

# 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, 2001.

## RESULTS

The audited consolidated results of the Group for the year ended 31st December, 2001 with comparative figures for the previous financial year ended 31st December, 2000 are as follows:

	<b>Year ended 31st December, 2001 HK\$'000</b>	Year ended 31st December, 2000 HK\$'000 (Restated)
<b>Turnover</b>	<b>124,027</b>	145,827
Cost of sales	<b>(84,875)</b>	(98,797)
<b>Gross profit</b>	<b>39,152</b>	47,030
Other revenue	<b>14,683</b>	7,688
Selling expenses	<b>(7,007)</b>	(7,598)
Administrative expenses	<b>(38,802)</b>	(29,371)
Impairment of goodwill	—	(15,582)
Other operating expenses	<b>(8,759)</b>	(7,619)
<b>Loss from operating activities</b>	<b>(733)</b>	(5,452)
Finance costs	<b>(1,665)</b>	(1,340)
<b>Loss before tax</b>	<b>(2,398)</b>	(6,792)
Tax	<b>(642)</b>	73
<b>Loss before minority interests</b>	<b>(3,040)</b>	(6,719)
Minority interests	<b>3,104</b>	(1,858)
<b>Net profit/(loss) for the year attributable to shareholders</b>	<b>64</b>	(8,577)

## DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31st December, 2001.

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## **BUSINESS REVIEW**

During the year under review, the Group recorded a total turnover of HK\$124 million representing a decrease of approximately 15% compared to last year. The net profit attributable to shareholders was HK\$64,000 while a loss of HK\$8.6 million was recorded in 2000 after a prior year adjustment for provision of impairment of goodwill arising from the acquisition of the multi-media and anti-theft car alarm and tracking businesses amounting to HK\$15.6 million.

The prior year adjustment was made as the Group adopted the SSAP 31 "Impairment of assets" during the year which also applied to goodwill previously eliminated against consolidated reserves and was accounted for retrospectively.

### **Sales of life-like plants**

Amid the down turn of the global economy, Year 2001 has been a difficult year for the Group's core business on sales of life-like plants. The U.S. retail environment was stagnated since the end of 2000. The terrorists' strikes on 11 September 2001 further weakened the consumer spending on luxury goods. The market for foliated and floral products were weak and competition have been tough and price driven, resulting with profit margin skimmed to a minimal level. The Group's turnover on life-like plants was thus decreased by 16% and a break-even result was recorded.

Given the difficult business climate, the Group still managed some break through in certain sector. Sales of life-like Christmas trees continues to be the major product of the Group's core business which accounted for approximately 80% of the turnover in this sector. It can help to laid down the foundation for us to grow when the worst recession start to recover. The management is optimistic over the future opportunities of the Group's business expansion.

### **Multi-media business**

2001 was also a difficult year for the multi-media business due to the depressed state of the advertising market and also major changes in the TV industry masterminded by the PRC Government. As a result, government approval on content was taking longer and collection of money was also taking longer which slowed down our execution plan. While the overall business strategy was on course, the Group was unable to complete everything planned for the year. It was also the prudent thing to do during these times of uncertainty. One strategy the Group stayed firmly with. All the projects we were able to do, was consistently generated for a good profit margin. Due to fast changing conditions, the Group decided the outdoor project in Shanghai was becoming too high risked and therefore made a strategic decision to pull out before we commit to any investment. The Group will continue to look for other outdoor media opportunities to enrich our multi-media business model. The Group is moving cautiously ahead and are bullish about the future of the division.

### **Anti-theft car alarm and tracking system**

The installation of the Anti-Theft Car Alarm and Tracking System ("CAS") in Xian and Guangzhou cities had been completed during the year. While the installation process was much lengthy than expected, the network has been proved to be one of the most effective systems among the market. The CAS business had no contribution to the Group's results during the year under review, since the system was just launched to the market in August 2001 and January 2002 in Xian and Guangzhou, respectively. The management expects a handsome return after a series of promotional activities carried out in 2002.

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## PROSPECTS

### Sales of life-like plants

Year 2002 will be a challenging year for the Group. We will continue to improve our core business by all means. Our new innovated products, beside the third generation fiber optic Christmas trees, are really well acceptance by the market. It will not only leading the PVC tree market into another horizon, and also brings the industry into a new frontier.

After a year carefully planning, the new sales and marketing channel has already established. It laid down a solid foundation for us to grow. The e-commerce division has also shown some significant data to led us to conclude that we cannot ignore.

In the coming years, the Group will continue to improve its cost and quality control to secure its tradition Christmas tree, floral and foliated products market share. We will also seek new products, technique and technology to remain our freshness and competitiveness position in the industry for the years to come.

### Multi-media business

Having weathered a difficult 2001, the multi-media division is poised to capitalize on the upturn of the media industry in 2002 and beyond. The TV industry has finally settled after the major restructuring in 2001 and are on course for aggressive growth. 2001 also resulted in the weeding out of the lesser players in the field. The demand for high quality content is stronger than ever. The Group is confident in its ability to produce the content that can generate both high revenue and ratings.

In 2002, the Group has successfully launched the 9:30 Theatre. Effectively we have taken over the one hour slot every night between 9:30 p.m. to 10:30 p.m. on 14 TV stations in Jingsu and 10 TV stations in Jiejiang. Top quality imported drama series are being exhibited. In return, the Group is given a block of advertising air time. Since launching in early 2002, our program has generated good ratings and advertising revenue. We are forecasting a strong profit from the 9:30 Theatre for 2002 and beyond. In fact, we are planning to expand the concept into a number of additional provinces.

The Group is optimistic about entering the outdoor business. We are in discussion with a major outdoor company to form a joint venture. the management expects 2002 to be a good year for the multi-media division.

### Anti-theft car alarm and tracking system

As with PRC's accession to the WTO, the automobile will be in great demand. The automobile industry has predicted automobile owned by individual will reach 20 million, of which Guangdong Province takes the largest stake. For such rapid growth, the demand for its related products and services are promising. The Group's CAS network just falls right into this category.

Although PRC's modernization is quite successful, but it still faces the developing country problem "Crime". Crime prevention is what CAS all about, with its leading edge technology. It is fully utilizes the advanced technology of wireless communications, computations and electronics. Combining short wave and long frequency to establish the city's crime prevention network. It has enabled the police department to bust a lot of vehicle theft. Therefore the network is officially endorsed by the PRC police force.

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Because it is well developed, economical, and practical for the PRC's situation, the potential of this investment is tremendous. Compare with the traditional anti-theft system, our low cost, complete coverage and simple installation has favorable response by the market. As of today, this type of new generation anti-theft vehicle system only accounted for approximately 1% in the existing market and hence provides a great opportunity for its development.

Beside our main operation in Guangzhou and Xian, the Group is planning to assist our PRC partners to upgrade their technology that operate in different cities. This will provide the opportunities for us to penetrate the existing markets and facilitate the network migration. Such migration will have synergy effect that will enlarge the CAS and will provide a platform for us to grow into the future.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from, Tuesday, 21st May, 2002 to Friday, 24th May, 2002 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for attending the forthcoming Annual General Meeting, all shares transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road Central, Hong Kong not later than 4:00 p.m. on Friday, 17th May, 2002.

### **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, 26th April, 2002