

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2002.

## 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.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st December, 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 68.

The directors do not recommend the payment of any dividend in respect of the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years/period, as extracted from the published audited financial statements, is set out below.

	Year ended 31st December, 2002 HK\$'000	Year ended 31st December, 2001 HK\$'000	Year ended 31st December, 2000 HK\$'000	Year ended 31st December, 1999 HK\$'000	Period from 1st September, 1997 to 31st December, 1998 HK\$'000
Turnover	<u>122,692</u>	<u>124,027</u>	<u>145,827</u>	<u>123,553</u>	<u>184,045</u>
Net profit/(loss) for the year attributable to shareholders	<u>(82,335)</u>	<u>64</u>	<u>(8,577)</u>	<u>11,514</u>	<u>14,090</u>

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	As at 31st December,				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	180,469	244,281	207,539	182,675	173,044
TOTAL LIABILITIES	(71,773)	(54,432)	(32,366)	(15,409)	(32,902)
MINORITY INTERESTS	—	(1,536)	(2,938)	—	—
	<u>108,696</u>	<u>188,313</u>	<u>172,235</u>	<u>167,266</u>	<u>140,142</u>

## 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 the Company's share capital and share options are set out in notes 30 and 31 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.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31st December, 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$13,872,000. 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.

## MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, the Group's largest customer and the five largest customers accounted for 40% and 64% of the Group's total sales, respectively. The Group's largest supplier and five largest suppliers accounted for 45% and 87% 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 best knowledge of the directors, own more than 5% of the Company's share capital) had an interest in any of the customers and suppliers of the Group during the year.

## 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

Subsequent to the balance sheet date, on 7th April, 2003, Chu Yuk Kuen was appointed a director of the Company. On 17th June, 2003, Lai Ma Yuk Wah, Monita resigned as a director of the Company and on 18th June, 2003, Lam Kwan Sing was appointed a director of the Company.

In accordance with the Company's bye-laws, Leung Mei Yee, Wu Wing Kit, Chu Yuk Kuen and Lam Kwan Sing will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## 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 10 to 12 of the Annual Report.

## DIRECTORS' SERVICE CONTRACTS

The Company entered into a service contract with Lai Kam Wing, Jimmy, Lai Ma Yuk Wah, Monita and Leung Mei Yee for the provision of management services by these directors to the Group. Each service contract has an unexpired term of 12 months as at 31st December, 2002 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.

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## DIRECTORS' INTERESTS IN SHARES

At 31st December, 2002, 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.

The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests in shares" above and in the share option scheme disclosures in note 31 to the financial statements, 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

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, the detailed disclosures relating to the Company's share option scheme have been moved to note 31 to the financial statements.



## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of issued share capital
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 above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## CONNECTED TRANSACTIONS

During the year, the Group had the following transactions which constitute "connected transactions" as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, 2002, FT Strategic had an amount due from FT Multi-media of HK\$14,293,000, which comprised a loan amount of HK\$11,646,000 and interest receivable of HK\$2,647,000. In addition, FT Strategic also had an amount due from a 93% owned subsidiary of HK\$39,561,000, 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 has no fixed terms of repayment.

In addition, pursuant to tenancy agreements entered into by the Group with FT Multi-media and 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 premises to these related 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\$50,000 from FT Multi-media and HK\$25,000 from Spectrum.

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## PRACTICE NOTE 19 OF THE LISTING RULES

As a result of the Group's losses and the Group's prevailing financial position, certain financial and other covenants specified in a bank loan agreement were not maintained as at 31st December, 2002. The Group has not received any indication from the relevant lending bank that early loan repayment would be demanded in connection with the bank loan agreement.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

## 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

27th June, 2003

