



ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2002

RESULTS

The Board of Directors of E. Bon Holdings Limited (the "Company") announces that the audited annual results of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2002 are as follows:

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	1	163,691	281,564
Cost of sales		(89,260)	(174,103)
Gross profit		74,431	107,461
Other revenues		828	3,791
Selling and distribution expenses		(41,245)	(52,090)
Administrative expenses		(31,125)	(37,410)
Operating profit	2	2,889	21,752
Finance costs		(783)	(2,726)
Profit before taxation		2,106	19,026
Taxation	3	(811)	(3,821)
Profit attributable to shareholders		1,295	15,205
Dividends		–	8,000
Basic earnings per share	4	1 cent	8 cents

Notes:

1 Turnover

The Group is organised in Hong Kong into two main business segments:

Wholesale – importing and wholesale of architectural builders hardware and bathroom collections to dealers, traditional hardware stores, contractors and property developers.

Retail – sale of architectural builders hardware and bathroom collections through the Group's retail outlets.

	2002 HK'000	2001 HK'000
Segment results		
Turnover		
Wholesale	157,504	261,673
Retail	45,631	35,651
Inter-segment elimination	(39,444)	(15,760)
Total turnover	163,691	281,564
Segment operating profit/(loss)		
Wholesale	3,819	22,926
Retail	(930)	(1,174)
Total operating profit	2,889	21,752

No geographical analysis of turnover and operating profit is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

2 Operating Profit

Operating profit is stated after charging depreciation of fixed assets of HK\$3,850,000 (2001: HK\$2,776,000), staff costs, including directors' remunerations, of HK\$38,980,000 (2001: HK\$47,334,000)

3 Taxation

Hong Kong profits tax is calculated at the rate of 16% (2001: 16%) on the estimated assessable profits for the year.

	2002 HK'000	2001 HK'000
Hong Kong profits tax		
– current year	921	3,602
– (over)/under provision in previous year	(9)	238
Deferred taxation	(101)	(19)
	811	3,821

4 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$1,295,000 (2001: HK\$15,205,000) and on the outstanding number of 200,000,000 shares in issue (2001: weighted average number of 198,849,000 shares) during the year.

Diluted earnings per share was not disclosed as there were no dilutive potential ordinary shares.

DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim, paid, of HK\$0.03 per share	–	6,000
Final dividend, proposed, of HK\$0.01 per share	–	2,000
	–	8,000

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion provides information on contribution to revenue, operating profit, profit after tax, financial condition, liquidity and capital expenditure of the Group.

Results of Operations

The Group's turnover for the year ended 31st March, 2002 was HK\$163 million representing a decrease of 41.9% as compared to last year. The decrease was mainly due to the decrease in sales of our products for property development projects as there has been a decrease in expenditure on buildings and construction was, in real term down, to -2.5% in the year of 2001.

The gross profit margin is 45.5% (2001: 38.2%) caused by the change in product mix, with some 13.7% of the turnover derived from wholesales and retail sales of bathroom collections which have a higher profit margin.

We were able to streamline our operation to achieve higher efficiency and as a result, the selling expense decreased by 20.8%. general and administrative expenses were reduced by 16.8%. This saving was largely due to an increase in productivity while maintaining the morale of our workforce despite the rationalization of remuneration packages.

It is noted that the profit after tax attributable to shareholders amounted to HK\$1,295,000 as a result of the worsening operating environment both globally and specifically related to our industry, which is discussed in detail in our Chairman's Statement in the 2002 annual report.

During the year, Tech Pro Trading Limited, Tech Pro (China) Limited, H2O Pro Limited were formed to carry out the group's wholesales trading, China trade and the sale of bathroom accessories respectively, while **BONCO** Ironmongery Limited is a new subsidiary responsible for the trading of **BONCO** brand hardware. Shanghai Techpro International Trading Company and Tech Pro (China) Limited were formed for the Group's China operations.

Massford (Hong Kong) Limited, a new wholly-owned subsidiary of the Group, has been focusing on Project Sales operations.

In addition, a new subsidiary, Kitchen Pro Limited, was formed during the year with a view to expanding our product range to cover higher valued kitchen fittings, the Group is able to control this new line of business without incurring excessive administrative expenses.

As a means to monitor and control staff costs, D.I.Y. Limited, a wholly owned subsidiary of the Group, is responsible for the human resources planning and deployment of the Group.

Wholesales

As mentioned in our previous report, the suspension of sales of Home Ownership Scheme apartments since September 2001 has a significant impact on our sales to the public sector of property development projects. Details on the construction industry are discussed in the Chairman's Statement to the shareholders in the 2002 annual report.

Private sector property development projects remain slack during the year as a result of the dip in sales of apartments and the oversupply and high vacancy rate experienced in 2001. However, the Group is able to secure private project sales with development in IFC North-East Tower, 129 Repluse Bay Road, Park Island of Ma Wan Development etc.

Retails

During the year, there was a significant increase in turnover in our retail operations, which contributed approximately 27.9% of the Group's turnover this year. The retail operations helped in increasing the liquidity of the Group and reducing the risk of sales dispute and collection of receivable as most of the sales are either cash on delivery or short term credit.

Financial Resources and Liquidity

The Group has been very prudent in its financial management, most of our suppliers are traded on open accounts or document against acceptance and hence reduce the trading financing requirements. The current ratio and quick ratio are at 11.51 and 7.90 while the cash in hand and at bank amounted to HK\$30.8 million as at 31st March, 2002.

The Group had no bank borrowings as at 31st March, 2002. The Group's 2001 gearing ratio of 27.68% was calculated on the basis of total bank borrowings over shareholders' fund as at 31st March, 2001.

The Group's exposure to foreign currency fluctuations is insignificant as both the borrowing and cash balances are primarily denominated in Hong Kong Dollars while the Group continues to adopt prudently a hedging policy against any unfavourable foreign exchange risk.

Contingent liabilities

(a) In August 2001, a subsidiary of the Company ("the Subsidiary") sued one of its customers ("Defendant A") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered to Defendant A. In September 2001, Defendant A filed a counter-claim in a sum of approximately HK\$6,148,000 against the Subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between Defendant A and the Subsidiary. The proceedings are still in the pleadings stage and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against Defendant A for the counter-claim and accordingly no provision in respect of the amount of the counter-claim has been made in the accounts of the Group.

(b) In August 2001, the Subsidiary sued another customers ("Defendant B") for recovery of an amount of approximately HK\$1,017,000 in respect of goods sold and delivered to Defendant B. In late September 2001, Defendant B filed a counter-claim in a sum of approximately HK\$1,443,000 against the Subsidiary for the alleged losses and damages as a result of the alleged breach of contract by the Subsidiary. The proceedings are still in the pleadings stage and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against Defendant B for the counter-claim and accordingly no provision in respect of the amount of the counter-claim has been made in the accounts of the Group.

(c) In November 2001, the Subsidiary sued another customer ("Defendant C") for recovery of an amount of approximately HK\$1,325,000 in respect of goods sold and delivered to Defendant C. In March 2002, Defendant C filed a counter-claim for unspecified amount of damages on the Subsidiary for the alleged breach of contract and misrepresentation by the Subsidiary. The proceedings are still in the pleadings stage and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against Defendant C for the counter-claim and accordingly no provision in respect of the amount of the counter-claim has been made in the accounts of the Group.

(d) As at 31st March, 2002, the Group had indemnities in respect of performance bonds amounting to approximately HK\$2,152,647 (2001: HK\$2,926,000) given to certain customers in respect of commitments for the supply of goods to such customers.

(e) As at 31st March, 2002, the Company had guarantees given to certain banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$14,500,000.

(f) With regard to the case referred to in the Company's announcement dated 11th January, 2002 regarding the allegations raised by the Independent Commission Against Corruption against three executive directors of the Company and five employees of E Bon Building Materials Co., Ltd., a wholly-owned subsidiary of the Company, the board of directors was informed that all the allegations had been denied by the respective implicated persons. The Company is advised by its counsel that there is no need for any of the above-mentioned persons to resign or be suspended from their duties. To this end, an independent board comprising two executive directors and two independent non-executive directors, who are not in any way implicated by the case, was established in January 2002 for the purpose of assessing the effect of the case on the overall operations of the Group. Based on the review, the independent board was of the opinion that the case did not and would not have material impact on the business and overall operation of the Group. Upon the completion of the review, the independent Board was dissolved on 25th March, 2002.

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31st March, 2002 and up to the date of the approval of these accounts.

People

In April 2001 Messrs. WONG Tin Cheung, Ricky and MAK So were appointed as executive directors of the Company, both of them were re-elected at our last Annual General Meeting.

Mr. Wong Wah, Dominic was re-appointed as a non-executive director and member of the Audit Committee. Mr. Lau Shiu Sun was appointed as an executive director of the Group and Mr. Ip Fu Wa, Benthony was appointed as Company Secretary in December 2001 following the resignation of Mr. Leung Ka Cheung. Mr. Lau who graduated from Hong Kong Baptist University and has been in the senior management position with the Group since 1994. Mr. Ip graduated from University of London and he is a member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants.

As at 31st March, 2002, the number of employees remained at 130. The Group rationalized the remuneration packages, largely in line with the prevailing market trend, to the employees and enhance the productivity of our workforce. Despite the difficult operating environment, the management is proud of our employees for their devotions and loyalty throughout the year.

Future Prospects

We continue to pursue our China operations, although contribution in China sales constitute a small part of our operation, during the year, we acquired an office premise in Beijing with a view to positioning ourselves better in the Capital and further efforts will be spent in expanding our China operations.

As mentioned in our Chairman's Statement to the shareholders in the 2002 annual report, new lines of business are being actively considered and pursued with an aim to divest the product lines and other business opportunity and in particular, the high value added technology areas for higher return.

Use of Proceeds from the public offering

The Company raised approximately HK\$62 million ("Net Proceeds") from the new issue and placing of shares in early April 2000. During the year, the application of the net proceeds by the Group was in compliance with the intended use of proceeds as set out in the Company's prospectus dated 28th March, 2000, details of utilization up to 31st March, 2002 are as follows:

- Approximately HK\$9.6 million was used for the expansion of distribution network, it mainly represents cost of establishment of new retail outlets and offices in China.
- Approximately HK\$2.33 million was used to enhance existing computer system and software application.
- Approximately HK\$2.87 million was used for securing new distributorships.
- Approximately HK\$13 million was used for working capital including expansion of product range.
- The remaining balance has been placed with banks in Hong Kong.

AUDIT COMMITTEE

An audit committee, comprising two independent non-executive directors, namely Dr CHAN Nai Keong, Kenneth and Mr LEUNG Kwong Kin, was established an 22nd March, 2000. Mr WONG Wah, Dominic has joined and Dr CHAN Nai Keong, Kenneth has ceased as an audit committee member since their respective appointment and resignation dates as independent non-executive director respectively.

During the year, the audit committee met a few times with management to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters (including the Interim and annual accounts prior to recommending them to the Board for approval).

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors of the Company, the Company has complied throughout the year ended 31st March, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31st March 2002 containing all the information required by paragraphs 45 (1) to 45 (3) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange within 21 days from the date of this announcement.

On behalf of the Board
TSE, Sun Fat, Henry
Chairman

Hong Kong, 19th July, 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IF HEREBY GIVEN that the Annual General Meeting of E. Bon Holdings Limited ("the Company") will be held at Plaza IV, Lower Lobby, 238 Jaffe Road, Novotel Century Hong Kong Hotel, Wanchai, Hong Kong on the 29th day of August 2002 at 10:00 a.m. for the following purposes:

- To receive and consider the audited consolidated financial statements, the report of the directors and the report of auditors for the year ended 31st March, 2002;
- To re-elect Directors and authorize the Board of Directors to fix the Directors' remuneration;
- To re-appoint Auditors and to authorize the Board of Directors to fix their remuneration;
- As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

"THAT:

- subject to paragraph (b) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited be and is hereby generally and unconditionally approved;
- the aggregate nominal amount of the Shares to be repurchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:-

 - the conclusion of the next annual general meeting of the Company;
 - the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and
 - the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the articles of association of the Company to be held."

- As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

"THAT:

- subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company ("Shares") or

securities convertible into Shares and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

- the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power during or after the end of the Relevant Period;

- the aggregate nominal amount of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company as at the date of this Resolution carrying a right to subscribe for or purchase Shares or otherwise convertible into Shares; or (iii) the exercise of the subscription rights under the share option schemes of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly;

- for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- the conclusion of the next annual general meeting of the Company following the passing of this Resolution;
- the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and
- the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the articles of association of the Company to be held."

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions

or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company."

- As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

"THAT subject to the passing of Ordinary Resolutions numbered 4 and 5 above, the general mandate granted to the Directors pursuant to Ordinary Resolution numbered 6 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution numbered 4, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

By Order of the Board
Ip Fu Wa, Benthony
Secretary

Hong Kong, 19th July, 2002

Registered office:
Century Yard
Cricknet Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

Head office and principal place of business:
16th-18th Floor
First Commercial Building
33 Leighton Road
Causeway Bay
Hong Kong

Notes:

- A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.
- To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's branch registrars in Hong Kong, Abacus Share Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the Meeting.
- An explanatory statement containing further details regarding Resolutions numbered 4 to 6 above will be sent to shareholders together with the 2002 Annual Report.