



Christmas trees and accessories.....

Christmas trees and accessories.....



[Chairman's Statement]



Mr. Michael Kao
Chairman and Managing Director

“The Group is pleased to report steady growth in operations in 2001. While the implementation of vertical business integration continues to increase our competitiveness, our leisure furniture business also provided favourable returns. The launch of DrFestive.com, a festive-related portal, has brought a new medium for enhancing relations with customers, thus bridging new market segments, and expanding Boto’s reputation on a global scale.”

OPERATING RESULTS

On behalf of the Board of Directors (the “Board”) of Boto International Holdings Limited (the “Company”), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2001, with comparative figures of the previous year as follows:

	For the year ended 31st March		
	2001 (HK\$ million)	2000 (HK\$ million)	Percentage change
Turnover	909.6	803.2	+13.2%
Profit before taxation	161.9	158.3	+2.3%
Profit attributable to shareholders	156.4	152.5	+2.6%
Dividend per share	HK2.40 cents	HK2.21 cents	+8.6%
Shareholders’ fund	749.4	666.3	+12.5%





Leisure furniture.....
Leisure furniture.....



Chairman's Statement

FINAL DIVIDEND

The Board proposes the payment of a final dividend of HK1.80 cents per share for the year ended 31st March, 2001 to shareholders whose names shall appear on the register of members of the Company on 6th August, 2001. Subject to approval at the forthcoming annual general meeting, dividend cheques will be sent to the shareholders on or before 9th August, 2001.

Together with an interim dividend of HK0.60 cents per share, total dividend for the year under review amounted to HK2.40 cents per share, as compared with HK2.21 cents per share for the previous year.

BUSINESS REVIEW

Encouraging Sales Performances

The Board is pleased to report that the Group recorded another year of steady growth for the period under review. Turnover reached HK\$909.6 million, representing a growth of 13.2%. Profit attributable to shareholders increased by 2.6% to HK\$156.4 million. Basic earnings per share was HK4.63 cents, as compared with HK5.45 cents for the corresponding period of last year. Shareholders' fund reached HK\$749.4 million, up by 12.5%.

Festive Products

The Group's core businesses are classified into two main categories according to the nature of products and production periods, namely festive products which include artificial Christmas tree and festive accessories primarily for winter, and leisure furniture for summer. During the year under review, artificial Christmas trees remain as the key revenue contributor, accounting for 69.7% of total turnover. Sales of artificial Christmas trees reached HK\$634.1 million, an increase of 5.2%, while sales of festive accessories amounted to HK\$193.8 million, a growth of 27.9% as compared with the previous year.



The Board anticipates steady growth from festive products as artificial Christmas trees will continue to capture market shares from live trees due to the increasing environmental and ecological concerns. In addition, by employing a team



of highly competent product design and development professionals, Boto is capable of designing trees that bear a high resemblance to real trees, thus adding to the appeal for consumers. Coupled with a vertical integrated manufacturing system that allows the Group to adopt a competitive pricing strategy, Boto is well positioned to capitalize on growing market demand.

Leisure Furniture

Turnover for leisure furniture production continued to make headway in the year under review. Accounting for 9.0% of the total turnover, sales of leisure furniture increased significantly to HK\$81.7 million, representing a strong growth of 67.1% as compared with the previous year.

Leveraging on the Group's existing client base and strong expertise, the production of leisure furniture has generated synergy with its core business as the manufacturing period of leisure furniture complements seamlessly with that of artificial Christmas trees.

In line with the Group's business diversification plans, the Board is pleased to see that leisure furniture is now one of its main revenue streams. While growth is recorded in both product categories, leisure furniture has taken up an increased proportion of total turnover. This is a favourable



DrFestive.com



Bringing festivals
on-line....

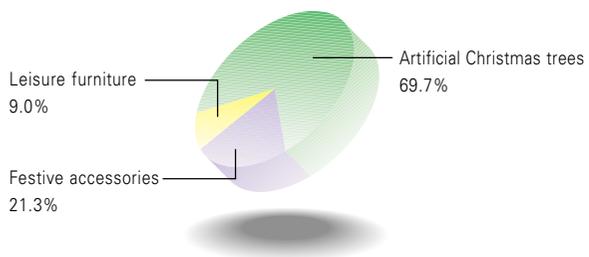
Bringing festivals on-line....



Chairman's Statement

trend that benefits the Group's long-term development and is in line with its ultimate goal of achieving balanced revenue sources from both festive products and leisure furniture, thus avoiding reliance on any single product category.

Turnover by product for the year ended 31st March, 2001



Mild Increase in Net Profit

The audited consolidated profit after taxation for the Group increased to HK\$156.4 million, representing a growth of 2.6% over the previous year.

Gross profit margin for the Group decreased to 37.7% as compared with 40.9% for the previous year due to a considerable increase in the price for petroleum-based raw materials such as PVC powder in the first half of the year, and an increase of direct labour costs in the year under review in compliance with the latest PRC labour laws.

As the price of petroleum-based raw materials have stabilized in the second half of the year, the Board believes that the positive impact of a decrease in raw material prices will be reflected in the coming financial year. In addition, the Group will also impose stringent cost control measures to maintain its competitiveness.

Enhancing Customer Relations with DrFestive.com

The launch of DrFestive.com, a festive-related website, has also brought a new medium for enhancing relations with customers thus bridging new market segments, and expanding Boto's reputation on a global scale.



Aimed at establishing a solid platform for building strong relations with end customers, and in turn, enhancing Boto's reputation,

DrFestive.com is a festive-related infotainment portal for worldwide Internet users. Boto intends to further develop DrFestive.com to become a renowned brand name.



Boto's self-sufficient vertical integrated manufacturing system.

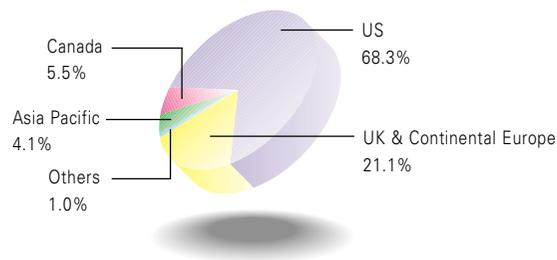


Chairman's Statement

A Worldwide Presence

As in previous years, the United States ("US") and the United Kingdom ("UK") & Continental Europe remained as the Group's largest markets, accounting for 68.3% and 21.1% of total turnover respectively.

**Turnover by geographical market
for the year ended 31st March, 2001**



Leveraging on the existing sales and marketing network of festive products, the majority of our leisure furniture is being sold to the US, Canada, Continental Europe, the UK, and Australia.

PROSPECTS

Favourable Outlook

As Christmas is one of the most celebrated festivals in Western culture, Christmas trees and festive decorations are almost regarded as essential elements for the celebration. However, increasing concerns for environment conservation has made artificial Christmas trees a preferred

choice over live trees, fostering a favourable environment for the Group to further strengthen its foothold in the festive products market.

Another trend which leans favourably for the Group has been a rise in the housing completion rate in the US during the past years. It is anticipated that the Group's leisure furniture business will benefit from this uptrend and bear significant growth potential.

While the US economy is undergoing a period of uncertainty, the Group's satisfactory achievements in the period under review is a testament of our ability to initiate effective policies to capitalize on business opportunities.

Having effectively implemented a strategy of vertical business integration, whereby the Group is capable of producing high quality assembly components such as PVC rigid films, along with metal and plastic parts in-house, Boto remains confident in its ability to sustain continual growth.

Leisure Furniture Division Holds Strong Potential

The Group continues to make positive strides in the leisure furniture division. In anticipating still greater growth, the Group invested HK\$25 million for the construction of a self-contained factory which commenced operations in October

2000. With increased operational efficiency the Group is confident in its ability to capitalize on this market segment and achieve prosperous returns in the coming years.

Launch of DrFestive.com Opens New Communication Channels

With a warranty card carrying DrFestive.com's website address and a unique password attached to almost every product leaving the factory, DrFestive.com provides an efficient system for gathering useful consumer information such as product type, design and colour, place of purchase, etc. DrFestive.com thus represents an effective tool for generating invaluable data which are then processed for future product sales and development. By sharing such analyses with existing customers, Boto will be able to offer value-added services and thus foster even closer ties with these renowned retailers worldwide.



The new leisure furniture plant commenced operation in October 2000.

Imagi's Digital Experience Bears Fruit

The Group invested in Imagi Production Limited via Boto.Net Solutions Limited, its technology investment arm, in October 2000. This leading 3-Dimensional ("3D") computer animation company has focused its resources towards the production of "Robotica", a 3D television cartoon series comprising 26-episodes. Combining the latest motion capture and computer graphic technologies to produce this exciting series, Robotica's target audience are primarily teenage children. Imagi anticipates completion of the 26-episodes by June 2002, and expects to generate revenue from this project next year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd August, 2001 to 6th August, 2001 (both dates inclusive), during which no transfer of shares will be accepted. The last day of dealing in the shares cum entitlement to the proposed final dividend will be 30th July, 2001.

All transfers, accompanied by relevant share certificates, must be lodged with the branch share registrar of the Company, Secretaries Limited, at 5th Floor, Wing On Centre,

111 Connaught Road, Central, Hong Kong for registration not later than 4:00 p.m. on 1st August, 2001.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information pertaining to annual results of the Group for the year ended 31st March, 2001 required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.





Chairman's Statement

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my sincerest gratitude to our worldwide customers for their trust and support towards our products. I would also like to take this opportunity to express my appreciation to our shareholders for their support along with our staff for their perseverance and diligence. With our quality products, extensive business relations and proactive marketing strategy, we are confident that Boto will continue to maintain its leading position in the market and achieve satisfactory growth to reward our shareholders.

Kao Cheung Chong, Michael

Chairman and Managing Director

Hong Kong, 3rd July, 2001

