1. GENERAL

The Company was incorporated in Bermuda on 11 June 1996 as an exempted company with limited liability under the Companies Act of Bermuda 1981 (as amended).

The principal activities of the Group are 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; and sale of festival gift products through an internet portal.

During the year, the Group ceased its provision of anti-theft car alarm and tracking services operation.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. In the current year, the Group has adopted, for the first time, the following SSAP which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised):	Income taxes

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Opening retained earnings at 1 January 2002 have been decreased by HK$900,000, which is the cumulative effect of the change in policy on the results for periods prior to 2002. The effect of the change was not significant for the year ended 31 December 2002.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The financial statements have been prepared under the historical cost convention as modified for revaluation of certain land and buildings. The principal accounting policies adopted are as follows:

a) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposal of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

b) GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisition on or after 1 January 2001 is capitalised and amortised on a straight-line basis over its estimated useful life of five years. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

c) SUBSIDIARIES

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. A subsidiary is considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

d) 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:

(i) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

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

(iii) 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

(iv) 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.

e) 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:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer;

(ii) income from the licensing and sub-licensing of TV programme, upon the delivery of master tapes to customers;

(iii) 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;

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

e) REVENUE RECOGNITION (Continued)

(iv) commission and other service fees, when services are rendered;

(v) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

f) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use.

All other borrowing costs are charged to consolidated income statement in the year in which they are incurred.

g) INCOME TAX

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

h) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. Depreciation of property, plant and equipment is calculated to write off their cost less residual value over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease or 50 years
Furniture, fixtures and equipment	20% to 30%
Motor vehicles	20% to 30%
Plant and machinery	$6^{2}/_{3}$%

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

h) PROPERTY, PLANT AND EQUIPMENT (Continued)

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the consolidated income statement. Improvements are capitalised and depreciated over their expected useful lives.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balances, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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 property, plant and equipment and depreciated thereafter when completed and ready for use.

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the consolidated income statement.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i) IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

j) LEASED ASSETS

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease payable. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the payable for each accounting period. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

All other leases are classified as operating leases and rentals are charged to the income statement on a straight-line basis over the relevant lease term.

k) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials and, where appropriate, direct labour costs and those overhead that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

l) INVESTMENTS IN SECURITIES

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading proposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in investment revaluation reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

m) TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

(i) 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.

(ii) 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.

(iii) 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 lease of these purchased TV programmes, the relevant portion of the licence fees are charged to the income statement 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

n) 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.

o) PROVISION AND CONTINGENCIES

A provision is recognised when there is a present obligation, legal or constructive, as a result of past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

p) CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

q) EMPLOYEE BENEFITS

i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Contributions to retirement benefit schemes are charged as an expense as they fall due.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

r) FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in the income statement in the period in which the subsidiary is disposal of.

s) 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 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.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats; (i) on a primary segment reporting basis, by business segment; (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.

During the year, the Group discontinued its operation in the provision of anti-theft car alarm and tracking services.

3. SEGMENT INFORMATION (CONTINUED)

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.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

The Group

	Continue operation						Discontinued operation					
	Design, manufacture and sale of life-like plants		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	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**60,641**	101,816	**14,604**	17,436	**6,314**	2,893	**212**	547	**–**	–	**81,771**	122,692
Intersegment sales	**4,538**	2,534	**–**	–	**–**	–	**–**	–	**(4,538)**	(2,534)	**–**	–
Other revenue	**1,266**	2,914	**1,411**	1,687	**14**	17	**1**	286	**–**	–	**2,692**	4,904
Total revenue	**66,445**	107,264	**16,015**	19,123	**6,328**	2,910	**213**	833	**(4,538)**	(2,534)	**84,463**	127,596
Segment results	**(27,222)**	(18,983)	**(4,875)**	(15,134)	**(2,359)**	(5,081)	**(20,190)**	(17,942)	**–**	–	**(54,646)**	(57,140)
Interest income and unallocated gains											**87**	11
Unallocated expenses											**(1,524)**	(24,121)
Operating loss											**(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)

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Continue operation						Discontinued operation					
	Design, manufacture and sale of life-like plants		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	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**155,330**	124,516	**25,844**	29,661	**2,957**	2,731	**–**	24,095	**(4,538)**	(2,534)	**179,593**	178,469
Unallocated assets											**–**	2,000
Total assets											**179,593**	180,469
Segment liabilities	**16,813**	29,346	**11,016**	7,778	**4,967**	2,802	**–**	3,989	**(4,538)**	(2,534)	**28,258**	41,381
Unallocated liabilities											**19,144**	31,292
Total liabilities											**47,402**	72,673
Other segment information:												
Depreciation	**4,488**	4,903	**119**	173	**160**	142	**943**	1,843	**–**	–	**5,710**	7,061
Amortisation of deferred development expenditure	**774**	724	**–**	–	**–**	–	**–**	–	**–**	–	**774**	724
Amortisation of goodwill	**–**	–	**–**	–	**–**	–	**–**	543	**–**	–	**–**	543
Provisions for bad and doubtful debts												
– allocated assets	**7,073**	21,309	**1,300**	14,688	**50**	287	**(31)**	–	**–**	–	**8,392**	36,284
– unallocated assets											**–**	22,000
											8,392	58,284
Impairment of goodwill recognised in the income statement	**–**	–	**–**	–	**–**	–	**–**	4,790	**–**	–	**–**	4,790
Impairment of long term unlisted investments	**–**	–	**–**	–	**–**	1,132	**–**	–	**–**	–	**–**	1,132
Capital expenditure	**1,354**	1,144	**24**	8	**75**	86	**37**	3,291	**–**	–	**1,490**	4,529

3. SEGMENT INFORMATION (Continued)

(b) Geographical segments (Continued)

The Group

	United States of America		Hong Kong		Mainland China		Europe		Others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**52,754**	85,092	**4,106**	11,188	**14,816**	17,983	**9,523**	8,293	**572**	136	**–**	–	**81,771**	122,692
Other segment information:														
Segment assets	**11,644**	8,889	**166,098**	71,534	**42,165**	140,547	**311**	167	**–**	–	**(40,625)**	(40,668)	**179,593**	180,469
Capital expenditure	**347**	169	**25**	83	**1,118**	4,277	**–**	–	**–**	–	**–**	–	**1,490**	4,529

4. TURNOVER, OTHER 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 tax and gross receipts from the provision of anti-theft car alarm and tracking services.

Turnover, other revenue and gains consisted of:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Turnover		
Production and distribution of life-like Christmas trees, floral and other foliaged products	**66,955**	104,709
Production, acquisition and distribution of TV programmes and the provision of related multi-media services	**14,604**	17,436
Provision of anti-theft car alarm and tracking services	**212**	547
	81,771	122,692
Other revenue		
Interest income on bank balances and overdue receivables	**87**	110
Sale of samples	**681**	1,806
Income from video recording services	**–**	194
Others	**1,438**	1,283
	2,206	3,393
Gains		
Net exchange gains	**573**	359
Write back of accounts payable	**–**	1,163
	573	1,522
	84,550	127,607

5. FINANCE COSTS

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,028**	1,021
Interest on finance leases	**97**	187
Interest on other loans wholly repayable within five years	**6,695**	1,386
	7,820	2,594

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Cost of inventories sold	**63,100**	85,581
Cost of TV programmes and sub-licensing rights	**14,679**	12,249
Depreciation	**5,710**	7,061
Amortisation of goodwill	**–**	543
Impairment of goodwill	**–**	4,790
Loss on disposal of interests in a subsidiary	**–**	46
Amortisation of deferred development expenditure	**774**	724
Impairment of long term unlisted investments	**–**	1,132
Provisions for bad and doubtful long term receivable	**–**	6,400
Provisions for bad and doubtful trade receivables	**384**	33,999
Provisions for bad and doubtful other receivables	**8,008**	17,885
Minimum lease payments under operating leases on land and building	**456**	2,693
Staff costs (excluding directors' remuneration)		
Wages and salaries	**11,570**	22,111
Retirement benefit scheme contributions	**564**	702
Less: Forfeited contributions	**–**	–
Net contributions	**564**	702
	12,134	22,813
Auditors' remuneration	**400**	930
Provision for obsolete inventories	**–**	110
Loss on disposal and write-off of property, plant and equipment	**26,556**	6
Impairment of property, plant and equipment	**1,898**	–

7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(i) The aggregate amounts of emoluments payable to directors of the Group during the year are as follows:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Executive:		
Fees	**–**	–
Other emoluments:		
Salaries, housing, other allowances and benefits in kind	**4,250**	7,248
Retirement benefit scheme contributions	**32**	48
	4,282	7,296
Independent non-executive:		
Fees	**230**	320
Other emoluments	**–**	–
	230	320
	4,512	7,616

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

	Number of directors	
	2003	2002
Executive:		
Nil – HK$1,000,000	**7**	–
HK$1,000,001 – HK$1,500,000	**–**	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
	8	3
Independent non-executive:		
Nil – HK$1,000,000	**4**	2
	12	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7. DIRECTORS' EMOLUMENTS AND HIGHEST AND EMPLOYEES (CONTINUED)

(ii) Five highest paid employees

The five highest paid individuals during the year included three (2002: three) directors, details of whose remuneration are set out in note 7(i) above. Details of the remuneration of the two (2002: two) non-director, highest paid employees are as follows:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Basic salaries, housing, other allowances and benefits in kind	**2,057**	2,447
Retirement benefit scheme contributions	**23**	21
	2,080	2,468

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

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	–
	2	2

Note: One of the five remaining executive directors for the year ended 31 December 2003 referred to above was appointed in December 2003. His emoluments from the date of his appointment as a director were included as directors' remuneration for the year ended 31 December 2003. However, as he was employed by the Group prior to December 2003, his emoluments from January to November 2003 had been included as staff costs.

8. TAXATION

No Hong Kong profits tax has been provided for the year as the Group did not generate any assessable profits in Hong Kong.

Hong Kong profits tax had been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2002.

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Provision for the year		
Hong Kong	–	508
Underprovision in the prior year	–	552
Deferred	–	(273)
Tax charge for the year	–	787

The Group's sales of life-like plants business was used to be assessed to Profits Tax in Hong Kong on a consolidated basis, which means profit of the subsidiaries carrying out the sales of life-like plants business were collectively assessed in the name of FT Far East Limited, a wholly-owned subsidiary of the Company. This basis had been accepted by the Inland Revenue Department ("IRD") up to the year of assessment 2000/01. During the year, the IRD proposed to adopt the individual company approach commencing from the year of assessment 2001/02 and with respective effect commencing from the year 1998/99. This has the effect that the loss of one company would no longer be allowed to set off the profit of another company with the Group. Should this prevail, an additional tax of approximately HK$500,000 may arise. The Group is now negotiating with the IRD and the outcome is uncertain, the directors considered that no provision is to be made in this regard.

The movement in deferred tax is analysed below:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
		(Restated)
Balance at beginning of year	**900**	1,173
Credit for the year	–	(273)
Balance at end of year	**900**	900

The provision for deferred tax has been made at 17.5% (2002: 16%) in respect of accelerated depreciation allowances to the extent that a liability was expected to crystallise in the foreseeable future. As at 31 December 2003, the Group had an unprovided deferred tax assets of approximately HK$2,000,000, which is mainly attributable to tax losses carried forward. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

8. TAXATION (CONTINUED)

The Company had no significant unprovided deferred tax assets or liabilities at the balance sheet date.

The reconciliation between the Group's profit for the year and the amount which is calculated based on the domestic income tax rate of 17.5% is as follows:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Loss before taxation for the year	**(63,903)**	(82,335)
Tax calculated at the domestic income tax rate of 17.5% (2002: 16%)	**(11,183)**	(13,174)
Tax effect of expenses not deductible for taxation purposes	**12,677**	14,089
Tax effect of income exempted from taxation	**(363)**	(407)
Underprovision in prior year	**–**	552
Deferred tax income relating to temporary timing difference	**–**	(273)
Tax effect of available tax loss utilised	**(1,131)**	–
Taxation	**–**	787

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders included a loss of HK$65,768,000 (2002: HK$60,969,000) dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of HK$63,903,000 (2002: HK$HK$82,335,000) and the weighted average number of 388,947,808 shares (2002: 345,500,000 shares).

Diluted loss per share is not presented as the share options outstanding had an anti-dilutive effect on the basic loss per share for the year (2002: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

The 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 1 January 2003	85,813	42,908	17,333	3,933	5,477	155,464
Additions	–	441	777	–	–	1,218
Disposals and write-off	(11,438)	(16,013)	(4,703)	(1,838)	(5,477)	(39,469)
Deficit on revaluation	(9,075)	–	–	–	–	(9,075)
At 31 December 2003	**65,300**	**27,336**	**13,407**	**2,095**	**–**	**108,138**
Comprising						
At cost	–	27,336	13,407	2,095	–	42,838
At valuation 2003	65,300	–	–	–	–	65,300
	65,300	27,336	13,407	2,095	–	108,138
Accumulated depreciation and impairment						
At 1 January 2003	9,774	14,211	11,819	2,769	–	38,573
Charge for the year	1,827	2,105	1,435	343	–	5,710
Impairment	–	1,830	68	–	–	1,898
Eliminated on disposals and write-off	(2,114)	(2,063)	(1,819)	(1,334)	–	(7,330)
Eliminated on revaluation	(9,487)	–	–	–	–	(9,487)
At 31 December 2003	**–**	**16,083**	**11,503**	**1,778**	**–**	**29,364**
Net book value						
At 31 December 2003	**65,300**	**11,253**	**1,904**	**317**	**–**	**78,774**
At 31 December 2002	76,039	28,697	5,514	1,164	5,477	116,891

The Group has entered into certain sale and lease back contracts with certain financial institutions. The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery and motor vehicles at 31 December 2003, amounted to HK$6,373,000 (2002: HK$7,225,000) and HK$295,000 (2002: HK$638,000), respectively.

11. PROPERTY, PLANT AND EQUIPMENT (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	18,900	46,400	65,300

At 31 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 31 December 2003 would have been HK$33,521,000 (2002: HK$34,369,000). The additional depreciation charge for the year arising in respect of the revalued amount was HK$787,000 (2002: 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 31 December 2003. A revaluation surplus of HK$412,000 has been credited to the asset revaluation reserve as a result of the valuation.

The Group's land and buildings situated in Hong Kong with net book value of approximately HK$18,900,000 (2002: HK$66,524,000), has been pledged to its banker as security for long term bank loan granted to the Group.

12. 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 31 December 2003	2,714
Accumulated amortisation and impairment	
At beginning of year and at 31 December 2003	2,714
Net book value	
At 31 December 2003	–
At 31 December 2002	–

As detailed in note 2 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 1 January 2001, to remain eliminated against consolidated reserves.

The amount of the goodwill remaining in consolidated reserves as at 31 December 2003, arising from the acquisition of subsidiaries prior to 1 January 2001, are as follows:

	Goodwill eliminated against contributed surplus *HK$'000*
Cost	
At beginning of year and at 31 December 2003	18,382
Accumulated amortisation and impairment	
At beginning of year and at 31 December 2003	18,382
Net book value	
At 31 December 2003	–
At 31 December 2002	–

13. DEFERRED DEVELOPMENT EXPENDITURE

	The Group
	HK$'000
Cost	
At beginning of year	2,926
Additions	272
At 31 December 2003	**3,198**
Accumulated amortisation	
At beginning of year	1,433
Provided during the year	774
At 31 December 2003	**2,207**
Net book value	
At 31 December 2003	**991**
At 31 December 2002	1,493

14. LONG TERM INVESTMENTS

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Unlisted equity investments, at fair value	**1,132**	1,132
Provision for impairment	**(1,132)**	(1,132)
	–	–

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

Included in prepayments, deposits and other receivables as at 31 December 2002 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 has no fixed terms of repayment. On 25 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 31 December 2002 as partial settlement of the receivable. 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 during the year ended 31 December 2002.

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**73,218**	73,218
Due from subsidiaries	**135,569**	97,355
	208,787	170,573
Provision for impairment	**(126,000)**	(63,000)
	82,787	107,573

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment except that an amount advanced to a non-wholly owned subsidiary of HK$15,798,000 (2002: HK$14,293,000) bears interest at 10% per annum, and has no fixed terms of repayment.

16. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Class of share held	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 Holdings Limited	Bahamas	Ordinary	US$5,000	100	–	Investment holding
FT Far East Limited	Hong Kong	Ordinary	HK$2	–	100	Trading of life-like decorative plants
FT China Limited	Hong Kong	Ordinary	HK$2	–	100	Manufacture of life-like decorative plants
FT Properties Limited	Hong Kong	Ordinary	HK$2	–	100	Holding of properties for rental purposes
Dongguan United Art Plastic Products Limited *	Mainland China	Registered capital	HK$49,000,000	–	100 *(note (a))*	Manufacture of life-like Christmas trees
Weihai FT Plastic Products Co., Ltd. *	Mainland China	Registered capital	RMB13,000,000	–	100 *(note (b))*	Manufacture of life-like decorative plants
FT Strategic Investments Limited	British Virgin Islands	Ordinary	US$1	–	100	Investment holding
FT Multi-Media Limited	British Virgin Islands/ Mainland China	Ordinary	US$10,000	–	60 *(note (c))*	Production, acquisition and distribution of television programmes and provision of related multi-media services
e-Business Technology Limited	Hong Kong	Ordinary	HK$100	–	80	Sale of festival gift products through an internet portal

* *Not audited by Charles Chan, Ip & Fung CPA Ltd.*

16. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

a) Pursuant to a joint venture agreement dated 8 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 28 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 22 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.

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 (2002: 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 25 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 (2002: 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 19 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 amounted to RMB450,000 (equivalent to HK$411,000).

(c) Pursuant to an agreement dated 9 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 9 February 2002 to 8 February 2005, at a purchase price stipulated in the agreement.

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. INVENTORIES

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Raw material	**3,565**	5,741
Work in progress	**1,382**	4,520
Finished goods	**1,893**	3,639
	6,840	13,900

At 31 December 2003, none of the inventories are stated at net realisable value (2002: Nil).

18. TELEVISION PROGRAMMES AND SUB-LICENSING RIGHTS

	The Group	
	2003	2002
	HK$'000	*HK$'000*
TV programmes	**6,633**	1,900
TV programmes in progress	**871**	3,456
Sub-licensing rights	**7,295**	100
	14,799	5,456

19. 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 ageing analysis of trade receivables is as follows:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
0 to 90 days	**7,757**	16,805
91 to 180 days	**4**	282
Over 180 days	**3,976**	1,880
	11,737	18,967

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables as at 31 December 2002 was 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.

Subsequent to 31 December 2002, HK$4,030,000 of this other receivable was settled which resulted in a net receivable balance of HK$15,637,000. A provision of HK$15,637,000 has been made by the directors against this receivable during the year ended 31 December 2002.

21. FIXED DEPOSITS/CASH AND BANK BALANCES

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Fixed deposit	**44,000**	–
Pledged fixed deposit	**10,000**	–
	54,000	–
Cash and bank balances	**8,510**	6,912
	62,510	6,912

21. FIXED DEPOSITS/CASH AND BANK BALANCES (CONTINUED)

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$248,000 (2002: HK$447,000). 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.

22. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
0 to 90 days	**899**	7,945
91 to 180 days	**3,002**	1,359
Over 180 days	**1,058**	4,890
	4,959	14,194

23. 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.

24. BANK LOANS AND OVERDRAFTS

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts, secured	**955**	2,714
Bank loans, secured	**2,666**	12,300
	3,621	15,014
Bank overdrafts repayable within one year or on demand	**955**	2,714
Bank loans repayable:		
Within one year or on demand	**2,274**	9,634
In the second year	**392**	2,274
In the third to fifth years, inclusive	**–**	392
	2,666	12,300
	3,621	15,014
Portion classified as current liabilities	**(3,229)**	(12,348)
Long-term portion	**392**	2,666

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 a subsidiary;

ii) a fixed deposit of HK$10,000,000 of a subsidiary; and

iii) unlimited corporate guarantees from the Company and certain subsidiaries.

25. 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.

25. FINANCE LEASE PAYABLES (CONTINUED)

At 31 December 2003, the total future minimum lease payments under finance leases and their present values were as follows:

The Group	**Minimum lease payments 2003 *HK$'000***	Minimum lease payments 2002 *HK$'000*	**Present value of minimum lease payments 2003 *HK$'000***	Present value of minimum lease payments 2002 *HK$'000*
Amounts payable				
Within one year	**639**	1,994	**615**	1,941
In the second year	**187**	452	**177**	428
In the third to fifth years, inclusive	**62**	–	**61**	–
Total minimum finance lease payments	**888**	2,446	**853**	2,369
Future finance charges	**(35)**	(77)		
Total net finance lease payables	**853**	2,369		
Portion classified as current liabilities	**(615)**	(1,941)		
Long term portion	**238**	428		

26. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount was unsecured, interest free and has no fixed terms of repayment.

27. SHARE CAPITAL

	The Company 2003 *HK$'000*	The Company 2002 *HK$'000*
Authorised:		
10,000,000,000 (2002: 500,000,000) ordinary shares of HK$0.01 (2002: HK$0.10) each	**100,000**	50,000
Issued and fully paid:		
2,591,250,000 (2002: 345,500,000) ordinary shares of HK$0.01 (2002: HK$0.10) each	**25,913**	34,550

27. SHARE CAPITAL (CONTINUED)

The movement in the company's authorised and issued ordinary share capital during the year was as follows:

	Authorised share capital	Number of shares
	HK$'000	*'000*
At 1 January 2003	50,000	500,000
Increase in authorised share capital *(Note a)*	50,000	500,000
	100,000	1,000,000
Sub-division of each of the authorised shares into 10 new authorised shares of HK$0.01 each *(Note a)*	–	9,000,000
At 31 December 2003	**100,000**	**10,000,000**

	Issued share capital	Number of shares in issue
	HK$'000	*'000*
At 1 January 2003	34,550	345,500
Issue of 86,375,000 ordinary shares of HK$0.10 each *(Note b)*	8,638	86,375
Reduction of nominal value from HK$0.10 to HK$0.01 each *(Note a)*	(38,869)	–
Issue of 2,159,375,000 new ordinary shares of HK$0.01 each *(Note c)*	21,594	2,159,375
At 31 December 2003	**25,913**	**2,591,250**

Notes:

(a) Pursuant to an ordinary resolution passed by the shareholders at a Special General Meeting held on 4 December 2003 ("SGM"), the authorised share capital of the Company has been increased from HK$50,000,000 divided into 500,000,000 shares of HK$0.10 each to HK$100,000,000 by the creation of an additional 500,000,000 unissued shares of HK$0.10 each.

Following the above, a capital reorganisation scheme was also approved by the shareholders at the SGM as a special resolution. Under the capital reorganisation scheme:

i) the nominal value of the issued share of the Company be reduced from HK$0.10 each to HK$0.01 each by the cancellation of HK$0.09 paid up on each issued share (each a "New Share");

ii) each of the authorised but unissued shares of HK$0.10 each be sub-divided into 10 New Share;

As a result of the capital reorganisation, an amount of HK$38,869,000 standing to the credit of the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company which may be utilised in accordance with the bye-laws of the Company and the Companies Act 1981 of Bermuda and had been fully applied to the set-off part of the accumulated losses brought forward from prior years.

27. SHARE CAPITAL (CONTINUED)

As at the balance sheet date, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 New Shares, of which 2,591,250,000 have been issued.

(b) On 26 August 2003, China Star HK Entertainment Company Limited entered into a subscription agreement with the Company for the subscription of 86,375,000 shares of the Company at par value of HK$0.10 each for an aggregate amount of HK$8,638,000. The completion of the subscription was divided into two tranches of 69,100,000 shares and 17,275,000 shares, which were completed on 10 September 2003 and 7 October 2003 respectively.

The Company raised a total of approximately HK$8,357,000 net of related expenses, from the subscription which had been fully applied to the general working capital.

(c) In October 2003, the Company proposed an open offer on the basis of 5 offer shares for every existing share held to all shareholders with their registered address, as shown on the register of members, in Hong Kong at HK$0.04 per share. The open offer was completed on 29 December 2003 with the issuance of 2,159,375,000 New Shares for approximately HK$79,695,000, net of related expenses. The net proceeds has been used for repayment of loans, applied to general working capital and set aside in a fixed deposit account for further development of multi-media business

28. SHARE OPTION SCHEME

Pursuant to a resolution passed at the special general meeting of the Company held on 4 December 2003, the share option scheme adopted by the Company on 13 December 1996 (the "Old Option Scheme") was terminated and a new share option scheme (the "New Option Scheme") was adopted.

(a) Old Option Scheme

The purpose of the Old Option Scheme was to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Under the Old Option 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 Old Option Scheme became effective on 3 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.

Subsequent to the adoption of the Old Option 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 1 September 2001. No share options have been granted under the Old Option Scheme since the adoption of these new rules on 1 September 2001. However, any option to be granted under the Old Option Scheme is subject to the new changes which include, inter alia, the following:-

(a) The maximum number of share 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;

28. SHARE OPTION SCHEME (CONTINUED)

(a) Old Option Scheme (Continued)

(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 amended the terms of the Old Option 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 Old Option Scheme must not exceed 10% of the shares of the Company in issue at any time. At 31 December 2003 the number of shares issuable under share options granted under the Old Option Scheme was 9,500,000 which represented approximately 0.36% 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 Old Option Scheme exceeding 25% of the aggregate number of shares subject to the Old Option 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.

As the Old Option Scheme was terminated on 4 December 2003, no further options can be granted under the Old Option Scheme thereafter. However, all outstanding options granted under the Old Option Scheme prior to the said termination shall remain valid and exercisable in accordance with the provisions of the Old Option Scheme.

(b) New Option Scheme

The purpose of the New Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

28. SHARE OPTION SCHEME (CONTINUED)

(b) New Option Scheme (Continued)

Under the New Option 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 New Option Scheme became effective on 4 December 2003 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, the closing price of the shares on the Stock Exchange on the date of grant and 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.

The maximum number of unexercised share options permitted to be granted under the New Option Scheme must not exceed 10% of the shares of the Company in issue at any time. 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 New Option Scheme exceeding 30% of the aggregate number of shares subject to the New Option Scheme, at the time it is proposed to grant the relevant option to such person.

The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of the grant with a non-refundable payment of HK$1 from the grantee to the Company.

The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

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

No share options were granted under the New Option Scheme during the year.

28. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding during the year:

	Number of share options						Share price
	At 1 January 2003*	Lapsed during the year	Reclassified during the year	At 31 December 2003	Exercise period	Exercise price	at date of options grantee**
						HK$	*HK$*
Old Option Scheme							
Directors							
Ma Yuk Wah, Monita	4,000,000	(4,000,000)	–	–	7/3/1997 - 6/3/2007	0.7 056	0.87
Leung Mei Yee	4,000,000	–	(4,000,000)	–	7/3/1997 - 6/3/2007	0.7056	0.87
	8,000,000	(4,000,000)	(4,000,000)	–			
Other employees	6,000,000	(500,000)	4,000,000	9,500,000	7/3/1997 - 6/3/2007	0.7056	0.87
	14,000,000	(4,500,000)	–	9,500,000			

* *The share options were granted on 7 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 outstanding 9,500,000 share options. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 9,500,000 additional ordinary shares of the Company and an additional share capital of HK$95,000 and share premium of HK$6,608,000 (before issue expenses). No share options were granted or exercised during the year.

29. RESERVES

(a) The 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 27 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 3 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 12 to the financial statements.

(b) The Company

	Share premium account	Contributed surplus	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	59,306	73,018	1,823	134,147
Net loss for the year	-	-	(60,969)	(60,969)
At 31 December 2002 and beginning of year	59,306	73,018	(59,146)	73,178
Issue of ordinary shares	64,781	-	-	64,781
Expenses on issue of ordinary shares	(6,961)	-	-	(6,961)
Reduction of capital	-	38,869	-	38,869
Reduction of contributed surplus transferred to accumulated losses	-	(38,869)	38,869	-
Net loss for the year	-	-	(65,768)	(65,768)
At 31 December 2003	**117,126**	**73,018**	**(86,045)**	**104,099**

29. RESERVES (Continued)

(b) The Company (Continued)

The contributed surplus of the Company represents the difference between the consolidated net asset value of FT Holdings Limited on 31 October 1996, when its entire issued share capital was acquired by the Company pursuant to the reorganisation referred to in Note 29(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.

30. Discontinued Operation

During the year, the directors of the Group have resolved that the operation of provision of anti-theft car alarm and tracking services be discontinued. The net cash outflow of the discontinued operation as at the date of discontinued operations was as follows:

	HK$'000
Current assets other than cash and cash equivalents	1,639
Current liabilities	(1,623)
Net assets	16
Realisation of exchange reserve	(135)
Net cash outflow	(119)

31. RETIREMENT BENEFIT SCHEME

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 income statement 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 a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

31. RETIREMENT BENEFIT SCHEME (CONTINUED)

The contributions paid for the year were approximately HK$596,000 (2002: HK$750,000). As at 31 December 2003, there were no material forfeitures available to offset the Group's future contributions (2002: Nil).

32. CONTINGENT LIABILITIES

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

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Bills discounted with recourse	–	5,271

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$200,000 as at 31 December 2003 (2002: HK$2,321,000). 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.

33. COMMITMENTS

(a) Capital commitments

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Capital expenditure in respect of television programmes and sub-licensing rights contracted for but not provided in the financial statements	**1,905**	4,808

33. COMMITMENTS (CONTINUED)

(b) Operating commitments

As at 31 December 2003, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**233**	873
After one year but within five years	**276**	427
	509	1,300

34. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Company entered into an acquisition agreement with Solartech International Holdings Limited ("Solartech") on 25 March 2004 for the acquisition of the copper business from Solartech at a consideration of HK$320,000,000 by the issuance of 8,000,000,000 new shares of HK$0.01 each in the share capital of the Company at HK$0.04 each.

The acquisition is a major and connected transaction for the company and is subject to, among other things, the approval of the shareholders at the forthcoming special general meeting and the granting of a Whitewash Waiver by the Executive Director of the Corporate Finance Division of the Securities and Future Commission. Upon completion of the acquisition, Solartech and its concert parties will hold approximately 75.5% of the enlarged issued share capital of the Company. A circular containing details of the transaction and, the Whitewash Waiver will be despatched to the shareholders of the Company as soon as practicable.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated in order to achieve a consistent presentation.