

Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I present the annual report of FT Holdings International Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2003.

RESULTS

The Board of Directors (the "Directors") of FT Holdings International Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2003 with comparative figures for the last corresponding year as follows:

	Year ended 31 December 2003 HK\$'000	Year ended 31 December 2002 HK\$'000
Turnover		
– Continued operation	81,559	122,145
– Discontinued operation	212	547
	81,771	122,692
Cost of sales	(77,830)	(98,664)
Gross profit	3,941	24,028
Other revenue and gains	2,779	4,915
Selling expenses	(6,523)	(10,218)
Administrative expenses	(25,928)	(35,174)
Other operating expenses	(30,352)	(64,801)
Operating loss		
– Continue operation	(35,893)	(63,308)
– Discontinued operation	(20,190)	(17,942)
	(56,083)	(81,250)
Finance costs	(7,820)	(2,594)
Loss before taxation	(63,903)	(83,844)
Taxation	–	(787)
Loss before minority interests	(63,903)	(84,631)
Minority interests	–	2,296
Loss attributable to shareholders	(63,903)	(82,335)

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31 December 2003.

BUSINESS REVIEW AND PROSPECTS

During the year under review, the Group recorded a total turnover of approximately HK\$82 million which consisted of HK\$67 million from the core business in manufacturing and sales of life-like Christmas trees and other foliated products and approximately HK\$15 million from the multi-media business.

The overall loss attributable to shareholders was approximately HK\$64 million while a loss of HK\$82 million was noted in 2002. The improvement in the operating results of the Group was mainly due to the substantial reduction in provision for aged and doubtful debts in the current year.

Core Business

The sales of Christmas trees to United States continues to be the major product and market of the Group's core business.

The turnover of the core business has decreased by approximately 36% to the amount of HK\$67 million as:

- (a) The Group was also engaged in the trading of certain decorative products in the amount of approximately HK\$18 million in 2002. In view of low profit margin and keen competition from the other suppliers, such activities were ceased during the year; and
- (b) As mentioned in the Interim Report, the outbreak of the SARS in mid 2003 resulted in the cancellation of certain appointments by our customers and we have to defer our production schedules and certain orders were cancelled due to delay in production.

The segment loss was approximately HK\$30 million as compared to approximately HK\$24 million in 2002 since there was a loss in the disposal and impairment of certain properties, plant and machinery of approximately HK\$6 million as a result of the centralisation of the Group's production facilities into a single location in Dongguan, PRC for efficient and effective management. The non-fully utilisation of the Group's production capacity as a result of the decrease in sales volume also attributed to the enlargement of the loss recorded.

The raw material prices of the Group's products has been increasing since the end of 2003. The profit margin would be squeezed as it is hard for the Group to transfer the cost increment to our customers who have received our price quotations. In view of which, the Group is actively restructuring the Group's business operation, including the streamline of human resources, re-engineering of the production flow and the other measurable means which are of cost effective. The Directors are of the opinion that the profit margin of the Group's products would only be moderately affected in the coming year.

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The Group continues to expand its core business gradually with available internal resources and is exploring the possibility of utilising subcontractors to develop a line of middle to low priced products to compete with other industrial participants and to capture other market segments.

The Group is also formulating certain co-operation possibilities with some other factories specialising in ornaments and other accessories to enrich and support the Group's development of new product lines.

Multi-media Business

In 2003, the media market continues to be depressed and weak. SARS has rendered China, particularly Beijing. That impacted the Group's operation badly on two fronts. The regulatory body in Beijing was not functional and have therefore stopped all censorship activities for a long period. Finished work was not reviewed and sales effort, without the censorship approval, was not possible. TV stations were also not functioning at full capacity. Program buying activities went to a grinding halt and was not restored to a normal level until very late in the year. The Group's turnover for the year dropped to approximately HK\$15 million. Loss before finance cost was reduced to approximately HK\$5 million as compared to last year's HK\$15 million due to the smaller provision for aged and doubtful debts during the year.

Our 9:30 Theatre maintained a breakeven performance in 2003, again badly hit by lower advertising rates and volume since a lot of advertisers stopped advertising altogether during the SARS period.

Given the adverse market situation and the limited resources available, our company only produced 30 hours of drama series in 2003. Censorship approval was obtained very late in the year and distribution effort only began at the end of the year. For the 80 hours of purchased programmes, we received final censorship approval partly in the 3rd quarter and partly in the 4th quarter. Sales effort began in the 4th quarter and so far, revenue is in line with our projection.

Management has reviewed our strategy for 2004 and have made the following decisions.

- (a) 9:30 Theater will be terminated. The advertising market is volatile and we believe resources invested elsewhere will generate a higher return;
- (b) Sales and distribution efforts for our programmes on hand will be stepped up. This will apply to both the programmes that the Company have produced and purchased; and
- (c) In order to fully utilize our strong distribution team in China, management is pursuing the following projects.
 - (i) To act as distribution agent for TV programmes. With CEPA, there will be more Hong Kong companies producing for the China market. Yet, they do not have the distribution structure in place. We are well placed to capitalize on this positive market development; and
 - (ii) We will continue to purchase high quality imported series. The capital investments are lower and the cash return cycle is much shorter. The return is also healthy.

The management is optimistically prudent for the year 2004. The primary task of management is to aggressively collect account receivables to reduce our current debt level and to seek for new and high return projects.

Anti-theft Car Alarm and Tracking System

Owing to the poor performance of the operation in the anti-theft car alarm and tracking system and the unpredictable future development prospect, the Directors have resolved to terminate and discontinue its operation during the year.

Financial Resources and Future Development

During the year, the Company has successfully raised approximately HK\$8.3 million by placing of 20% of the enlarged share capital of the Company to China Star HK Entertainment Company Limited and approximately HK\$79.7 million from Open Offer. The Group's financial position has been greatly improved which provides a solid platform for the future development of the Group's business.

Subsequent to the balance sheet date, the Directors also put forward a proposal to the shareholders for the acquisition of the copper business from Solartech International Holdings Limited. The Directors are of the opinion that the Group's income base will be greatly enhanced as a result of the acquisition. The shareholders of the Company could enjoy from the fruitful result from the growing demand in the PRC for the copper products.

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CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Thursday, 20 May 2004 to Tuesday, 25 May 2004 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for attending the forthcoming Annual General Meeting, all shares transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 19 May 2003.

APPRECIATION

On behalf of the Directors, I would like to express my heartfelt gratitude to the shareholders, customers, suppliers, bankers and professional advisors for their support of the Company over the past year, and to sincerely thank the management and staff for their ongoing dedication and diligence.

Ng Tak Chak, Nelson

Chairman

Hong Kong, 26 April 2004