

Chairman's Statement

FT HOLDINGS INTERNATIONAL LIMITED

On behalf of the Board of Directors (the "Directors"), I present the annual report of FT Holdings International Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2002.

RESULTS

The audited consolidated results of the Group for the year ended 31st December, 2002 with comparative figures for the previous financial year ended 31st December, 2001 are as follows:

	Year ended 31st December, 2002 HK\$'000	Year ended 31st December, 2001 HK\$'000
Turnover	122,692	124,027
Cost of sales	<u>(98,664)</u>	<u>(84,875)</u>
Gross profit	24,028	39,152
Other revenue and gains	4,915	14,683
Selling expenses	(10,218)	(7,007)
Administrative expenses	(35,174)	(38,802)
Other operating expenses	<u>(64,801)</u>	<u>(8,759)</u>
Loss from operating activities	(81,250)	(733)
Finance costs	<u>(2,594)</u>	<u>(1,665)</u>
Loss before tax	(83,844)	(2,398)
Tax	<u>(787)</u>	<u>(642)</u>
Loss before minority interests	(84,631)	(3,040)
Minority interests	<u>2,296</u>	<u>3,104</u>
Net profit/(loss) for the year attributable to shareholders	<u>(82,335)</u>	<u>64</u>

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31st December, 2002.

BUSINESS REVIEW AND PROSPECTS

2002 was a very difficult year for the Group's business as a whole since the Group recorded a net loss attributable to shareholders of HK\$82.3 million. A significant loss was noted as the performance of the business sectors which the Group entered in prior years was poor, and a significant provision for doubtful debts had been made in view of the current business environment.

Although as stated in the interim report, we were fully aware of the difficulties during the early stage of diversification and were willing to tolerate the unattractive financial results therefrom, the poor results obliged us to reconsider the Group's business direction. We have come to a decision that more resources should be placed on the core business division which is the foundation of the Group's operating base, especially during this present unclear and uncertain business and economic environment.

The Group will slow down its speed in development of the diversified business and will look for opportunities to reduce our investments.

Sales of life-like plants

The business volume of our core business was quite stable throughout the year under review with a total turnover of HK\$101.8 million (2001: HK\$91.3 million). The increase in turnover was mainly attributable to the engagement of the Group in trading of certain other decorative products apart from life-like plants during the year.

The gross profit margin of our products decreased by 7% during the year since the raw material prices increased as a result of the unstable global political environment while the market sentiment was poor and customers were extremely cautious in placing orders and became price driven. In view of these market conditions, we have taken the following steps to foster the Group's business:

- (i) the launch of a brand new product line to attract market attention and we report that initial responses from customers are encouraging; and
- (ii) the execution of effective cost control measures, which include the streamlining of our production facilities and the merge and relocation of certain of these facilities.

We will further enhance the effectiveness of the above measures and ensure that we can maintain our competitive edge and drive up our margins in the coming years.

A loss of HK\$19 million was recorded for this segment since we have made a provision on aged and doubtful debts of HK\$21.3 million for the year.

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Turnover from the e-commerce division, which does not just consist of internet business, but also contains a physical sales network in the U.S., increased by approximately 16% to HK\$2.9 million during the year under review while the loss further expanded to approximately HK\$5.1 million due to further set up and development costs.

Our main tasks for the year 2003 will be to concentrate in market penetration, sales network improvement, and brand name enhancement.

For market penetration, besides the traditional sales channels, we will specially design different Christmas programs for different clients to suit their needs. By working closely with clients, understanding their need, and help solve their problems, we will build up stronger relationships with the clients and earn their trust for future co-operation. Many clients have already recognized this approach and found that this kind of activity can help them to extend their sales of the Christmas "trim a tree program" effectively. They are happy to work with us as a partner instead of a supplier. This kind of relationship will bond us together for future growth.

FT is a well-known brand in the Christmas PVC tree industry. The qualities of the product, custom service, and new product development are very well known. Therefore in 2003 we will re-launch the brand and maximize its potential for the benefit of the business development in the U.S., the major market of the Group's products.

Multi-media business

In 2002, the general condition of the advertising market was depressed. TV stations were went through a massive round of mergers. The two factors resulted in inefficiency in the distribution process since major decisions were delayed during the settling of personnel in the TV stations. It also resulted in slower censorship and the lengthening of the payment period since it took advertisers longer to pay the TV stations. We suffered as a result which was reflected in the decrease of turnover to HK\$17.4 million (2001: HK\$30.3 million) and the record of a loss of HK\$15.1 million, after the provision of HK\$14.7 million on aged and doubtful debts.

In 2002, we accomplished three tasks. We produced and distributed over 30 hours of drama. We continued running the "Cartoon Express" network. We also launched the 9:30 Theatre in both Jiangsu and Jiejiang provinces, the PRC.

For the drama series, we were able to maintain good margins, but the censorship and distribution took longer than expected resulting in pressure on cash flow. We managed to sell most of the air time for Cartoon Express, yet due to the depressed advertising market, we got less than satisfactory rates for the advertising time. We broke even on the project. We also broke even with the 9:30 Theatre; not a bad result for the first year operations of a new media product.

In 2003, we have planned to produce two drama series totalling 50 hours. We have also bought four imported series totalling 80 hours. 2003 will be an active year for drama production and distribution.

We will continue to run the 9:30 Theatre and will continue to review market potential for the expansion of 9:30 Theatre into other provinces.

We decided to discontinue "Cartoon Express". Since a quota system was imposed on the importation of foreign cartoon series last year, the negative impact on profit is significant. We decided to be prudent.

The whole business model now is modified to carry a lot less uncertainty. The production of TV drama and the importation and distribution of foreign drama series is a stable business generating solid income. In essence, we are engaged in less risky projects and we are working with a reduced overhead to give us the flexibility and confidence to move ahead.

Anti-theft car alarm and tracking system

The system was finally launched to the market in the first half of 2002 in Guangzhou and Xian, PRC, after a lengthy installation process. The number of users was far under our expectations. We suffered from an operating loss of HK\$18 million which included the impairment and amortisation of goodwill of HK\$5.3 million. We are not satisfied with its operating results.

The original market plan for the business was to rapidly establish the brand name of the venture and arouse market attention to attract users. However, the effectiveness of this strategy was not as expected despite receiving appreciation from the general public on the running of this crime preventive system. As a result of the unexpectedly poor performance of this division, we will further assess our strategy and may reduce our investment in this project.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Wednesday, 23rd July, 2003 to Monday, 28th July, 2003 (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, G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 22nd July, 2003.

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, 27th June, 2003