

Management Discussion and Analysis

FT HOLDINGS INTERNATIONAL LIMITED

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its short term funding requirements with cash generated from operation, credit facilities from suppliers and banking facilities provided by its principal bankers.

The Group had committed bank and other financing facilities of HK\$41 million as at 31st December, 2002, of which approximately, HK\$22 million has been utilized. Certain land and buildings and plant and machinery with net book value of approximately HK\$67 million and HK\$7 million respectively were pledged to secure the mentioned facilities. The Group had a total long term borrowings of approximately HK\$4 million and shareholders' equity of approximately HK\$109 million as at 31st December, 2002. The gearing ratio, based on total liabilities and shareholders' equity, was 66% as at 31st December, 2002 compared to 29% as at 31st December, 2001 due to the significant decrease in shareholders' equity recorded for the year.

Total current assets of the Group amounted to approximately HK\$60 million, with cash and bank balances of approximately HK\$7 million, inventories and television programmes and sub-licensing rights of approximately HK\$19 million, trade and other receivables, prepayments and deposits of approximately HK\$34 million while total current liabilities were HK\$68 million. The current ratio was 0.88 and the quick ratio was 0.60.

The Group has obtained a total loan facility of HK\$16 million from independent third parties subsequent to the balance sheet date and will further look for opportunities to raise fund from the capital and debt markets to support its operation.

The business operations of the Group are mainly transacted in US dollars and Renminbi. Most of the Group's sales are conducted in the same currency as the corresponding purchase transaction. The Directors do not consider the Group has significant exposure to foreign exchange fluctuations in view of the stability of US dollars and Renminbi. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of its bank borrowings. Accordingly, the Group did not utilise any financial instrument for hedging purposes during the period and there are no hedging instruments outstanding as at 31st December, 2002.

CONTINGENT LIABILITIES

- (i) At the balance sheet date, the Group had contingent liabilities not provided for in the financial statements as follows:

	2002 HK\$'000	2001 HK\$'000
Bills discounted with recourse	5,271	2,807
Possible future long service payments	2,321	2,629
	<u>7,592</u>	<u>5,436</u>

- (ii) 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2002, sales to the Group's largest and five largest customers accounted for 40% (2001: 40%) and 64% (2001: 53%) of the total turnover, respectively. Purchases from the Group's largest and five largest suppliers accounted for 45% (2001: 22%) and 87% (2001: 47%) of the total purchases, respectively.

None of the Directors, their respective associates (as defined in the Listing Rules) nor any shareholder of the Company (who or which, to the knowledge of the Directors, owns more than 5% of the issued share capital of the Company) has any interest in any of the Group's five largest customers or suppliers.

CAPITAL STRUCTURE

There had been no change in capital structure of the Company since 31st December, 2001. The Company had a total of issued share capital of 345,500,000 shares as at 31st December, 2002.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of approximately 990 employees as at 31st December, 2002. The Group recognizes the importance of its human resources to its success. The remuneration packages of the Group's employees are maintained at competitive levels based on their performance and experience and are in line with the current industry practices. Other staff benefits provided by the Group include the provision of mandatory provident fund, discretionary bonuses and share option scheme. The remuneration policy and packages of the Group's employees are reviewed regularly.

