



# [ Notes to the Financial Statements ]

For the year ended 31st March, 2001

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Sunni International Limited, a company which is incorporated in the British Virgin Islands.

The principal activities of the Group are the design, manufacture, marketing and distribution of Christmas festive products including artificial Christmas trees and other decorative accessories, and leisure furniture.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

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

The results of subsidiaries and associates acquired or disposed 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.

### **Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost as reduced by any impairment loss recognised.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable assets at the date of acquisition of a subsidiary and is capitalised and amortised on a straight-line basis over its estimated economic useful life of ten years.

### Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, the Group's interest in its associate is stated at the Group's share of the net assets of the associate.

When the Group transacts with its associate, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

### Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any recognised impairment loss.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment which are fully operational over their estimated useful lives, after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Leasehold buildings situated in Hong Kong	Over a period of 40 years
Leasehold buildings situated elsewhere in the People's Republic of China ("PRC")	Over a period of 20 years
Leasehold improvements	Over a period of 5 years
Plant and machinery	Over a period of 10 years
Furniture, fixtures and equipment	Over a period of 5 years
Motor vehicles	Over a period of 5 years
Moulds	Over a period of 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### Construction in progress

Construction in progress is stated at cost, which includes all development expenditure and the direct costs attributable to such projects. Depreciation is provided when the construction work is completed and the relevant asset is ready for its intended use.

### Motion picture production in progress

Motion picture production in progress is stated at production costs incurred to date, less foreseeable losses. Such production costs are capitalised as production in progress and are transferred to film rights upon completion and release of the motion picture. Film rights are amortised on a systematic basis over their estimated useful lives.

### Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Capitalisation of such borrowing costs ceases when the asset is substantially ready for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### Assets held under finance leases

Leases are classified as finance leases when the terms of the leases 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 value at the dates of acquisition. The corresponding liabilities to the lessor, net of interest charges, are included in the balance sheet as obligations under finance leases. 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 periods of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs to complete production and estimated costs necessary to make the sale.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### **Convertible notes**

Convertible notes are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost recognised in the income statement in respect of the convertible notes, including the premium payable upon the final redemption of the convertible notes, is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible notes for each accounting period.

The costs incurred in connection with the issue of convertible notes are charged to the income statement when the costs are incurred.

### **Turnover**

Turnover represents the amounts received and receivable for goods sold, less returns, to outside customers during the year.

### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the relevant leases.

### **Pension**

The pension cost charged in the income statement represents the amount of contribution payable in respect of the current year to the Group's retirement benefit scheme.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### Foreign currencies

All companies comprising the Group maintain their books of account in Hong Kong dollars.

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 3. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Directors' remuneration (note 5)	17,328	18,896
Other staff costs	105,886	104,355
Total staff costs	123,214	123,251
Amortisation of goodwill	123	–
Auditors' remuneration:		
Current year	1,145	1,098
Underprovision in previous year	49	31
Depreciation and amortisation:		
Assets owned by the Group	35,221	32,266
Assets held under finance leases	538	1,651
(Gain) loss on disposal of property, plant and equipment	(967)	2,421
Rentals in respect of premises under operating leases	5,530	4,924

Included in the total staff cost is an amount of HK\$299,637 (2000: HK\$Nil) in respect of contribution of retirement benefit scheme by the Group.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 4. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings	5,520	3,813
Convertible notes	1,447	1,511
Obligations under finance leases	66	3,672
	<b>7,033</b>	8,996
Provision for premium payable on redemption of convertible notes	5,653	4,534
	<b>12,686</b>	13,530





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the directors and the five highest paid employees' emoluments are as follows:

#### (a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Executive directors		
– Fees	–	–
– Salaries and other benefits	<b>16,708</b>	16,979
– Performance related incentive payments	–	1,297
Non-executive directors		
– Fee	<b>180</b>	180
– Other emoluments	–	–
Independent non-executive directors		
– Fees	<b>360</b>	360
– Other emoluments	<b>80</b>	80
	<b>17,328</b>	18,896

## Notes to the Financial Statements

For the year ended 31st March, 2001

Emoluments of the directors were within the following bands:

	2001 Number of Directors	2000 Number of Directors
Nil to HK\$1,000,000	7	7
HK\$2,000,001 to HK\$2,500,000	3	-
HK\$2,500,001 to HK\$3,000,000	-	2
HK\$3,000,001 to HK\$3,500,000	-	1
HK\$3,500,001 to HK\$4,000,000	-	1
HK\$4,000,001 to HK\$4,500,000	1	-
HK\$5,500,001 to HK\$6,000,000	1	1

**(b) Employees' emoluments**

The five highest paid individuals in the Group for both years are all directors of the Company and details of their emoluments are included in (a) above.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 6. TAXATION

	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year		
Current year's provision	3,396	3,522
Underprovision in prior years	27	149
	3,423	3,671
Income tax charge in the PRC attributable to a subsidiary		
Current year's provision	2,371	2,155
	5,794	5,826

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

### 7. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$156,373,000 (2000: HK\$152,508,000), a profit of HK\$80,066,000 (2000: HK\$78,252,000) has been dealt with in the financial statements of the Company.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 8. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim dividend paid – 0.6 cents per share of HK\$0.02 each (2000: 2.8 cents per share of HK\$0.10 each)	20,315	15,682
Final dividend proposed – 1.8 cents per share of HK\$0.02 each (2000: 1.65 cents per share of HK\$0.02 each)	61,314	54,880
Underprovision of final dividend ( <i>Note a</i> )	986	263
	<b>82,615</b>	70,825

*Note:*

- (a) The amount represented the underprovision for the additional 2000 final dividend arising from the issue of 59,750,000 shares of HK\$0.02 each (2000: 4,380,000 shares of HK\$0.10 each) new shares in the Company subsequent to the balance sheet date of the previous year which ranked for the final dividend.
- (b) At 20th April, 2000, the Company's issued and unissued ordinary shares of HK\$0.10 each were sub-divided into five sub-divided shares of HK\$0.02 each. Details of this share sub-division are set out in note 20(a).





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2001 HK\$'000	2000 HK\$'000
Net profit for the year	156,373	152,508
Effect of dilutive potential ordinary shares in respect of interest on and provision for premium payable on redemption of convertible notes	7,100	6,045
Earnings for the purposes of diluted earnings per share	163,473	158,553
Weighted average number of ordinary shares of HK\$0.02 each for the purposes of basic earnings per share	3,380,294,178	2,797,077,475
Effect of dilutive potential ordinary shares in respect of		
Convertible notes	251,937,984	251,937,984
Share options	13,770,738	43,846,210
Weighted average number of ordinary shares of HK\$0.02 each for the purposes of diluted earnings per share	3,646,002,900	3,092,861,669

The denominators for both years for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the sub-division of the shares in the Company in April 2000 referred to in note 20(a).

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>								
COST								
At 1st April, 2000	337,649	9,778	189,944	21,202	11,410	–	42,088	612,071
Arising on acquisition	–	–	–	80	–	–	–	80
Additions	7,416	735	19,229	24,635	915	1,390	41,543	95,863
Disposals	–	–	–	(203)	(809)	–	–	(1,012)
<b>At 31st March, 2001</b>	<b>345,065</b>	<b>10,513</b>	<b>209,173</b>	<b>45,714</b>	<b>11,516</b>	<b>1,390</b>	<b>83,631</b>	<b>707,002</b>
DEPRECIATION AND AMORTISATION								
At 1st April, 2000	46,967	5,632	66,690	7,517	10,202	–	–	137,008
Arising on acquisition	–	–	–	34	–	–	–	34
Provided for the year	12,881	957	17,214	3,816	788	103	–	35,759
Eliminated on disposals	–	–	–	(128)	(655)	–	–	(783)
<b>At 31st March, 2001</b>	<b>59,848</b>	<b>6,589</b>	<b>83,904</b>	<b>11,239</b>	<b>10,335</b>	<b>103</b>	<b>–</b>	<b>172,018</b>
NET BOOK VALUES								
<b>At 31st March, 2001</b>	<b>285,217</b>	<b>3,924</b>	<b>125,269</b>	<b>34,475</b>	<b>1,181</b>	<b>1,287</b>	<b>83,631</b>	<b>534,984</b>
At 31st March, 2000	290,682	4,146	123,254	13,685	1,208	–	42,088	475,063





## Notes to the Financial Statements

For the year ended 31st March, 2001

The net book value of properties shown above comprises:

	Leasehold land and buildings		Construction in progress	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Land and buildings held under medium-term leases:				
Situated in Hong Kong	55,864	57,295	–	–
Situated elsewhere in the PRC	229,353	233,387	83,631	42,088
	<b>285,217</b>	290,682	<b>83,631</b>	42,088

At 31st March, 2001, the net book value of property, plant and equipment of the Group included an amount of approximately HK\$2,235,000 (2000: HK\$15,789,000) in respect of assets held under finance leases.

The Company did not have any property, plant and equipment at the balance sheet date.

### 11. MOTION PICTURE PRODUCTION IN PROGRESS

	2001 HK\$'000	2000 HK\$'000
COST		
Addition during the year and balance at 31st March, 2001	5,314	–

No amortisation has been recognised as the relevant film is in the process of production at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 12. GOODWILL

	<i>HK\$'000</i>
COST	
Addition during the year and balance at 31st March, 2001	2,448
AMORTISATION	
Provided for the year and balance at 31st March, 2001	123
<b>NET BOOK VALUE</b>	
At 31st March, 2001	<b>2,325</b>

### 13. INTERESTS IN SUBSIDIARIES

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Unlisted shares, at cost	<b>153,430</b>	153,430
Amounts due from subsidiaries	<b>414,644</b>	385,634
	<b>568,074</b>	539,064

The carrying value of the unlisted shares is based on the directors' estimate of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under a previous corporate reorganisation.

Details of the Company's subsidiaries at 31st March, 2001 are set out in note 36.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within one year and are therefore classified as non-current.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 14. INTEREST IN AN ASSOCIATE

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	-	1,453

A subsidiary of the Company holds 24.75% of the issued share capital of Otiari Designs LLC, a limited company incorporated in the United States of America and is engaged in the trading of leisure furniture.

### 15. INVESTMENTS IN SECURITIES – INVESTMENT SECURITIES

	<b>2001 &amp; 2000</b>
	<b>HK\$'000</b>
Unlisted shares, at cost ( <i>Note</i> )	10
Club debentures, at cost	1,201
	1,211

*Note:* The amount represents the Group's unlisted investment in 10% of the issued share capital of Bo Cheong Manufacturing Company Limited ("Bo Cheong"), a company incorporated in Hong Kong which manufactures Christmas tree accessories.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 16. INVENTORIES

	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Raw materials	143,545	105,047
Work in progress	95,233	80,774
Finished goods	47,705	36,259
	<b>286,483</b>	222,080

### 17. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period normally ranging from 7 days to 30 days. A longer credit period is granted to a few customers with whom the Group has a long business relationship and that have a strong financial position, and interest is charged on the outstanding balances of such customers.

The aged analysis of trade receivables as at the balance sheet date is stated as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
0 to 30 days	40,063	44,976
31 to 60 days	2,758	2,159
61 to 90 days	713	49
Over 90 days	10,632	13,197
Total trade receivables	<b>54,166</b>	60,381
Other receivables	<b>22,176</b>	14,553
	<b>76,342</b>	74,934





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 18. TRADE AND OTHER PAYABLES

The aged analysis of trade payables as at the balance sheet date is stated as follows:

	2001 HK\$'000	2000 HK\$'000
0 to 30 days	74,131	31,067
31 to 60 days	7,622	271
61 to 90 days	720	36
Over 90 days	793	261
Total trade payables	83,266	31,635
Other payables	37,644	43,074
	<b>120,910</b>	74,709

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 19. BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The amounts comprise:		
Secured borrowings	–	37,594
Unsecured borrowings	<b>103,413</b>	26,585
	<b>103,413</b>	64,179
The borrowings are repayable as follows:		
Bank overdraft	<b>1,292</b>	–
Trust receipts loans due within one year	<b>29,810</b>	23,800
Bank loans:		
Within one year or on demand	<b>32,656</b>	37,594
Over one year, but not exceeding two years	<b>15,600</b>	–
Over two years, but not exceeding five years	<b>22,100</b>	–
	<b>70,356</b>	37,594
Obligations under finance leases due within one year	<b>1,955</b>	2,785
Total bank borrowings and obligations under finance leases	<b>103,413</b>	64,179
Less: Amount due within one year and shown under current liabilities	<b>(65,713)</b>	(64,179)
Amount due after one year	<b>37,700</b>	–





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 20. SHARE CAPITAL

	Number of shares	Values HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.1 each at 1st April, 2000	1,000,000,000	100,000
Share sub-division (note a)	4,000,000,000	–
Ordinary shares of HK\$0.02 each at 31st March, 2001	5,000,000,000	100,000
<b>Issued and fully paid:</b>		
At 1st April, 1999	541,728,200	54,173
Exercise of warrants (note c)	50,936,800	5,094
Exercise of share options (note d)	22,550,000	2,255
Issue of new shares on subscription (note e)	50,000,000	5,000
At 31st March, 2000	665,215,000	66,522
Share sub-division (note a)	2,660,860,000	–
Exercise of share options (note b)	59,750,000	1,195
<b>At 31st March, 2001</b>	<b>3,385,825,000</b>	<b>67,717</b>

The movements in the ordinary share capital for the year ended 31st March, 2001 were as follows:

- (a) Pursuant to an ordinary resolution passed at a Special General Meeting held on 20th April, 2000, the then issued and unissued ordinary shares of HK\$0.10 each in the capital of the Company were sub-divided into five ordinary shares of HK\$0.02 each. All the sub-divided ordinary shares resulting from the share sub-division rank pari passu in all respects.

## Notes to the Financial Statements

For the year ended 31st March, 2001

- (b) During the year, the Company issued and allotted 59,750,000 shares of HK\$0.02 each in the Company for cash at HK\$0.15872 per share as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.

The movements in the ordinary share capital for the year ended 31st March, 2000 were as follows:

- (c) The Company issued and allotted a total of 50,936,800 shares of HK\$0.10 each in the Company for cash at HK\$1.05 per share as a result of the exercise of warrants. These shares rank pari passu with the then existing shares in issue in all respects.
- (d) The Company issued and allotted 15,350,000 shares and 7,200,000 shares of HK\$0.10 each in the Company for cash at HK\$0.7936 and HK\$0.4688 per share, respectively, as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.
- (e) Pursuant to a placing and subscription agreement dated 3rd March, 2000 entered into between the Company, Sunni International Limited and an independent placing agent, the independent placing agent was appointed to place 50,000,000 shares of HK\$0.10 each in the share capital of the Company held by Sunni International Limited at a price of HK\$1.05 per share to independent investors. Under the above agreement, Sunni International Limited had also agreed to subscribe for the same number of new shares at the same price of HK\$1.05 per share. The net proceeds for the subscription were used for the technology development and content development of the Group's websites and e-commerce business and for general working capital purposes. These new shares issued rank pari passu with the then existing shares in issue in all respects. The above placing and subscription was completed on 8th March, 2000.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 21. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 12th February, 1997 (the "Scheme"), the directors of the Company may grant options to any executive director or full time employee of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

Details of the movements, during the year, of the unexercised options under the Scheme are as follows:

Exercisable period	Exercise price per share (note) HK\$	At 1.4.2000	Number of share options		At 31.3.2001
			Share sub-division	Exercised during the year	
7th May, 1998 to 6th May, 2000	0.7936 0.15872	11,950,000 –	(11,950,000) 59,750,000	– (59,750,000)	– –
24th April, 1999 to 23rd April, 2001	0.4688 0.09376	4,100,000 –	(4,100,000) 20,500,000	– –	– 20,500,000

Note: As a result of the share sub-division referred to in note 20(a), the exercise prices of the share options were adjusted from HK\$0.7936 and HK\$0.4688 to HK\$0.15872 and HK\$0.09376, respectively.

Subsequent to the year ended 31st March, 2001, 20,500,000 share options with exercise price of HK\$0.09376 were exercised.

### 22. WARRANTS

During the year ended 31st March, 2000, certain registered holders of the Company's warrants exercised their rights to subscribe HK\$53,483,640 in cash for 50,936,800 ordinary shares of HK\$0.10 each in the Company at HK\$1.05 per share. The remaining HK\$3,397,590 warrants lapsed on 3rd February, 2000.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 23. RESERVES

	Share premium account <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>				
Balance at 1st April, 1999	153,327	909	256,202	410,438
Premium arising from issue of shares	107,665	–	–	107,665
Net profit for the year	–	–	152,508	152,508
Dividends ( <i>note 8</i> )	–	–	(70,825)	(70,825)
Balance at 1st April, 2000	260,992	909	337,885	599,786
Premium arising from issue of shares	8,289	–	–	8,289
Share issue expenses	(108)	–	–	(108)
Net profit for the year	–	–	156,373	156,373
Dividends ( <i>note 8</i> )	–	–	(82,615)	(82,615)
<b>Balance at 31st March, 2001</b>	<b>269,173</b>	<b>909</b>	<b>411,643</b>	<b>681,725</b>
Attributable to:				
The Company and its subsidiaries	269,173	909	415,518	685,600
The associate	–	–	(3,875)	(3,875)
	269,173	909	411,643	681,725

The merger reserve represents the difference between the nominal value of shares of subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous corporate reorganisation.





## Notes to the Financial Statements

For the year ended 31st March, 2001

	<b>Share premium account</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>THE COMPANY</b>				
Balance at 1st April, 1999	153,327	153,329	5,202	311,858
Premium arising from issue of share	107,665	–	–	107,665
Net profit for the year	–	–	78,252	78,252
Dividends ( <i>note 8</i> )	–	–	(70,825)	(70,825)
Balance at 1st April, 2000	260,992	153,329	12,629	426,950
Premium arising from issue of shares	8,181	–	–	8,181
Net profit for the year ( <i>note 7</i> )	–	–	80,066	80,066
Dividends ( <i>note 8</i> )	–	–	(82,615)	(82,615)
<b>Balance at 31st March, 2001</b>	<b>269,173</b>	<b>153,329</b>	<b>10,080</b>	<b>432,582</b>

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous corporate reorganisation.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Company's directors, the Company's reserves available for distribution to shareholders at 31st March, 2001 consisted of the contributed surplus of approximately HK\$153,329,000 (2000: HK\$153,329,000) and retained profits of approximately HK\$10,080,000 (2000: HK\$12,629,000).

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 24. DEFERRED TAXATION

The provision for deferred taxation represents the tax effect of timing differences attributable to the excess of tax depreciation allowances over accounting depreciation.

There was no significant unprovided deferred taxation for the year or at the balance sheet date.

### 25. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
US\$6,500,000 3% convertible notes	50,700	50,375
Add: Accrued premium payable on redemption	14,137	8,484
	<b>64,837</b>	58,859

In May 1998, the Group issued US\$6,500,000 3% convertible notes due 1st May, 2001 (the "Notes"). The principal terms of the Notes were as follows:

- The Notes were convertible at the discretion of the holders of the Notes (the "Noteholders") in whole or in part into shares of HK\$0.10 each in the Company at an initial conversion price of US\$0.129 per share (equivalent to approximately HK\$1), subject to adjustment. The Noteholders might exercise their option at any time during the period from 1st November, 2000 until 1st May 2001. As a result of the sub-division of the shares in the Company referred to in note 20(a), the conversion price of the Notes was adjusted to US\$0.0258 per share.
- Interest is payable annually in arrears commencing on 1st May, 1999, which was accrued on the outstanding principal thereof from the date of issue of the Notes.
- The Notes were redeemed on 4th April, 2001 at a maturity value calculated by reference to an internal rate of return of 12% per annum having discounted the interest payments described in (b) above on the outstanding principal.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 26. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	161,889	158,334
Share of loss of an associate	1,453	2,422
Interest expenses	7,033	8,996
Provision for premium payable on redemption of convertible notes	5,653	4,534
Bank interest income	(8,529)	(6,581)
Depreciation and amortisation	35,882	33,917
(Gain) loss on disposal of property, plant and equipment	(967)	2,421
Increase in inventories	(64,403)	(65,862)
(Increase) decrease in trade and other receivables	(1,297)	8,134
Increase in trade and other payables	45,805	13,462
Net cash inflow from operating activities	182,519	159,777

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 27. PURCHASE OF SUBSIDIARY

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
NET ASSETS ACQUIRED:		
Property, plant and equipment	46	-
Trade and other receivables	111	-
Bank balance and cash	6,501	-
Trade and other payables	(396)	-
Tax payables	(28)	-
Minority interest	(2,182)	-
	4,052	-
Goodwill	2,448	-
	6,500	-
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of subsidiary		
Cash consideration paid	(6,500)	-
Bank balance and cash acquired	6,501	-
Net inflow of cash and cash equivalents in connection with the purchase of subsidiary	1	-

The subsidiary acquired during the year did not have any significant impact on the Group's cash flows, turnover and operating results.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<b>Share capital and share premium account</b>	<b>Bank loans</b>	<b>Obligations under finance leases</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 1999	207,500	74,361	10,170
Proceeds from issue of shares	121,541	-	-
Share issue expenses	(1,527)	-	-
Sale and leaseback arrangements in respect of property, plant and equipment	-	-	1,972
Repayments during the year	-	(36,767)	(9,357)
At 1st April, 2000	327,514	37,594	2,785
Net proceeds from issue of shares	9,484	-	-
Share issue expenses	(108)	-	-
Inception of new finance lease	-	-	2,128
New bank loan raised	-	126,894	-
Repayments during the year	-	(94,132)	(2,958)
At 31st March, 2001	336,890	70,356	1,955

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 29. SEGMENTAL INFORMATION

Sales of Christmas festive products account for more than 90% of the Group's turnover for each of the two years ended 31st March, 2001. An analysis of the Group's turnover by geographical market is as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
North America	<b>671,480</b>	587,707
United Kingdom and Continental Europe	<b>191,814</b>	181,566
Asia Pacific	<b>37,193</b>	27,167
Others	<b>9,111</b>	6,739
	<b>909,598</b>	803,179

An analysis of contribution to profit before taxation by geographical market has not been presented as the ratio of contribution to profit before taxation to turnover for each individual geographical market is substantially in line with the overall group ratio.

### 30. PLEDGE OF ASSETS

At 31st March, 2000, the Group's leasehold land and buildings with an aggregate net book value of approximately HK\$14,506,000 had been pledged to banks as security for general banking facilities granted to the Group. The bank loan was repaid during the year and there was no assets pledged as at 31st March, 2001.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 31. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments for capital expenditure in respect of property, plant and equipment:

	2001 HK\$'000	2000 HK\$'000
Authorised but not contracted for	16,136	14,896
Contracted for but not provided in the financial statements	5,202	3,144
	<b>21,338</b>	18,040

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

### 32. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make payments in the next twelve months under non-cancellable operating leases in respect of rented premises as follows:

	2001 HK\$'000	2000 HK\$'000
Operating leases which expire:		
Within one year	1,982	801
In the second to fifth year inclusive	2,315	3,014
Over five years	565	941
	<b>4,862</b>	4,756

The Company had no operating lease commitments at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 33. CONTINGENT LIABILITIES

#### THE GROUP

- (i) At 31st March, 2001, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$20,501,000 (2000: HK\$1,533,000).
- (ii) At 31st March, 2001, the Group had a number of employees who have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Employment Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payment where termination meets the required circumstances specified in the Employment Ordinance. If the employment of all these employees were terminated on 31st March, 2001 under circumstances meeting the requirements of the Employment Ordinance, the Group's liability at that date would have been approximately HK\$4,726,000 (2000: HK\$4,572,000). No provision has been made for this amount in the financial statements.
- (iii) Boto Company Limited, a subsidiary of the Company, had given a guarantee to a bank in respect of banking facilities to the extent of HK\$4,000,000 granted to Bo Cheong. The guarantee was released during the year.

#### THE COMPANY

The Company has given guarantees to banks in respect of general banking facilities granted to its subsidiaries. The amount of such facilities utilised by the subsidiaries at 31st March, 2001 was approximately HK\$103,413,000 (2000: HK\$26,585,000).

### 34. RETIREMENT BENEFITS SCHEME

The Group, participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was insignificant.





## Notes to the Financial Statements

For the year ended 31st March, 2001

### 35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Name of related parties	<i>Notes</i>	Nature of transactions	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Boko Glass Art Company Limited	<i>(i)</i>	Rental expense paid by the Group	<b>827</b>	854
Glory Dragon (Hong Kong) Limited	<i>(i)</i>	Rental expense paid by the Group	<b>1,666</b>	278
Kayin Insurance Consultants Company	<i>(ii)</i>	Gross insurance premium paid by the Group	<b>336</b>	353
Otiari Designs LLC	<i>(iii)</i>	Sales by the Group	<b>19,570</b>	10,640

*Notes:*

- (i) Mr. Kao Cheung Chong, Michael, Mr. Kui Yiu Ngok and Ms. Tsen Yun Lei, Liliانا, directors of the Company, have indirect beneficial interests in this company.
- (ii) Mr. Lam Pak Kin, Philip, a director of the Company, and his wife have direct and indirect beneficial interests, respectively, in this company.
- (iii) Otiari Designs LLC is an associate of the Group.

In the opinion of those directors, including the non-executive directors, not having an interest in the above transactions, these transactions were carried out at market prices.

## Notes to the Financial Statements

For the year ended 31st March, 2001

### 36. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31st March, 2001 were as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company <i>(Note (i))</i>	Principal activities
Boji (Shenzhen) Company Limited	PRC (other than Hong Kong)	HK\$300,000,000	100%	Manufacturing of Christmas festive products and leisure furniture
Boli Company Limited	Hong Kong	HK\$2	100%	Trading of leisure furniture
Borrison Metals & Plastics Manufacturing (Shenzhen) Company Limited	PRC (other than Hong Kong)	HK\$50,000,000	100%	Manufacturing of leisure furniture
Boto Company Limited	Hong Kong	Ordinary shares HK\$100 Non-voting 5% deferred shares HK\$1,000,000 <i>(Note (ii))</i>	100%	Sale of artificial Christmas trees and related accessories
Boto International Marketing Limited	British Virgin Islands	US\$1,000	100%	Provision of marketing services
Boto.Net Solutions Limited	Hong Kong	HK\$2	100%	E-commerce business
Boto Investments Inc.	United States of America	US\$100	100%	Investment holding
Boto Strategic Holdings Limited	British Virgin Islands	US\$10,000	100%	Investment holding
Boto (Licenses) Limited	Isle of Man	GBP2	100%	Holding of intellectual property rights





## Notes to the Financial Statements

For the year ended 31st March, 2001

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company <i>(Note (i))</i>	Principal activities
Focal Consultants Limited	Hong Kong	HK\$2	100%	Provision of administration services
Focal Industrial Limited	Hong Kong	HK\$2	100%	Inactive
Freyner Manufacturing Limited	British Virgin Islands	US\$1,000	100%	Investment holding, provision of production management services and wholesale of artificial Christmas trees
Goldenform Company Limited	Hong Kong	Ordinary shares HK\$100 Non-voting 5% deferred shares HK\$10,000 <i>(Note (ii))</i>	100%	Investment holding
Goldenform Investments Limited	Hong Kong	HK\$100	100%	Investment holding
Imagi Production Limited	Hong Kong	HK\$28,572	65%	Production of computer graphic animation pictures

*Notes:*

- (i) The Company directly holds the interest in Boto Strategic Holdings Limited. All other interests shown above are indirectly held by the Company.
- (ii) The non-voting 5% deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the respective subsidiaries or to participate in any distribution on winding up.

None of the subsidiaries had any loan capital outstanding at the end of the year.