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 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 and other products 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. FUNDAMENTAL ACCOUNTING CONCEPT

The Group recorded a consolidated net loss from ordinary activities attributable to shareholders of HK$82,335,000 for the year ended 31st December, 2002. The Group also had a net cash outflow from operations of HK$11,943,000 and an overall net cash outflow of HK$13,989,000 for the same period. The directors have been (i) in negotiations with new or existing bankers and third parties with a view to obtaining new facilities and/or renewals of the existing banking facilities granted to the Group; and (ii) closely monitoring the settlement of the Group's receivables. Subsequent to the balance sheet date, on 25th January, 2003 and 18th June, 2003, respectively, the Group obtained from independent third parties new loan facilities of HK$16,000,000 in aggregate.

Provided that the Group's existing bankers renew the existing facilities, or to the extent that existing facilities are not renewed they are replaced by new facilities made available from existing or new bankers, the directors consider the Group will have sufficient funds to support its ongoing operations.

Should the Group fail to obtain the required banking facilities, the Group may not have adequate financial resources to support its ongoing operations, and therefore, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities as current assets and liabilities.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 25 of this Annual Report in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. Further details of these changes are included in the accounting policy for "Foreign currencies" in note 4 to the financial statements. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 4, and also in note 33 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits except that additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 31 to the financial statements. These share option scheme disclosures are similar to the disclosures pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

4. 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, 2002. 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

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, directly or indirectly, over the joint venture company;

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies *(Continued)*

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, 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, directly or indirectly, 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.

Goodwill arising on acquisition 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.

SSAP 30 "Business combinations" was adopted as at 1st January, 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1st January, 2001 is treated according to the SSAP 30 goodwill accounting policy above.

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.

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.

Impairment of assets

At each balance sheet date, an assessment is made of 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

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.

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 is 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. On disposal or retirement, the attributable revaluation surplus realised in respect of previous valuations is transferred directly to retained profits as a movement in reserves.

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%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

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.

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 impairment losses 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. Impairment losses are recognised 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 impairment losses deemed necessary by the directors. Costs include all direct costs associated with the production of TV programmes. Impairment losses are recognised against costs which are in excess of the future revenue expected to be generated by the 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. Impairment losses are recognised against the sub-licensing rights if the carrying amounts of the sub-licensing rights are considered to exceed their expected future revenue.

Deferred development expenditure

This represents the expenditure 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leased assets *(Continued)*

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 sale or purchase 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

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.

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;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(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 payment is established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section 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.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. 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.

The employees of the Group's subsidiaries, which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 11% of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

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.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchanges rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

5. SEGMENT INFORMATION

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 the other business segments. Summary details of the business segments are as follows:

(a) the design, manufacture, sale of life-like plants and sale of other decorative products segment comprises manufacturing of life-like Christmas trees, flowers and other foliaged products for decoration purposes;

(b) the production, acquisition and distribution of television programmes and the provision of related multi-media services segment comprises sales of licensing rights of self-produced drama series and the sub-licensing of cartoon series and TV drama series;

(c) the sale of festival gift products through an internet portal segment; and

(d) the provision of anti-theft car alarm and tracking services segment.

In determining the Group's geographical segments, revenues 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 with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. 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, sale of life-like plants and sale of other decorative products		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	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	101,816	91,259	17,436	30,262	2,893	2,496	547	10	–	–	122,692	124,027
Intersegment sales	2,534	5,046	–	–	–	–	–	–	(2,534)	(5,046)	–	–
Other revenue	2,914	3,758	1,687	2,406	17	17	286	6	–	–	4,904	6,187
Total revenue	107,264	100,063	19,123	32,668	2,910	2,513	833	16	(2,534)	(5,046)	127,596	130,214
Segment results	(18,983)	6	(15,134)	1,619	(5,081)	(4,578)	(17,942)	(5,171)	–	–	(57,140)	(8,124)
Interest income and unallocated gains											11	8,496
Unallocated expenses											(24,121)	(1,105)
Loss from operating activities											(81,250)	(733)
Finance costs											(2,594)	(1,665)
Loss before tax											(83,844)	(2,398)
Tax											(787)	(642)
Loss before minority interests											(84,631)	(3,040)
Minority interests											2,296	3,104
Net profit/(loss) for the year attributable to shareholders											(82,335)	64

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group	Design, manufacture, sale of life-like plants and sale of other decorative products		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	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	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	**124,516**	168,916	**29,661**	39,668	**2,731**	5,284	**24,095**	27,059	**(2,534)**	(5,046)	**178,469**	235,881
Unallocated assets											**2,000**	8,400
Total assets											**180,469**	244,281
Segment liabilities	**29,346**	18,154	**7,778**	8,601	**2,802**	5,378	**3,989**	1,218	**(2,534)**	(5,046)	**41,381**	28,305
Unallocated liabilities											**30,392**	26,127
Total liabilities											**71,773**	54,432
Other segment information:												
Depreciation	**4,903**	5,014	**173**	166	**142**	121	**1,843**	506	**–**	–	**7,061**	5,807
Amortisation of deferred development expenditure	**724**	709	**–**	–	**–**	–	**–**	–	**–**	–	**724**	709
Amortisation of goodwill	**–**	–	**–**	–	**–**	–	**543**	181	**–**	–	**543**	181
Provisions for bad and doubtful debts												
– allocated assets	**21,309**	7,052	**14,688**	1,526	**287**	–	**–**	–	**–**	–	**36,284**	8,578
– unallocated assets											**22,000**	–
											58,284	8,578
Impairment of goodwill recognised in the profit and loss account	**–**	–	**–**	–	**–**	–	**4,790**	–	**–**	–	**4,790**	–
Impairment of long term unlisted investments	**–**	–	**–**	–	**1,132**	–	**–**	–	**–**	–	**1,132**	–
Capital expenditure	**1,144**	630	**8**	72	**86**	146	**3,291**	17,433	**–**	–	**4,529**	18,281

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group	United States of America		Hong Kong		Mainland China		Europe		Other		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***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	**85,092**	66,827	**11,188**	19,932	**17,983**	25,391	**8,293**	11,732	**136**	145	**–**	–	**122,692**	124,027
Other segment information:														
Segment assets	**8,889**	28,893	**71,534**	95,183	**140,547**	154,253	**167**	247	**–**	–	**(40,668)**	(34,295)	**180,469**	244,281
Capital expenditure	**169**	74	**83**	333	**4,277**	17,874	**–**	–	**–**	–	**–**	–	**4,529**	18,281

6. TURNOVER, REVENUE AND GAINS

Turnover represents the invoiced value of goods sold, net of discounts and returns, gross receipts from the licensing and sub-licensing of TV programmes and the provision of related multi-media services, net of applicable business taxes and gross receipts from the provision of anti-theft car alarm and tracking services.

An analysis of turnover, other revenue and gains is as follows:

	Note	**2002**	2001
		HK$'000	*HK$'000*
Turnover			
Production and distribution of life-like Christmas trees, floral and other foliaged products and other decorative products		**104,709**	93,755
Production, acquisition and distribution of TV programmes and the provision of related multi-media services, net of applicable business taxes of HK$943,000 (2001: HK$1,592,000)		**17,436**	30,262
Provision of anti-theft car alarm and tracking services		**547**	10
		122,692	124,027
Other revenue			
Interest income on bank balances and overdue receivables		**110**	2,637
Sale of samples		**1,806**	546
Income from video recording services		**194**	844
Consultancy fees		**–**	1,500
Others		**1,283**	756
		3,393	6,283
Gains			
Exchange gains, net		**359**	–
Write back of accounts payable		**1,163**	–
Guaranteed profit from a minority shareholder of a subsidiary	*19*	**–**	8,400
		1,522	8,400
		4,915	14,683

7. LOSS FROM OPERATING ACTIVITIES

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

	Note	2002	2001
		HK$'000	HK$'000
Cost of inventories sold*		85,581	64,686
Cost of TV programmes and sub-licensing rights*		12,249	18,696
Depreciation	14	7,061	5,807
Amortisation of goodwill**	15	543	181
Impairment of goodwill**	15	4,790	–
Loss on disposal of interests in a subsidiary**	16	46	–
Amortisation of deferred development expenditure*	17	724	709
Impairment of long term unlisted investments**	18	1,132	–
Provisions for bad and doubtful long term receivable**	19	6,400	–
Provisions for bad and doubtful trade receivables**	22	33,999	8,578
Provisions for bad and doubtful other receivables**	23	17,885	–
Minimum lease payments under operating leases on land and buildings		2,693	3,611
Staff costs (excluding directors' remuneration, note 9)			
Wages and salaries		22,111	24,137
Pension scheme contributions		702	820
Less: Forfeited contributions		–	–
Net pension contributions***		702	820
Auditors' remuneration		930	830
Exchange losses, net		–	91
Provision for obsolete inventories*		110	–
Loss on disposal of fixed assets**		6	–

* 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, 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil).

8. FINANCE COSTS

	Group 2002 HK$'000	Group 2001 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**1,021**	1,072
Interest on loans from minority shareholders of a subsidiary	**–**	45
Interest on finance leases	**187**	283
Interest on other loans	**1,386**	265
	2,594	1,665

9. DIRECTORS' REMUNERATION

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

	Group 2002 HK$'000	Group 2001 HK$'000
Executive:		
Fees	**–**	–
Other emoluments:		
Salaries, housing, other allowances and benefits in kind	**7,248**	7,228
Pension scheme contributions	**48**	52
	7,296	7,280
Independent non-executive:		
Fees	**320**	320
Other emoluments	**–**	–
	320	320
	7,616	7,600

9. DIRECTORS' REMUNERATION *(Continued)*

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

	Number of directors	
	2002	2001
Executive:		
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**1**	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 remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three (2001: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Basic salaries, housing, other allowances and benefits in kind	**2,447**	3,080
Pension scheme contributions	**21**	26
	2,468	3,106

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2002	2001
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	1
	2	2

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Provision for the year:		
Hong Kong	**508**	208
Underprovision in the prior year	**552**	361
Deferred	**(273)**	73
Tax charge for the year	**787**	642

The movement in deferred tax is analysed below:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Balance at beginning of year	**273**	200
Charge/(credit) for the year	**(273)**	73
Balance at end of year	**–**	273

11. TAX *(Continued)*

The provision for deferred tax has been made at 16% (2001: 16%) in respect of accelerated depreciation allowances to the extent that a liability was expected to crystallise in the foreseeable future. As at 31st December, 2002, the Group had an unprovided deferred tax assets of HK$505,000, which is mainly attributable to tax losses carried forward. In the prior year, the Group had an unprovided deferred tax liability of HK$900,000, relating to accelerated depreciation allowances, which was 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 unprovided deferred tax assets or liabilities at the balance sheet date.

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

The net loss attributable to shareholders for the year ended 31st December, 2002 dealt with in the financial statements of the Company, was HK$60,969,000 (2001: HK$2,059,000).

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss for the year attributable to shareholders of HK$82,335,000 (2001: net profit of HK$64,000), and 345,500,000 (2001: weighted average of 313,695,890) ordinary shares in issue during the year.

No diluted earnings/(loss) per share amounts have been presented for the current and prior years as the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

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	90,560	30,801	16,878	3,879	13,961	156,079
Additions	297	406	466	54	3,217	4,440
Transfers	–	11,701	–	–	(11,701)	–
Disposals	–	–	(11)	–	–	(11)
Deficit on revaluation	(5,044)	–	–	–	–	(5,044)
At 31st December, 2002	85,813	42,908	17,333	3,933	5,477	155,464
Accumulated depreciation and impairment:						
At beginning of year	12,724	11,469	9,932	2,354	–	36,479
Depreciation provided during the year	2,012	2,742	1,892	415	–	7,061
Disposals	–	–	(5)	–	–	(5)
Written back on revaluation	(4,962)	–	–	–	–	(4,962)
At 31st December, 2002	9,774	14,211	11,819	2,769	–	38,573
Net book value:						
At 31st December, 2002	76,039	28,697	5,514	1,164	5,477	116,891
At 31st December, 2001	77,836	19,332	6,946	1,525	13,961	119,600

The Group has entered into certain sale 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, 2002, amounted to HK$7,225,000 (2001: HK$8,077,000) and HK$638,000 (2001: HK$914,000), respectively.

14. FIXED ASSETS *(Continued)*

The Group's land and buildings are held under the following lease terms:

	Hong Kong	Elsewhere	Total
	HK$'000	*HK$'000*	*HK$'000*
Medium term leases:			
At cost	–	15,222	15,222
At valuation	19,200	51,391	70,591
	19,200	66,613	85,813

At 31st October, 1996, the leasehold land and buildings situated in Hong Kong and Mainland China were revalued by American Appraisal Hong Kong Limited, independent professionally qualified 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 Mainland China 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 and impairment losses for leasehold land and buildings at 31st December, 2002 would have been HK$41,526,000 (2001: HK$42,315,000). The additional depreciation charge for the year arising in respect of the revalued amount was HK$789,000 (2001: HK$789,000).

The directors requested Chung, Chan & Associates, independent professionally qualified valuers, to conduct a valuation of the Group's leasehold land and buildings situated in Hong Kong and Mainland China at 31st December, 2002. A revaluation deficit of HK$82,000 has been debited to the asset revaluation reserve as a result of the valuation.

The Group's land and buildings situated in Hong Kong and certain of the Group's land and buildings situated in Mainland China, with an aggregate net book value of approximately HK$66,524,000 (2001: HK$67,939,000), have been pledged to its banker as security for long term bank loans granted to the Group (see note 27).

15. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Goodwill
	HK$'000
Cost:	
At beginning of year and at 31st December, 2002	2,714
Accumulated amortisation and impairment:	
At beginning of year	181
Amortisation provided during the year	543
Impairment provided during the year	1,990
At 31st December, 2002	2,714
Net book value:	
At 31st December, 2002	–
At 31st December, 2001	2,533

As detailed in note 4 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to 1st January, 2001, to remain eliminated against consolidated reserves.

15. GOODWILL *(Continued)*

The amount of the goodwill remaining in consolidated reserves as at 31st December, 2002, 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, 2002	18,382
Accumulated impairment:	
At beginning of year	15,582
Provided during the year	2,800
At 31st December, 2002	18,382
Net book value:	
At 31st December, 2002	–
At 31st December, 2001	2,800

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002 **HK$'000**	2001 *HK$'000*
Unlisted shares, at cost	**73,218**	73,218
Due from subsidiaries	**97,355**	96,918
	170,573	170,136
Provision for impairment	**(63,000)**	(1,945)
	107,573	168,191

16. INTERESTS IN SUBSIDIARIES *(Continued)*

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

(i) An amount advanced to a non-wholly owned subsidiary of HK$14,293,000 (2001: HK$12,020,000) bears interest at 10% per annum, and is due and repayable on 8th February, 2003. Subsequent to the balance sheet date, negotiation has been commenced for the extension of the repayment date; and

(ii) An amount advanced to another non-wholly owned subsidiary of HK$39,561,000 (2001: HK$31,959,000) 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.

Particulars of the principal subsidiaries are 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	Holding of properties for rental purposes
Dongguan United Art Plastic Products Limited*	Mainland China	HK$49,000,000	–	100 *(note (a))*	Manufacture of life-like Christmas trees
Weihai FT Plastic Products Co., Ltd.*	Mainland China	RMB13,000,000	–	100 *(note (b))*	Manufacture of life-like decorative plants

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	US$1	–	100	Investment holding
FT Multi-Media Limited	British Virgin Islands/ Mainland China	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")	Mainland China	RMB30,000,000	–	70 *(note (d))*	Provision of anti-theft car alarm and tracking services in Mainland China
陝西永華新盾安全科技有限公司 (previously known as 陝西新盾安全科技有限公司) * ("陝西新盾")	Mainland China	RMB5,000,000	–	42 *(note (e))*	Provision of anti-theft car alarm and tracking services in Mainland China

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

16. INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Pursuant to a joint venture agreement dated 8th September, 1993 (the "Joint Venture Agreement") entered into between FT China Limited and a party in Mainland China, 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 the PRC joint venture partner on 22nd March, 1996. Following the approval of this agreement, the PRC joint venture partner 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 joint venture partner 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.

Pursuant to the Joint Venture Agreement, the PRC joint venture partner 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 (2001: 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 joint venture partner 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 joint venture partner 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 (2001: RMB78,000), with the PRC joint venture partner 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 joint venture partner is treated as a long term loan payable.

On 19th June, 1998, the capital invested by the PRC joint venture partner 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 joint venture partner therefore amounted to RMB650,000 (equivalent to HK$601,000).

16. INTERESTS IN SUBSIDIARIES *(Continued)*

(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 60% (2001: 80%) equity interest in 陝西新盾. Pursuant to an agreement dated 3rd July, 2002 entered into between Guangdong Yong Hua and a PRC joint venture partner, Guangdong Yong Hua disposed of a 20% equity interest in 陝西新盾 to the PRC joint venture partner at a consideration of RMB750,000, which has given rise to a loss of approximately HK$46,000 to the Group (note 7).

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.

17. DEFERRED DEVELOPMENT EXPENDITURE

	Group
	HK$'000
Cost:	
At beginning of year	2,837
Additions	89
At 31st December, 2002	2,926
Accumulated amortisation:	
At beginning of year	709
Provided during the year	724
At 31st December, 2002	1,433
Net book value:	
At 31st December, 2002	1,493
At 31st December, 2001	2,128

18. LONG TERM INVESTMENTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Unlisted equity investments, at fair value	**1,132**	1,132
Provision for impairment	**(1,132)**	–
	–	1,132

19. LONG TERM RECEIVABLE/DIVIDEND PAYABLE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

Included in prepayments, deposits and other receivables as at 31st December, 2001 was a guaranteed profit receivable from a minority shareholder of a subsidiary amounting to HK$8,400,000. The balance was secured by a share charge over the shares held by the minority shareholder in the subsidiary, and was interest-free and due on 31st March, 2003. Subsequent to the balance sheet date, on 25th April, 2003, the Group received from the minority shareholder a request to accept the HK$2,000,000 dividend receivable by the minority shareholder of the subsidiary as at 31st December, 2002 as partial settlement of the receivable and extend the repayment of the balance of the receivable of HK$6,400,000 for two years to 31st March, 2005. A full provision against the guaranteed profit receivable, net of the dividend payable of HK$2,000,000 to be set off, amounting to HK$6,400,000 has been made by the directors (see note 7).

20. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**5,741**	7,122
Work in progress	**4,520**	4,789
Finished goods	**3,639**	3,688
	13,900	15,599

As at the balance sheet date, none of the inventories included in the above balance were carried at net realisable value (2001: Nil).

21. TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
TV programmes	**1,900**	1,600
TV programmes in progress	**3,456**	2,739
Sub-licensing rights	**100**	1,218
	5,456	5,557

22. 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 aged analysis of trade receivables (net of provision for bad and doubtful debts).

	Group	
	2002	2001
	HK$'000	*HK$'000*
Aged		
Less than 90 days	**16,805**	22,844
91-180 days	**282**	4,371
Over 180 days	**1,880**	23,763
Total	**18,967**	50,978

The above analysis ages trade receivables, stated net of the provision for bad and doubtful debts, based on the due dates for settlement after revenue is recognised from the trade transactions.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables as at 31st December, 2002 is an other receivable due from an independent third party of HK$19,667,000. The balance represents a receivable for goods purchased by the Group during the year on behalf of the independent third party, in return for commission income.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Subsequent to the balance sheet date, HK$4,030,000 of this other receivable was settled which resulted in a net receivable balance of HK$15,637,000 at the date of this annual report. On 25th April, 2003, the independent third party agreed to a repayment schedule whereby the outstanding balance was to be settled by two instalments in May and June 2003. However, the May instalment was not paid on the due date and has not been paid up to the date on which these financial statements were approved and, consequently, the repayment schedule remains in default. A provision of HK$15,637,000 has been made by the directors against this receivable (see note 7).

24. CASH AND CASH EQUIVALENTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Cash and bank balances	**6,912**	18,187

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$447,000 (2001: HK$262,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Aged		
Less than 90 days	**7,945**	5,948
91 – 180 days	**1,359**	2,904
Over 180 days	**4,890**	3,416
Total accounts payable	**14,194**	12,268
Accrued liabilities	**22,914**	13,036
	37,108	25,304

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

26. OTHER LOANS, UNSECURED

The other loans are unsecured, repayable within one year and bear interest at rates ranging from 1% above the best lending rate to 36% per annum, except for loans amounting to HK$3,069,000, which are interest-free.

The other loans in the prior year were unsecured, repayable within six months from the balance sheet date and bore interest at rates ranging from 1% above the best lending rate to 15% per annum, except for a loan amounting to HK$1,000,000, which was interest-free.

27. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts, secured	**2,714**	–
Bank loans, secured	**12,300**	16,832
	15,014	16,832
Bank overdrafts repayable within one year or on demand	**2,714**	–
Bank loans repayable:		
Within one year or on demand	**9,634**	11,198
In the second year	**2,274**	2,966
In the third to fifth years, inclusive	**392**	2,668
	12,300	16,832
	15,014	16,832
Portion classified as current liabilities	**(12,348)**	(11,198)
Long term portion	**2,666**	5,634

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.

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.

28. 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 two to five years.

At 31st December, 2002, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments**	Minimum lease payments	**Present value of minimum lease payments**	Present value of minimum lease payments
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**1,994**	2,212	**1,941**	2,021
In the second year	**452**	1,999	**428**	1,945
In the third to fifth years, inclusive	**–**	453	**–**	429
Total minimum finance lease payments	**2,446**	4,664	**2,369**	4,395
Future finance charges	**(77)**	(269)		
Total net finance lease payables	**2,369**	4,395		
Portion classified as current liabilities	**(1,941)**	(2,021)		
Long term portion	**428**	2,374		

29. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The balance is unsecured, interest-free and has no fixed terms of repayment.

30. SHARE CAPITAL

	Company	
	2002	2001
	HK$'000	*HK$'000*
Authorised:		
500,000,000 (2001: 500,000,000) ordinary shares of HK$0.10 each	**50,000**	50,000
Issued and fully paid:		
345,500,000 (2001: 345,500,000) ordinary shares of HK$0.10 each	**34,550**	34,550

The movement in the Company's issued ordinary share capital in the prior year was as follows:

	Issued share capital	Number of shares in issue
	HK$'000	
At 1st January, 2001	29,100	291,000,000
Issue of 54,500,000 new ordinary shares	5,450	54,500,000
At 31st December, 2001 and 31st December, 2002	34,550	345,500,000

31. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

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

Under the Scheme, the directors may, at their discretion, grant to full-time employees and executive directors of the Group, the right to take up options to subscribe for shares of the Company. The Scheme became effective on 3rd January, 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

31. SHARE OPTION SCHEME *(Continued)*

Subsequent to the adoption of the Scheme, the Stock Exchange has introduced a number of changes to the Listing Rules on share option schemes. These new rules came into effect on 1st September, 2001. No share options have been granted under the Scheme since the adoption of these new rules on 1st September, 2001. However, any option to be granted under the Scheme is subject to the new changes which include, inter alia, the following:–

(a) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive directors; and

(c) the exercise price of share options is determined by directors, but may not be less than the higher of: (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant.

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

The maximum number of unexercised share options permitted to be granted under the Scheme must not exceed 10% of the shares of the Company in issue at any time. At 31st December, 2002, the number of shares issuable under share options granted under the Scheme was 14,000,000, which represented approximately 4% of the Company's shares in issue as at that date. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the aggregate number of shares subject to the Scheme, at the time it is proposed to grant the relevant option to such person.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Scheme during the year:

	Number of share options					Share price at date of
	At 1st January, 2002*	Lapsed during the year	At 31st December, 2002	Exercise period	Exercise price	options granted**
					HK$	*HK$*
Directors						
Lai Ma Yuk Wah, Monita	4,000,000	–	**4,000,000**	7/3/1997 - 6/3/2007	0.7056	0.87
Leung Mei Yee	4,000,000	–	**4,000,000**	7/3/1997 - 6/3/2007	0.7056	0.87
	8,000,000	–	**8,000,000**			
Other employees	7,000,000	(1,000,000)	**6,000,000**	7/3/1997 - 6/3/2007	0.7056	0.87
	15,000,000	(1,000,000)	**14,000,000**			

* *The share options were granted on 7th March, 1997.*

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

At the balance sheet date, the Company had 14,000,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 14,000,000 additional ordinary shares of the Company and an additional share capital of HK$1,400,000 and share premium of HK$8,478,000 (before issue expenses). No share options were granted or exercised during the year.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 25 of this annual report.

The contributed surplus of the Group represents the difference between the nominal value of the shares acquired pursuant to the Group reorganisation prior to 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.

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

32. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1st January, 2001	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 and beginning of year	59,306	73,018	1,823	134,147
Net loss for the year	–	–	(60,969)	(60,969)
At 31st December, 2002	59,306	73,018	(59,146)	73,178

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 reorganisation referred to in note 32(a), over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act of Bermuda 1981 (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances. The share premium of the Company is distributable in the form of fully paid bonus shares.

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Changes to the layout of the consolidated cashflow statement

SSAP 15 (Revised) was adopted during the current year, as detailed in note 3 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities and interest received is now included in cash flows from investing activities. The presentation of the 2001 comparative consolidated cash flow statement has been changed to accord with the new layout.

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Changes to the layout of the consolidated cashflow statement *(Continued)*

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 4 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. This has had no effect on amounts previously reported in prior year's financial statements.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 4 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. This has had no effect on amounts previously reported in prior year's financial statements.

34. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bills discounted with recourse	**5,271**	2,807

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.

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$2,321,000 as at 31st December, 2002, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

The Company did not have any material contingent liabilities at the balance sheet date.

35. OPERATING LEASE ARRANGEMENTS

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

At 31st December, 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**873**	1,304
In the second to fifth years, inclusive	**427**	1,174
	1,300	2,478

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Capital commitments:		
Contracted, but not provided for	**4,808**	6,072

The Company had no significant commitments at the balance sheet date.

37. POST BALANCE SHEET EVENTS

The following significant post balance sheet events took place subsequent to 31 December 2002:

(a) On 25th January, 2003, the Company entered into a loan agreement with an independent third party pursuant to which the independent third party agreed to advance to the Company a loan of HK$8,000,000, which was drawn down on 27th January, 2003. The loan bears interest at the rate of 18.27% per annum and is secured by a personal guarantee given by a director, Lai Kam Wing, Jimmy. On 26th June, 2003, the Company received a letter from the independent third party confirming that the repayment of the loan will be extended to 27th January, 2004.

(b) As detailed in note 16(i) to the financial statements, subsequent to the balance sheet, negotiations have commenced to extend the repayment date of the amount of HK$14,293,000 advanced by the Group to a non-wholly owned subsidiary, which became due on 8th February, 2003.

37. POST BALANCE SHEET EVENTS *(Continued)*

(c) On 16th February, 2003, the Group entered into an agreement with an independent third party pursuant to which the Group agreed to dispose part of its leasehold land located at Weihai, Mainland China, at a consideration of RMB2,500,000 (equivalent to HK$2,381,000). The amount of HK$2,381,000 was received by the Group before the balance sheet date and has been included in "accounts payable and accrued liabilities" in the consolidated balance sheet as at 31st December, 2002.

(d) As detailed in note 19 to the financial statements, on 25th April, 2003, the Group received from the minority shareholder of a subsidiary a request to accept the HK$2,000,000 dividend receivable by the minority shareholder as at 31st December, 2002 as partial settlement of the guaranteed profit receivable from the minority shareholder amounting to HK$8,400,000, and to extend the repayment of the balance of the receivable of HK$6,400,000 for two years to 31st March, 2005. A full provision against the HK$6,400,000 balance has been made by the directors (note 19).

(e) On 18th June, 2003, FT China Limited ("FT China"), a wholly-owned subsidiary of the Group, entered into a loan agreement with an independent third party pursuant to which the independent third party agreed to provide to FT China a loan facility up to a limit of HK$8,000,000. At the date of this annual report, an amount of HK$4.5 million has been drawn down by FT China. The balance is guaranteed by the Company, bears interest at the Hong Kong dollar prime rate plus 1% per annum and is repayable in nine months from the date on which the facilities are drawn.

38. COMPARATIVE AMOUNTS

As further explained in note 3 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.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27th June, 2003.