

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries comprise: (1) design, manufacture and sale of life-like plants; (2) production, acquisition and distribution of television programmes and the provision of related multi-media services; (3) sale of festival gift products through an internet portal; and (4) provision of anti-theft car alarm and tracking services. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st December, 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st December, 2001 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 68.

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 and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the note below.

	Year ended 31st December, 2001 HK\$'000	Year ended 31st December, 2000 HK\$'000 (Restated)	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
Turnover	124,027	145,827	123,553	184,045	162,075
Net profit/(loss) for the year attributable to shareholders	64	(8,577)	11,514	14,090	30,077
			As at		
	31st December, 2001 HK\$'000	31st December, 2000 HK\$'000 (Restated)	31st December, 1999 HK\$'000	31st December, 1998 HK\$'000 (Restated)	31st August, 1997 HK\$'000 (Restated)
TOTAL ASSETS	244,281	207,539	182,675	173,044	213,917
TOTAL LIABILITIES	(54,432)	(32,366)	(15,409)	(32,902)	(69,465)
MINORITY INTERESTS	(1,536)	(2,938)	—	—	—
	188,313	172,235	167,266	140,142	144,452

Report of the Directors

SUMMARY FINANCIAL INFORMATION *(continued)*

Note: The consolidated results for the years ended 31st December, 2001, 2000 and 1999, the period ended 31st December, 1998 and the year ended 31st August, 1997 are extracted from the audited financial statements, except that the consolidated results for the year ended 31st December, 2000 have been restated as detailed in note 13 to the 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 year ended 31st August, 1997. The statements of net assets as at 31st December 2001, 2000, 1999 and 1998 and 31st August 1997 are extracted from the audited financial statements of the Group except that the net assets of the Group as at 31st December 2000 and 1998 and 31st August 1997 have been restated due to retrospective adoption of SSAP 9.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 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, 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$74,841,000. In addition, the Company's share premium account in the amount of HK\$59,306,000 may be distributed in the form of fully paid bonus shares.

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, Lai Ma Yuk Wah, Monita and Sir Gordon Macwhinnie will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 14 of the Annual Report.

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, 2001 and continues thereafter on a yearly basis until terminated by either party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without the payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest 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.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2001, 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 (the "SDI Ordinance") were as follows:

Ordinary shares of the Company

Name of director	Number of ordinary shares Other interest
Lai Kam Wing, Jimmy	120,900,000 (Note)

Note: Raffles International Holdings Limited ("Raffles") is the beneficial owner of 120,900,000 shares representing 34.99% 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 interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

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 10 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 of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the grant date of the options.

Subsequent to the adoption of the Scheme on 13th December, 1996, the Stock Exchange has introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option schemes. These new rules came into effect on 1st September, 2001. No share options have been granted under the Scheme since adoption of these new rules on 1st September, 2001. However, any option to be granted under the Scheme shall be subject to the new changes which include, inter alia, the following:-

- (a) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;
- (b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive directors; and
- (c) the exercise price of share options is determined by directors, but may not be less than the higher of:
(i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant.

The Company shall amend, in due course, the terms of the Scheme to comply with the requirements of the amended Listing Rules on share option schemes.

Report of the Directors

SHARE OPTION SCHEME (continued)

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 and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Details of options granted to the directors in prior years under this scheme and remain outstanding as at 1st January and 31st December, 2001 are as follows:

Director	Number of share options at 1st January and 31st December, 2001*	Exercise period	Exercise price HK\$	Share price at date of options granted** HK\$
Lai Ma Yuk Wah, Monita	4,000,000	7/3/1997 - 6/3/2007	0.7056	0.87
Leung Mei Yee	4,000,000	7/3/1997 - 6/3/2007	0.7056	0.87
	8,000,000			
Other employees	7,000,000	7/3/1997 - 6/3/2007	0.7056	0.87
	15,000,000			

* The share options were granted on 7th March, 1997. No share options were granted, exercised, lapsed or cancelled during the year ended 31st December, 2001.

** The price of the Company's shares at the date of the grant of these share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

Summary details of the Company's share option scheme are also set out in note 28 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

No theoretical value of the share option is disclosed as no share options were granted during the year.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of issued shares
Raffles International Holdings Limited (Note)	120,900,000	34.99%

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, 2001 that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

During the year, the Group had the following transactions which constitute as "connected transactions" as defined under the Listing Rules:

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.

As at 31st December, 2001, FT Strategic had amounts due from FT Multi-media of HK\$13,772,000, which comprised a loan amount of HK\$12,020,000 and interest receivable of HK\$1,752,000. In addition, FT Strategic also had amounts due from a 93% owned subsidiary of HK\$31,959,000, which represented the Group's capital investment in Guangdong Yong Hua New Electronic Network Investment Co., Ltd., and is unsecured, bears interest at the rate of 2% above the best lending rate quoted by a bank in Hong Kong and have no fixed terms of repayment.

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\$300,000 from FT Multi-media and HK\$150,000 from Spectrum.

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.

Report of the Directors

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the year under review, the Group's largest customer and the Group's five largest customers accounted for 40% 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 22% and 47% 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, own 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.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year and up to the date of this report, save that independent non-executive directors have not been appointed for specific terms as required by paragraph 7 of the Code. 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.

AUDIT COMMITTEE

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.

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

26th April, 2002