(2,093)**	(510)
Long term portion	**7,465**	—

The bank loan and other banking facilities of the Group are secured by:

(i) all monies and legal charges over the land and buildings of a subsidiary (see note 11); and

(ii) unlimited corporate guarantees from the Company and certain subsidiaries.

21. AMOUNT DUE BY A SUBSIDIARY TO A MINORITY SHAREHOLDER

The balance is unsecured, bears interest at the rate of 2% above the best lending rate quoted by a bank in Hong Kong and is repayable on or before 24th August, 2002.

22. SHARE CAPITAL

Shares

	Company	
	2000	1999
	HK$'000	*HK$'000*
Authorised:		
500,000,000 ordinary shares of HK$0.10 each	**50,000**	50,000
Issued and fully paid:		
291,000,000 (1999: 264,500,000) ordinary shares of HK$0.10 each	**29,100**	26,450

During the year, the following movements in share capital were recorded:

(a) On 15th December, 1999, 2 subscription agreements were entered into between the Company and two third parties ("Subscribers"). Each subscriber agreed to subscribe for 11,500,000 new shares of the Company of HK$0.10 each at HK$0.57 per share, each new share ranking pari passu in all aspects with the existing share capital of the Company. The completion of each subscription agreement has been divided into 2 tranches of 5,750,000 new shares each. The first tranche of 11,500,000 shares in total was issued on 30th December 1999. During the year, the second tranche of shares was issued on 22nd February, 2000 and 28th June, 2000, respectively. The proceeds were used to establish a new e-commerce business which is engaged in developing an e-commerce web-site specialising in selling festival gifts and items, including Christmas trees and other Christmas items.

(b) Pursuant to an acquisition agreement dated 25th August, 2000, 15,000,000 new shares of the Company of HK$0.10 each, ranking pari passu in all aspects with the existing share capital of the Company, were issued to an independent third party at approximately HK$0.667 per share as the consideration for the acquisition of 28.6% of the issued share capital of Billion Wealth. Billion Wealth holds a 70.05% interest in Guangdong Yong Hua which is engaged in the provision of anti-theft car alarm and tracking services in the PRC. Billion Wealth is treated as a subsidiary as explained in note 12.

A summary of the transactions during the year with reference to the above movements of the Company's ordinary share capital is as follows:

	Carrying amount 2000 *HK$'000*	**Shares issued 2000**
At beginning of year	26,450	264,500,000
Subscription of new shares as referred to in (a) above	1,150	11,500,000
Placement of new shares as referred to in (b) above	1,500	15,000,000
At end of year	29,100	291,000,000

During the year ended 31st December, 1999, two subscribers had subscribed 11,500,000 new shares of the Company and the Company had placed 23,000,000 new shares of the Company to an independent third party in December 1999.

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22. SHARE CAPITAL *(continued)*

Share options

On 13th December, 1996, the Company conditionally approved a share option scheme ("the Scheme") under which the directors may, at their discretion, grant to full-time employees and executive directors of the Group, the right to take up options to subscribe for shares of the Company during the ten years from its date of approval. The subscription price of the options is to be subject to a minimum which is the higher of the nominal value of a share and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

The maximum number of shares over which options may be granted must not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued pursuant to the Scheme. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the aggregate number of shares subject to the Scheme, at the time it is proposed to grant the relevant option to such person. The share option scheme became effective upon the listing of the Company's shares on the Stock Exchange on 3rd January, 1997.

On 7th March, 1997, the directors approved the granting of options to subscribe for 15,000,000 shares to two executive directors and seven employees, for a cash consideration of HK$1. These options entitle the option-holders to subscribe for 15,000,000 shares at a price of HK$0.7056 per share at any time during 7th March, 1997 to 6th March, 2007 inclusive.

During the year, there were no options exercised, and 23,000,000 share options granted in 1999 expired and were cancelled. The total number of share options outstanding as at the balance sheet date was 15,000,000 (1999: 38,000,000).

23. RESERVES

Group

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1st January, 1999	19,602	24,041	37,105	—	32,944	113,692
Issue of shares	16,215	—	—	—	—	16,215
Share issue expenses	(605)	—	—	—	—	(605)
Profit for the year	—	—	—	—	11,514	11,514
At 31st December, 1999 and beginning of year	35,212	24,041	37,105	—	44,458	140,816
Issue of shares	13,905	—	—	—	—	13,905
Share issue expenses	(161)	—	—	—	—	(161)
Goodwill arising from acquisition of subsidiaries	—	(18,382)	—	—	—	(18,382)
Exchange realignment arising from retranslation of subsidiaries	—	—	—	(48)	—	(48)
Profit for the year	—	—	—	—	7,005	7,005
At 31st December, 2000	48,956	5,659	37,105	(48)	51,463	143,135

23. RESERVES *(continued)*

Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1st January, 1999	19,602	73,018	3,943	96,563
Issue of shares	16,215	—	—	16,215
Share issue expenses	(605)	—	—	(605)
Profit for the year	—	—	24	24
At 31st December, 1999 and beginning of year	35,212	73,018	3,967	112,197
Issue of shares	13,905	—	—	13,905
Share issue expenses	(161)	—	—	(161)
Profit for the year	—	—	(85)	(85)
At 31st December, 2000	48,956	73,018	3,882	125,856

The contributed surplus of the Group represents the difference between the nominal value of the shares acquired pursuant to the Group reorganisation at the time of the listing of the Company's shares on 3rd January, 1997, over the nominal value of the Company's shares issued in exchange therefor, net of HK$100,000 being 1,000,000 shares issued nil paid upon the incorporation of the Company, less goodwill arising on the acquisition of subsidiaries written off in the current year.

The contributed surplus of the Company represents the difference between the consolidated net asset value of FT Holdings Limited on 31st October, 1996, when its entire issued share capital was acquired by the Company pursuant to the Group reorganisation, and the nominal amount of the Company's shares issued in consideration for such an acquisition, net of HK$100,000, being 1,000,000 shares issued nil paid upon the incorporation of the Company. Under the Companies Act of Bermuda 1981 (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances. The share premium of the Company is distributable in the form of fully paid bonus shares.

24. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities

	2000 ***HK$'000***	1999 *HK$'000*
Profit from operating activities	**10,130**	14,929
Interest income	**(4,971)**	(3,894)
Depreciation	**5,213**	4,565
Provision for bad and doubtful debts	**7,619**	—
Decrease/(increase) in inventories	**899**	(603)
Increase in television programmes and sub-licensing rights	**(4,634)**	—
Increase in trade receivables	**(29,425)**	(1,612)
Increase in prepayments and other receivables	**(671)**	(1,236)
Increase in accounts payable and accrued liabilities	**6,840**	6,594
Net cash inflow/(outflow) from operating activities	**(9,000)**	18,743

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24. NOTES TO THE CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Share capital (including premium) HK$'000	Long term bank loan HK$'000	Long term loan payable HK$'000	Share - holders' loans HK$'000	Amount due by a subsidiary to a minority shareholder HK$'000	Minority interests HK$'000
Balance at 1st January, 1999	42,602	1,590	601	15,900	—	—
Net cash inflow/(outflow) during the year	19,060	(1,080)	—	(15,900)	—	—
Balance at 31st December, 1999 and 1st January, 2000	61,662	510	601	—	—	—
Arising from acquisition of subsidiaries	10,000	—	—	—	902	7
Net cash inflow during the year	6,394	9,048	—	—	323	1,073
Share of profit for the year	—	—	—	—	—	1,858
Dividend payable	—	—	—	—	—	(2,000)
Balance at 31st December, 2000	78,056	9,558	601	—	1,225	938

(c) Major non-cash transaction

During the year, the Group acquired a 28.6% equity interest in a company at a consideration of HK$10,000,000, which was satisfied by the issue of 15,000,000 shares of HK$0.10 each in the capital of the Company at an agreed value of HK$0.667 per share.

(d) Acquisition of subsidiaries

	2000 ***HK$'000***
Net assets acquired:	
Fixed assets	**404**
Cash and bank balances	**140**
Prepayments, deposits and other receivables	**537**
Accounts payable and other accrued liabilities	**(164)**
Shareholders' loans	**(902)**
Minority interests	**(7)**
	8
Goodwill on acquisition	**18,382**
	18,390
Satisfied by:	
Cash	**8,390**
Issue of 15,000,000 ordinary shares of the Company at approximately HK$0.667 per share	**10,000**
	18,390

24. NOTES TO THE CASH FLOW STATEMENT *(continued)*

(d) Acquisition of subsidiaries *(continued)*

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2000
	HK$'000
Cash consideration	**8,390**
Cash and bank balances acquired	**(140)**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**8,250**

The subsidiaries acquired during the year contributed turnover of HK$34,134,000 and net profit of HK$7,167,000 to the consolidated turnover and profit after tax and before minority interests, respectively, for the year ended 31st December, 2000.

In respect of the cash flows for the year ended 31st December, 2000, the subsidiaries acquired in the current year contributed net cash inflows of HK$1,400,000 to the Group's net operating cash flows and utilised HK$4,175,000 for investing activities.

25. CONTINGENT LIABILITIES

	Group	
	2000	1999
	HK$'000	*HK$'000*
Bills discounted with recourse	**1,960**	—

Company

At the balance sheet date, there were unlimited corporate guarantees issued by the Company to certain banks to secure a bank loan and other banking facilities granted to certain subsidiaries of the Company.

26. COMMITMENTS

	Group	
	2000	1999
	HK$'000	*HK$'000*
(a) Capital commitments:		
Contracted for	**5,000**	551
(b) Commitments under operating leases:		
Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	**61**	90
In the second to fifth years, inclusive	**1,786**	—
	1,847	90

The Company had no material outstanding commitments at the balance sheet date.

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27. COMPARATIVE AMOUNTS

The provision for bad and doubtful debts of HK$2,713,000 for the year ended 31st December, 1999 has been reclassified from administrative expenses to other operating expenses as, in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's operating results.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23rd April, 2001.