Notes to Financial Statements

31st December, 2001

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 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;
- sale of festival gift products through an internet portal; and
- provision of anti-theft car alarm and tracking services.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") AND RELATED INTERPRETATIONS

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 14 (Revised)	Leases
SSAP 18 (Revised)	Revenue
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries
Interpretation 12	Business combinations — subsequent adjustment of fair values and goodwill initially reported
Interpretation 13	Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves

Notes to Financial Statements

31st December, 2001

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") AND RELATED INTERPRETATIONS *(continued)*

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects of those SSAPs and Interpretations which have had a significant effect on the Group's accounting policies and on the amounts disclosed in these financial statements are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 13 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 26 and 32 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has had no major impact on these financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The principal impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to these financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP has been applied retrospectively and has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

Notes to Financial Statements

31st December, 2001

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") AND RELATED INTERPRETATIONS *(continued)*

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, further details of which and the required new additional disclosures are included in note 15 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. In accordance with SSAP 31, the Group is required to assess at each balance sheet date whether there are any indications that assets (including fixed assets, intangible assets and goodwill arising on acquisition of subsidiaries and associates) may be impaired, and if there are such indications, the recoverable amount of the assets is to be determined. This SSAP is required to be applied prospectively, except for the exceptional circumstance referred to in Interpretation 13. The effect of adoption of the SSAP is set out in notes 13 and 29 to the financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements and has had no significant impact on the preparation of these financial statements.

3. 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 periodic 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, 2001. 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Notes to Financial Statements

31st December, 2001

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

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1st January, 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Notes to Financial Statements

31st December, 2001

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

Goodwill *(continued)*

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 less any impairment losses, and is not depreciated. Cost comprises the 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. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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% to 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 net 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.

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

Impairment of assets

At each balance sheet date, an assessment is made whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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.

(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 are considered to exceed their expected future revenue.

Notes to Financial Statements

31st December, 2001

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

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 estimated costs to be incurred to completion and disposal.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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.

Notes to Financial Statements

31st December, 2001

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

Deferred development expenditure

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 of four years from the date when the product is put into commercial production.

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 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;

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

(f) guaranteed profit, when the right to receive the payment is established.

Notes to Financial Statements

31st December, 2001

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Retirement scheme and costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme'') under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The MPF Scheme has operated since 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 MPF Scheme. The assets of the MPF 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 MPF Scheme.

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

Employees in subsidiaries in 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.

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.

Notes to Financial Statements

31st December, 2001

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- the design, manufacture and sale of life-like plants segment comprises manufacturing of life-like Christmas trees, flowers and other foliaged products for decoration purposes;
- the production, acquisition and distribution of television programmes and the provision of multi-media services segment comprises sales of licensing right of self-produced drama series and sub-licensing of cartoon series and TV drama series;
- the sale of festival gift products through an internet portal segment; and
- the provision of anti-theft car alarm and tracking services segment.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted by reference to the selling prices that would have been used for sales made to third parties at the then current market prices.

Notes to Financial Statements

31st December, 2001

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Design, manufacture and sale of life-like plants		Production, acquisition and distribution of television programmes and the provision of related multi-media services		Sale of festival gift products through an internet portal		Provision of anti-theft car alarm and tracking services		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**91,259**	111,681	**30,262**	34,134	**2,496**	12	**10**	—	**—**	—	**124,027**	145,827
Intersegment sales	**5,046**	10	**—**	—	**—**	—	**—**	—	**(5,046)**	(10)	**—**	—
Total revenue	**96,305**	111,691	**30,262**	34,134	**2,496**	12	**10**	—	**(5,046)**	(10)	**124,027**	145,827
Segment results	**6**	5,839	**1,619**	(434)	**(4,578)**	(1,615)	**(5,171)**	(8,574)	**—**	—	**(8,124)**	(4,784)
Interest income and unallocated gains											**8,496**	578
Unallocated expenses											**(1,105)**	(1,246)
Loss from operating activities											**(733)**	(5,452)
Finance costs											**(1,665)**	(1,340)
Loss before tax											**(2,398)**	(6,792)
Tax											**(642)**	73
Loss before minority interests											**(3,040)**	(6,719)
Minority interests											**3,104**	(1,858)
Net profit/(loss) for the year attributable to shareholders											**64**	(8,577)

Notes to Financial Statements

31st December, 2001

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group	Design, manufacture and sale of life-like plants		Production, acquisition and distribution of television programmes and the provision of related multi-media services		Sale of festival gift products through an internet portal		Provision of anti-theft car alarm and tracking services		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**168,916**	167,923	**39,668**	28,360	**5,284**	3,012	**27,059**	8,254	**(5,046)**	(10)	**235,881**	207,539
Unallocated assets											**8,400**	—
Total assets											**244,281**	207,539
Segment liabilities	**18,154**	15,708	**8,601**	5,766	**5,378**	94	**1,218**	25	**(5,046)**	(10)	**28,305**	21,583
Unallocated liabilities											**26,127**	10,783
Total liabilities											**54,432**	32,366
Other segment information:												
Depreciation	**5,014**	5,095	**166**	88	**121**	15	**506**	15	**—**	—	**5,807**	5,213
Amortisation of deferred development expenditure	**709**	—	**—**	—	**—**	—	**—**	—	**—**	—	**709**	—
Amortisation of goodwill	**—**	—	**—**	—	**—**	—	**181**	—	**—**	—	**181**	—
Provision for bad and doubtful debts	**7,052**	7,619	**1,526**	—	**—**	—	**—**	—	**—**	—	**8,578**	7,619
Impairment loss recognised in the profit and loss account	**—**	—	**—**	8,386	**—**	—	**—**	7,196	**—**	—	**—**	15,582
Capital expenditure	**630**	6,080	**72**	795	**146**	530	**17,433**	4,387	**—**	—	**18,281**	11,792

Notes to Financial Statements

31st December, 2001

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain asset and expenditure for the Group's geographical segments.

Group	United States of America		Hong Kong		Mainland China		Europe		Others/ Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**66,827**	79,468	**19,932**	20,808	**25,391**	34,134	**11,732**	11,288	**145**	129	**124,027**	145,827
Segment results	**(4,538)**	2,539	**226**	1,088	**(3,813)**	(9,007)	**1**	590	**—**	6	**(8,124)**	(4,784)
Other segment information:												
Segment assets	**28,893**	32,891	**95,183**	82,229	**154,253**	129,481	**247**	728	**(34,295)**	(37,790)	**244,281**	207,539
Capital expenditure	**74**	2,869	**333**	2,213	**17,874**	6,710	**—**	—	**—**	—	**18,281**	11,792

Notes to Financial Statements

31st December, 2001

5. 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:

	2001 HK$'000	2000 HK$'000
Turnover		
Production and distribution of life-like Christmas trees, floral and other foliaged products	**93,755**	111,693
Production, acquisition and distribution of TV programmes and the provision of related multi-media services, net of applicable business taxes of HK$1,592,000	**30,262**	34,134
Provision of anti-theft car alarm and tracking services	**10**	—
	124,027	145,827
Other revenue		
Interest income	**2,637**	4,971
Consultancy fees	**1,500**	—
Guaranteed profit from a minority shareholder of a subsidiary	**8,400**	—
Sale of samples	**546**	755
Income from video recording services	**844**	947
Commission income	**—**	31
Exchange gains, net	**—**	409
Others	**756**	575
	14,683	7,688
Total revenue	**138,710**	153,515

Notes to Financial Statements

31st December, 2001

6. LOSS FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	HK$'000
Cost of inventories sold	**64,686**	78,129
Cost of TV programmes and sub-licensing rights*	**18,696**	20,668
Depreciation	**5,807**	5,213
Amortisation of deferred development expenditure*	**709**	—
Amortisation of goodwill**	**181**	—
Minimum lease payments under operating leases on land and buildings	**3,611**	1,463
Staff costs (excluding directors' remuneration, note 9)		
Wages and salaries	**24,137**	21,431
Pension contributions	**820**	—
Less: Forfeited contributions	**—**	—
Net pension contributions***	**820**	—
Auditors' remuneration	**830**	792
Exchange losses, net	**91**	—
Provision for bad and doubtful debts**	**8,578**	7,619
Provision for impairment of goodwill	**—**	15,582

* Included in "cost of sales" on the face of the consolidated profit and loss account.

** Included in "other operating expenses" on the face of the consolidated profit and loss account.

*** At 31st December, 2001, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2000: Nil).

7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**1,072**	1,287
Interest on loans from minority shareholders of a subsidiary	**45**	53
Interest on finance leases	**283**	—
Interest on other loans	**265**	—
	1,665	1,340

Notes to Financial Statements

31st December, 2001

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 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	
	2001	2000
	HK$'000	HK$'000
Provision for the year:		
Hong Kong	**208**	195
Under/(over)provision in prior year	**361**	(268)
Deferred tax	**73**	—
Tax charge/(credit) for the year	**642**	(73)

The movement in deferred tax is analysed below:

	Group	
	2001	2000
	HK$'000	HK$'000
Balance at beginning of year	**200**	200
Charge for the year	**73**	—
Balance at end of year	**273**	200

The provision for deferred tax was made in respect of accelerated depreciation allowances to the extent that a liability was expected to crystallise in the foreseeable future. As at 31st December, 2001, the Group had an unprovided deferred tax liability of HK$900,000 (2000: 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 quantified.

Company

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

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9. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	HK$'000	HK$'000
Executive:		
Fees	**—**	—
Other emoluments:		
Salaries, housing, other allowances and benefits in kind	**7,228**	7,323
Pension scheme contributions	**52**	—
	7,280	7,323
Independent non-executive:		
Fees	**320**	320
Other emoluments	**—**	—
	320	320
	7,600	7,643

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

	Number of directors	
Executive:	**2001**	2000
Nil - HK$1,000,000	**—**	—
HK$1,000,001 - HK$1,500,000	**1**	1
HK$1,500,001 - HK$2,000,000	**—**	1
HK$2,000,001 - HK$2,500,000	**1**	—
HK$4,000,001 - HK$4,500,000	**1**	1
	3	3
Independent non-executive:		
Nil - HK$1,000,000	**2**	2
	5	5

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

In addition to the above emoluments, certain directors were granted share options in the prior years under the Company's share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 21 and 22. No value in respect of the share options granted has been charged to the profit and loss account at the time when the options were granted.

Notes to Financial Statements

31st December, 2001

10. SENIOR MANAGEMENT EMOLUMENTS

The five highest paid individuals included three (2000: three) directors, details of whose remuneration are disclosed in note 9 to the financial statements. The remuneration of the two (2000: two) non-director, highest paid individuals are set out below.

	Group	
	2001	2000
	HK$'000	HK$'000
Basic salaries, housing, other allowances and benefits in kind	**3,080**	2,326
Pension scheme contributions	**26**	—
	3,106	2,326

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

	Number of individuals	
	2001	2000
Nil - HK$1,000,000	**—**	1
HK$1,000,000 - HK$1,500,000	**1**	—
HK$1,500,001 - HK$2,000,000	**—**	1
HK$2,000,001 - HK$2,500,000	**1**	—
	2	2

Certain employees were also granted share options in the prior years under the Company's share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 21 and 22. No value in respect of the share options granted has been charged to the profit and loss account at the time when the options were granted.

11. NET PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The net loss for the year attributable to shareholders dealt with in the financial statements of the Company was HK$2,059,000 (2000: HK$85,000).

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12. EARNINGS/(LOSSES) PER SHARE

The calculation of earnings/(losses) per share is based on the net profit attributable to shareholders for the year of HK$64,000 (2000: net loss of HK$8,577,000) and the weighted average of 313,695,890 shares (2000: 276,797,131 shares) in issue during the year.

No diluted earnings per share has been presented for the current year as the effect of the share options outstanding was anti-dilutive for the year.

The diluted losses per share for the prior year was based on the net loss attributable to shareholders for the year of HK$8,577,000 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.

13. PRIOR YEAR ADJUSTMENTS

(a) During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at that date. This SSAP has been applied retrospectively. To comply with the revised SSAP, a prior year adjustment has been made, reclassifying the proposed final dividend payable to a minority shareholder of a subsidiary for the year ended 31st December, 2000 of HK$2,000,000, which was recognised as a liability in the prior year end, to the minority interests account of the balance sheet. This prior year adjustment has no effect on the net asset value of the Group as at 31st December, 2000.

(b) During the year, the Group also adopted SSAP 31 "Impairment of assets". In accordance with SSAP 31, the Group is required to assess at each balance sheet date whether there are any indications that assets (including fixed assets, intangible assets and goodwill arising on acquisition of subsidiaries and associates) may be impaired, and if there are such indications, the recoverable amount of the assets has to be determined. As SSAP 31 is also applied to goodwill previously eliminated against consolidated reserves according to the provision of Interpretation 13, assessments of impairment on the goodwill arising from the acquisition of subsidiaries have been made by referencing to their respective net asset values as at 31st December, 2000 and their future profitability. Accordingly, provision for impairment loss of HK$15,582,000 was required and a prior year adjustment has been put through to write down the carrying value of the goodwill as at 31st December, 2000.

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14. 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	90,473	27,505	13,846	4,147	2,098	138,069
Additions	87	3,310	2,990	38	11,803	18,228
Disposals	—	(14)	—	(329)	—	(343)
Exchange realignment	—	—	42	23	60	125
At 31st December, 2001	90,560	30,801	16,878	3,879	13,961	156,079
Accumulated depreciation:						
At beginning of year	10,714	9,692	8,368	2,220	—	30,994
Provided during the year	2,010	1,777	1,564	456	—	5,807
Disposals	—	—	—	(322)	—	(322)
At 31st December, 2001	12,724	11,469	9,932	2,354	—	36,479
Net book value:						
At 31st December, 2001	77,836	19,332	6,946	1,525	13,961	119,600
At 31st December, 2000	79,759	17,813	5,478	1,927	2,098	107,075

During the year, the Group entered into certain sales and lease back contracts with a financial institution. The net book value of the Group's fixed assets held under finance leases included in the total amount of plant and machinery and motor vehicles at 31st December, 2001, amounted to HK$8,077,000 (2000: Nil) and HK$914,000 (2000: Nil), respectively.

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	14,929	39,172
At valuation	—	51,388	51,388
	24,243	66,317	90,560

Notes to Financial Statements

31st December, 2001

14. 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, 2001 would have been HK$42,315,000 (2000: HK$43,449,000). The additional depreciation charge for the year arising in respect of the revalued amount was HK$789,000 (2000: 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, 2001. The valuation of the leasehold land and buildings situated in Hong Kong and the PRC at 31st December, 2001 reported by Chung, Chan & Associates was not materially different from their net book value as at 31st December, 2001.

The Group's land and buildings situated in Hong Kong and certain of the Group's land and buildings situated in the PRC with a net book value of approximately HK$67,939,000 (2000: HK$24,243,000) have been pledged to its banker as security for long term bank loans granted to the Group (see note 25).

15. GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Goodwill
	HK$'000
Cost:	
At beginning of year	—
Acquisition of additional interests in subsidiaries	2,714
At 31st December, 2001	2,714
Accumulated amortisation:	
At beginning of year	—
Provided during the year	181
At 31st December, 2001	181
Net book value:	
At 31st December, 2001	2,533

Notes to Financial Statements

31st December, 2001

15. GOODWILL *(continued)*

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1st January, 2001, to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of the goodwill previously eliminated against consolidated reserves, of HK$15,582,000. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. Because this goodwill was eliminated against consolidated reserves (see note 29), this prior year adjustment has resulted in increasing the consolidated reserves and reducing the consolidated retained profits as at 31st December, 2000 by HK$15,582,000, respectively, but has no effect on the net asset value of the Group as at 31st December, 2000. This prior year adjustment has had no effect on the current year.

Movements of the goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1st January, 2001, are as follows:

	Goodwill eliminated against contributed surplus HK$'000
Cost:	
At beginning of year and at 31st December, 2001	18,382
Accumulated impairment:	
At beginning of year:	
As previously reported	—
Prior year adjustment	15,582
As restated and at 31st December, 2001	15,582
Net book value:	
At 31st December, 2001	2,800
At 31st December, 2000 (as restated)	2,800

Notes to Financial Statements

31st December, 2001

16. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**73,218**	73,218
Due from subsidiaries	**96,918**	81,632
Provision for impairment	**(1,945)**	—
	168,191	154,850

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for as detailed below:

(i) Amounts advanced to a subsidiary of HK$12,020,000 (2000: HK$9,875,000), which bears interest at 10% per annum, and is repayable on or before 8th February, 2003; and

(ii) Amounts advanced to another subsidiary of HK$31,959,000 (2000: Nil), which 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.

Particulars of the principal subsidiaries as at 31st December, 2001 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
Dongguan United Art Plastic Products Limited*	People's Republic of China (the "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

Notes to Financial Statements

31st December, 2001

16. 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	Percentage of equity attributable to the Company Indirect	Principal activities
FT Strategic Investments Limited	British Virgin Islands ("BVI")	US$1	—	100	Investment holding
FT Multi-Media Limited	BVI/ 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	—	70 (note (d))	Provision of anti-theft car alarm and tracking services in the PRC
陝西新盾安全科技有限公司*/# (「陝西新盾」)	PRC	RMB5,000,000	—	56 (note (e))	Provision of anti-theft car alarm and tracking services in the PRC

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# Company newly established in 2001.

(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 on the operating results and the financial position of the Group and the operation and management of DUAP.

Notes to Financial Statements

31st December, 2001

16. INTERESTS IN SUBSIDIARIES *(continued)*

(a) 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 (2000: 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.

(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 RMB13,000,000. 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 (2000: 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 93.4% equity interest in a subsidiary, which in turn holds a 75% equity interest in Guangdong Yong Hua.

(e) Guangdong Yong Hua holds a 80% equity interest in 陝西新盾.

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.

Notes to Financial Statements

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17. DEFERRED DEVELOPMENT EXPENDITURE

	Group
	HK$'000
Cost:	
At beginning of year	2,784
Additions	53
At 31st December, 2001	2,837
Accumulated amortisation:	
At beginning of year	—
Provided during the year	709
At 31st December, 2001	709
Net book value:	
At 31st December, 2001	2,128
At 31st December, 2000	2,784

18. LONG TERM INVESTMENTS

	Group	
	2001	2000
	HK$'000	HK$'000
Unlisted equity investments, at fair value	**1,132**	2,332

19. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Raw materials	**7,122**	7,649
Work in progress	**4,789**	5,311
Finished goods	**3,688**	679
	15,599	13,639

As at the balance sheet date, none of the inventories included in the above balance were carried at net realisable value (2000: Nil).

Notes to Financial Statements

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20. TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

	Group	
	2001	2000
	HK$'000	HK$'000
TV programmes	**1,600**	1,000
TV programmes in progress	**2,739**	2,087
Sub-licensing rights	**1,218**	1,547
	5,557	4,634

21. 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	
	2001	2000
	HK$'000	HK$'000
Aged		
Less than 90 days	**22,844**	33,137
91-180 days	**4,371**	7,869
Over 180 days	**23,763**	12,481
Total	**50,978**	53,487

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.

22. CASH AND CASH EQUIVALENTS

	Group	
	2001	2000
	HK$'000	HK$'000
Cash and bank balances	**18,187**	14,692
Unpledged time deposits	**—**	3,544
	18,187	18,236

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23. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Group	
	2001	2000
	HK$'000	HK$'000
Aged		
Less than 90 days	**5,948**	4,147
91-180 days	**2,904**	4,355
Over 180 days	**3,416**	654
Total accounts payable	**12,268**	9,156
Accrued liabilities	**13,036**	11,626
	25,304	20,782

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

24. OTHER LOANS, UNSECURED

The other loans are unsecured, repayable within six months and bear interest at a rate ranging from 1% above the best lending rate to 15% per annum, except for a loan amounting to HK$1,000,000, which is interest-free.

25. INTEREST-BEARING BANK LOANS, SECURED

	Group	
	2001	2000
	HK$'000	HK$'000
Bank loans, secured	**16,832**	9,558
Bank loans repayable:		
Within one year or on demand	**11,198**	2,093
In the second year	**2,966**	7,465
In the third to fifth years, inclusive	**2,668**	—
	16,832	9,558
Portion classified as current liabilities	**(11,198)**	(2,093)
Long term portion	**5,634**	7,465

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

(i) all monies and legal charges over the land and buildings of certain subsidiaries (see note 14); and

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

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26. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and a motor vehicle for its manufacturing and sale of life-like plants business. These leases are classified as finance leases and have remaining lease terms ranging from 2 to 5 years.

At 31st December, 2001, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	**Minimum lease payments 2001 HK$'000**	Minimum lease payments 2000 HK$'000	**Present value of minimum lease payments 2001 HK$'000**	Present value of minimum lease payments 2000 HK$'000
Amounts payable:				
Within one year	**2,212**	—	**2,021**	—
In the second year	**1,999**	—	**1,945**	—
In the third to fifth years, inclusive	**453**	—	**429**	—
Total minimum finance lease payments	**4,664**	—	**4,395**	—
Future finance charges	**(269)**	—		
Total net finance lease payables	**4,395**	—		
Portion classified as current liabilities	**(2,021)**	—		
Long term portion	**2,374**	—		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

27. AMOUNT DUE BY A SUBSIDIARY TO A MINORITY SHAREHOLDER

The balance was unsecured, bore interest at the rate of 2% above the best lending rate quoted by a bank in Hong Kong and was repayable on or before 24th August, 2002. The amount due by a subsidiary to a minority shareholder was fully repaid during the year.

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28. SHARE CAPITAL

Shares

	Company 2001 HK$'000	Company 2000 HK$'000
Authorised:		
500,000,000 (2000: 500,000,000) ordinary shares of HK$0.10 each	**50,000**	50,000
Issued and fully paid:		
345,500,000 (2000: 291,000,000) ordinary shares of HK$0.10 each	**34,550**	29,100

Pursuant to a Top-up Placing and Subscription Agreement dated 11th June, 2001 entered into between the Company and Raffles International Holdings Limited ("Raffles"), the controlling shareholder, and a Supplemental Agreement dated 2nd August, 2001 entered into between the Company, Raffles, and a Placing Agent, on 11th June, 2001, Raffles placed 58,000,000 existing shares of the Company of HK$0.10 each to the Placing Agent at a placing price of HK$0.30 each, and on 4th August, 2001, the Company then issued 54,500,000 new ordinary shares of the Company of HK$0.10 each to Raffles at HK$0.30 each.

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

	Carrying amount 2001 HK$'000	Shares issued 2001
At beginning of year	29,100	291,000,000
Issue of 54,500,000 new ordinary shares	5,450	54,500,000
At end of year	34,550	345,500,000

Share options

The Company operates a share option scheme further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 21 and 22.

At 1st January and 31st December, 2001, the Company had 15,000,000 share options outstanding under the Scheme, with exercise periods ranging from 7th March, 1997 to 6th March, 2007 and exercise price at HK$0.7056. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 15,000,000 additional shares of HK$0.1 each and proceeds of approximately HK$10,584,000. No share options were granted or exercised during the year.

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29. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2000	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)
Provision for impairment loss of goodwill arising from acquisition of subsidiaries — Note 13	—	15,582	—	—	(15,582)	—
Exchange realignment arising from retranslation of subsidiaries	—	—	—	(48)	—	(48)
Net profit for the year	—	—	—	—	7,005	7,005
At 31st December, 2000	48,956	21,241	37,105	(48)	35,881	143,135
At beginning of year						
As previously reported	48,956	5,659	37,105	(48)	51,463	143,135
Prior year adjustment — Note 13	—	15,582	—	—	(15,582)	—
As restated	48,956	21,241	37,105	(48)	35,881	143,135
Issue of shares	10,900	—	—	—	—	10,900
Share issue expenses	(550)	—	—	—	—	(550)
Exchange realignment arising from retranslation of subsidiaries	—	—	—	214	—	214
Net profit for the year	—	—	—	—	64	64
At 31st December, 2001	59,306	21,241	37,105	166	35,945	153,763

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31st December, 2001

29. RESERVES *(continued)*

Group

Certain amounts of goodwill arising on the acquisition of subsidiaries remain eliminated against retained profits and credited to the contributed surplus, respectively, as explained in note 15 to the financial statements.

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2000	35,212	73,018	3,967	112,197
Issue of shares	13,905	—	—	13,905
Share issue expenses	(161)	—	—	(161)
Net loss for the year	—	—	(85)	(85)
At 31st December, 2000 and beginning of year	48,956	73,018	3,882	125,856
Issue of shares	10,900	—	—	10,900
Share issue expenses	(550)	—	—	(550)
Net loss for the year	—	—	(2,059)	(2,059)
At 31st December, 2001	59,306	73,018	1,823	134,147

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 prior 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.

Notes to Financial Statements

31st December, 2001

30. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash outflow from operating activities

	2001 HK$'000	2000 HK$'000 (Restated)
Loss from operating activities	**(733)**	(5,452)
Interest income	**(2,637)**	(4,971)
Depreciation	**5,807**	5,213
Amortisation of deferred development expenditure	**709**	—
Goodwill amortisation and impairment	**181**	15,582
Provision for bad and doubtful debts	**8,578**	7,619
Decrease/(increase) in inventories	**(1,960)**	899
Increase in television programmes and sub-licensing rights	**(923)**	(4,634)
Increase in trade receivables	**(6,069)**	(29,425)
Increase in prepayments, deposits and other receivables	**(23,650)**	(671)
Increase in accounts payable and accrued liabilities	**4,522**	6,840
Net cash outflow from operating activities	**(16,175)**	(9,000)

(b) Analysis of changes in financing during the year

	Share capital (including share premium account) HK$'000	Bank and other loans HK$'000	Long term loan payables HK$'000	Finance lease obligations HK$'000	Amount due by a subsidiary to a minority shareholder HK$'000	Minority interests HK$'000 (Restated)
Balance at 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
Balance at 31st December, 2000 and 1st January, 2001	78,056	9,558	601	—	1,225	2,938
Additional interests in subsidiaries acquired during the year	—	—	—	—	—	2,714
Net cash inflow/(outflow) during the year	15,800	12,174	—	4,395	(1,225)	952
Share of loss for the year	—	—	—	—	—	(3,104)
Share of exchange reserve	—	—	—	—	—	36
Dividends	—	—	—	—	—	(2,000)
Balance at 31st December, 2001	93,856	21,732	601	4,395	—	1,536

Notes to Financial Statements

31st December, 2001

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

(c) Major non-cash transaction

In the prior 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

	2001	2000
	HK$'000	HK$'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

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

	2001	2000
	HK$'000	HK$'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 in the prior 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 prior 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.

Notes to Financial Statements

31st December, 2001

31. CONTINGENT LIABILITIES

	Group	
	2001	2000
	HK$'000	HK$'000
Bills discounted with recourse	**2,807**	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.

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 31st December, 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Within one year	**1,304**	1,847
In the second to fifth years, inclusive	**1,174**	1,987
	2,478	3,834

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases commitment have been restated to accord with the current year's presentation.

Notes to Financial Statements

31st December, 2001

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following commitments at the balance sheet date:

	Group	
	2001	2000
	HK$'000	HK$'000
Capital commitments:		
Contracted for	**6,072**	5,000

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

34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26th April, 2002.