



ANNUAL REPORT 2002



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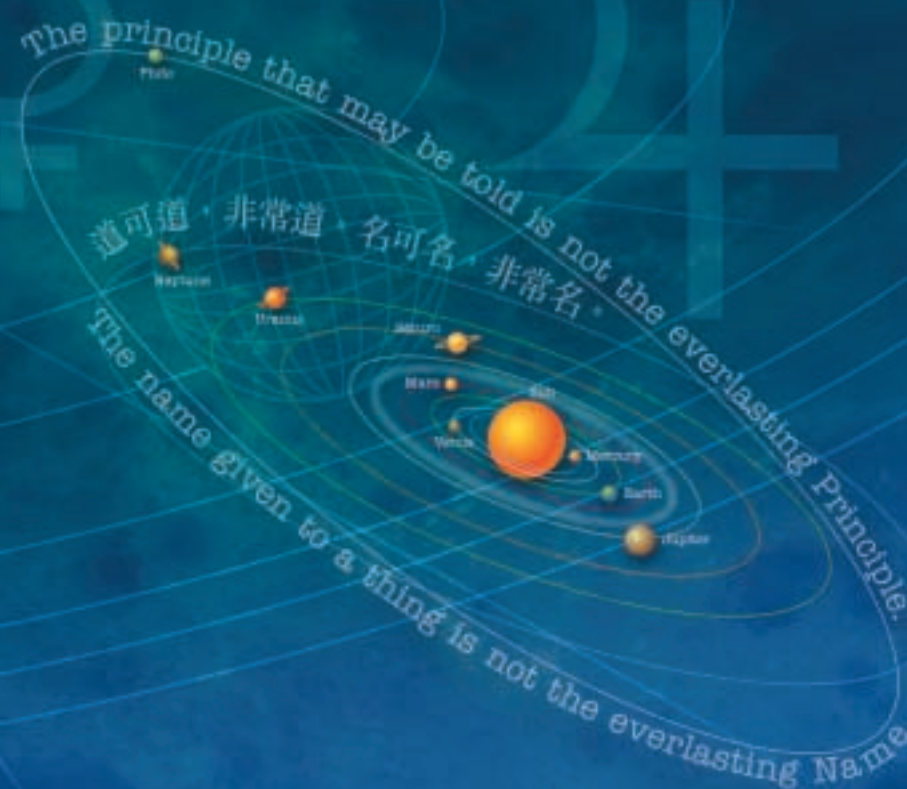
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The principle that may be told is not the everlasting Principle.
道可道，非常道，名可名，非常名。
The name given to a thing is not the everlasting Name.

Financial

Highlights

Sign

Five planets line ups in One

五星連珠

Turnover (HK\$'000)
 Profit attributable to shareholders (HK\$'000)
 Basic earnings per share (HK cents)
 Proposed final dividend per share (HK cents)
 Net asset value (HK\$'000)

2002	2001
163,691	281,564
1,295	15,205
1	8
-	1
158,534	159,283

Turnover
 Cost of sales
 Gross profit
 Other revenues
 Selling and distribution expenses
 Administrative expenses
 Operating profit
 Finance costs
 Profit before taxation
 Taxation
 Profit attributable to shareholders
 Dividends
 Basic earnings per share

Year ended 31st March	
2002 HK\$'000	2001 HK\$'000
163,691	281,564
(89,260)	(174,103)
74,431	107,461
828	3,791
(41,245)	(52,090)
(31,125)	(37,410)
2,889	21,752
(783)	(2,726)
2,106	19,026
(811)	(3,821)
1,295	15,205
-	8,000
1 cent	8 cents



C h a i r m a n ' s S t a t e m e n t

Dear Shareholders,

We would like to present the annual report for the year ended 31st March, 2002.

The economic indicators for Hong Kong show no sign of recuperation, the growth of GDP in Hong Kong was reduced down to only 0.1% in real term for the year of 2001, deflation continued, with the Composite Consumer Price Index falling by 2.6% in the first quarter of 2002 while the costs and price continue their deflationary trend as a consequence of further decline in property prices. The growth rate in real term of expenditure on building and construction was down to -2.5% in the year of 2001.

In the budget speech of March 2002. The Financial Secretary proposed a number of fiscal measures to relieve the financial strains of the taxpayers such as reducing rates and freezing government fees. He further forecasted that there would be a GDP growth of 1% in real term for 2002 and that as the excess capacity within the global economy has yet to be digested and local deflationary pressure would remain.

With the property price fell by 13% on average in 2001, any further decrease in property price only causes further increase in the number of negative equity owners. The downturn of the economy and the restructuring of the Hong Kong economy hit hard to the middle class in Hong Kong and those who are stuck with the negative equity remain the hardest hit and desperate. The domino effect to the economy is now clearly visible with many of the business and service industry which catered for the middle class have gone or would go bankruptcy. Corporate and personal bankruptcies rate remain high throughout the first half of 2002. In the first half year of 2002, the seasonally-adjusted unemployment rate rose to 7.4%.


There will not be a bounce back of property market unless and until the negative equity owners will no longer be an issue in our economy.

Some voiced out that we should import more talent people to Hong Kong in order to rebuild or restructure our economy. We have yet to wait until these imported talent people start making Hong Kong home and purchase their own flats here.

There is no doubt that Hong Kong must overcome the difficulties due to the persistent economic downturn and uncertainly since 1997 because of the deterioration in the external economic environment and the slump in global demand for consumer goods resulted in an almost across-the-board fall-off in Hong Kong exports and re-exports. Hong Kong people are looking to the Government for any direction and/or change of policy which would map out the future economic development of the Hong Kong.

The temporarily suspension of the sale of Home Ownership Scheme flats by the Housing Authority and Housing Society for a period of 10 months in September last year was an effort to respond to the fragility of the private residential market. The Chief Secretary announced on June 5 this year that the moratorium on the sale of Home Ownership Scheme flats by the Housing Authority and Housing Society would cease to apply with effect from 1st July, 2002 and that it was expected that two phases of Home Ownership Scheme flats will be put on sale with about 2,400 and 2,500 units put on sale in September 2002 and April 2003 respectively. The future sale of Home Ownership Scheme flats would not exceed 9,000 a year up to 2005-2006 and a sale of no more than 2,000 units a year thereafter. Any cut back in Home Ownership Scheme flats each year would be matched by an increase in the number of loans offered to eligible households. The change of policy is to avoid the competition with the private market and to, hopefully, stabilize the private residential market, this would offer a partial relief for the negative equity owners.

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In a practical term, the projection made in 1997¹, which stipulated that, on average, the yearly production requirement for both public and private housing was 79,900 for the period 1997 to 2007 comprising a total of 456,300 public housing flats and 343,000 private housing flats for this period, would have now been readjusted in light of the recent change of the public housing policy.

In the premises, the sales of building materials for Government Housing Projects are unlikely to make a significant contribution to the Group in future and we must now re-focus on the private housing projects.

While the competition on price remains cut throat in the project sale market, as mentioned in our last year Annual Report, we have expanded the retail side of the business, we have noted an increase by 28% over last year in our retails operation, which has constituted 27% of our turnover. In addition, we have increased our services to customers not only in metal hardware, bathroom accessories and also increased our product range to cover kitchen fitting. We have a plan to open a new showroom for the supply of high end product lines to our prestigious customers later this year.

With the business potential presented to us by virtue of the China's full membership to WTO, and the 2008 Olympic Game in Beijing, we have acquired an office in Beijing last year with a view to capturing business opportunity in China.

The management believes that there will not be any materially change in the building industry in Hong Kong in the next few years. The management would focus on the core business of the group and would develop scheme to deal with the change and challenge, we would seek opportunities for both existing and new product lines of businesses.

It has been recently announced by the Hong Kong Government that the goal for all development in Hong Kong would be guided by the principle of sustainability in order to balance social, economic and environmental needs both for the present and future generations. A Sustainable Development Unit has now been established under the office of the Chief Secretary for coordinating all the projects such as land use planning building safety health and environment assessment, etc. within

¹ Assessment of Housing Demand (1997-1998 – 2006-7) published in November 1997 by the inter-departmental Working Group on Housing Demand of Hong Kong SAR Government.

the government departments. No doubt, the “green culture” would be visible in the years to come.

We would examine the new business opportunity in this direction, we will develop a new business unit for supplying affordable and efficient devices or equipment which would meet the criteria of this new technological orientated business. We are now in the process of identifying the potential systems related to the building industry which would improve the quality of water and also technology for wastewater treatments with both home and commercial applications. We are considering the potential business catered for the health anxious public such as Bio-therapeutic equipment. The management believes that these new lines of business will make a positive contribution to the existing operation of the group in future.

Undoubtedly, this year has been the most challenging year for Hong Kong and for the Group's business. Our management has worked diligently to tackle business issues and to explore any business potential or opportunities. Without the devotion and loyalty of our colleagues towards the Group, we would not be able to consolidate our position and get ourselves ready for any change of business environment for which I am sincerely grateful and thankful to them. Indeed, they are the most important assets of our business.

Finally, I would like to express my appreciation to our customers and shareholders for their confidence in and continuing support to us during this difficult year.



TSE Sun Fat, Henry
Chairman
19th July 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, 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.

During the year, Techpro 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 Tech Pro 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.

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 Repulse 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 receivables as most of the sales are either on 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

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reduce the trading financing requirements. The current ratio and quick ratio are at 11.51 and 7.90, respectively 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' funds 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.

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, new lines of business are being actively considered and pursued with an aim to divest the product lines and other business opportunities 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:

- (a) 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.
- (b) Approximately HK\$2.33 million was used to enhance existing computer system and software application.
- (c) Approximately HK\$2.87 million was used for securing new distributorships.
- (d) Approximately HK\$13 million was used for expansion of product range.
- (e) The remaining balance has been placed with banks in Hong Kong as short-term deposit for working capital purposes.

Group Chart



water

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Bonco Ironmongery Limited
100%

Massford (Hong Kong) Limited
100%

Twinwood Venture Limited
100%

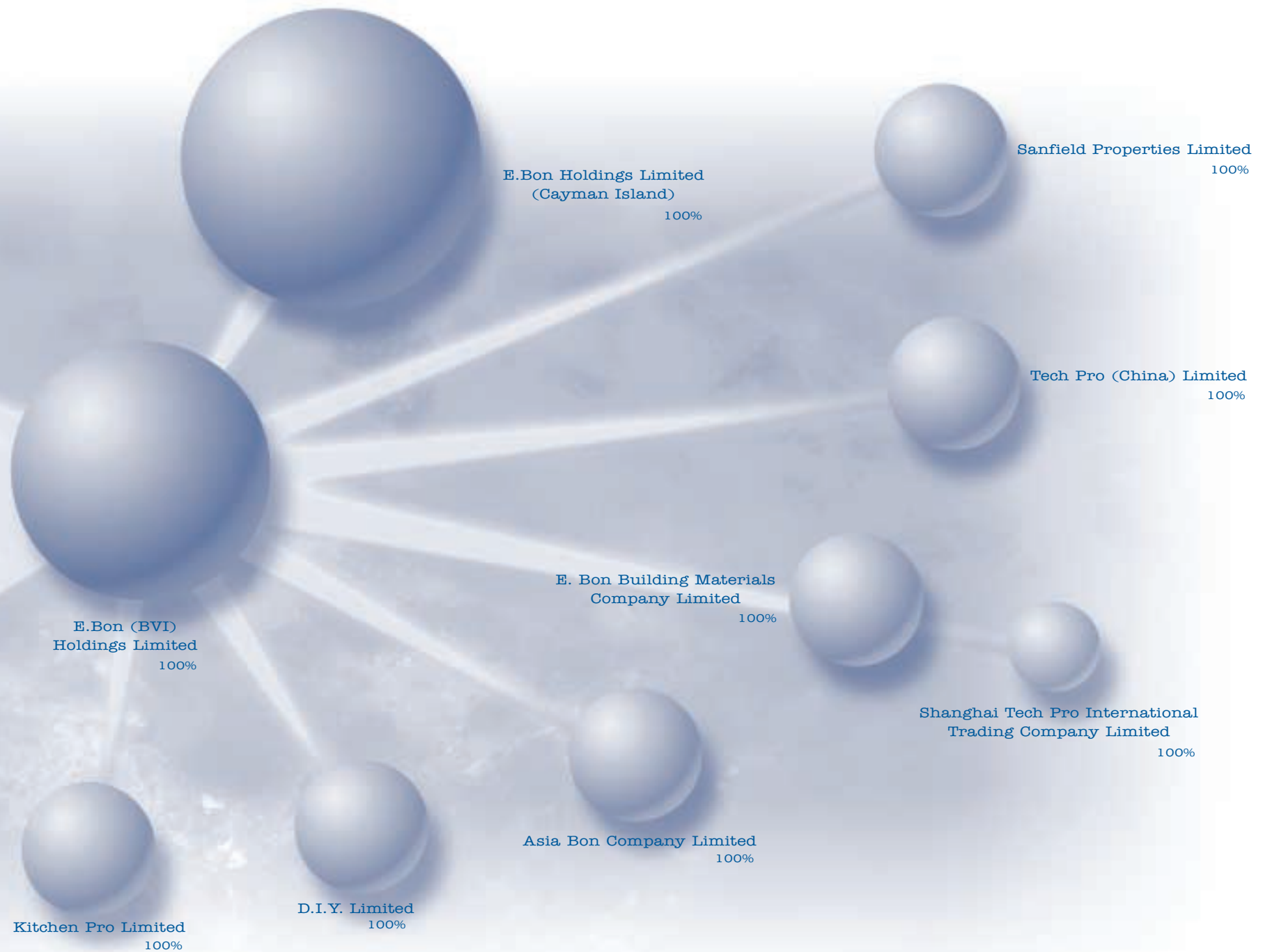
Right Century Limited
100%

Massford Holdings Limited
100%

Techpro Trading Limited
100%

Sunny Building and
Decoration Materials
Company Limited
100%

H2O (Pro) Limited
100%



Register office

Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

**Head office and
Principle place of business**

16th-18th Floors
First Commercial Building
33 Leighton Road
Causeway Bay
Hong Kong

Company secretary

IP Fu Wa, Benthony,
ACA, AHKSA

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Authorised representatives

TSE Sun Lung, Alan
IP Fu Wa, Benthony,
ACA, AHKSA

**Legal advisers on
Hong Kong law**

Pang, Wan & Choi Solicitors
1007-8 Hang Seng Building
77 Des Voeux Road Central
Hong Kong

**Legal advisers on
Cayman Islands law**

Conyers Dill & Pearman, Cayman
Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

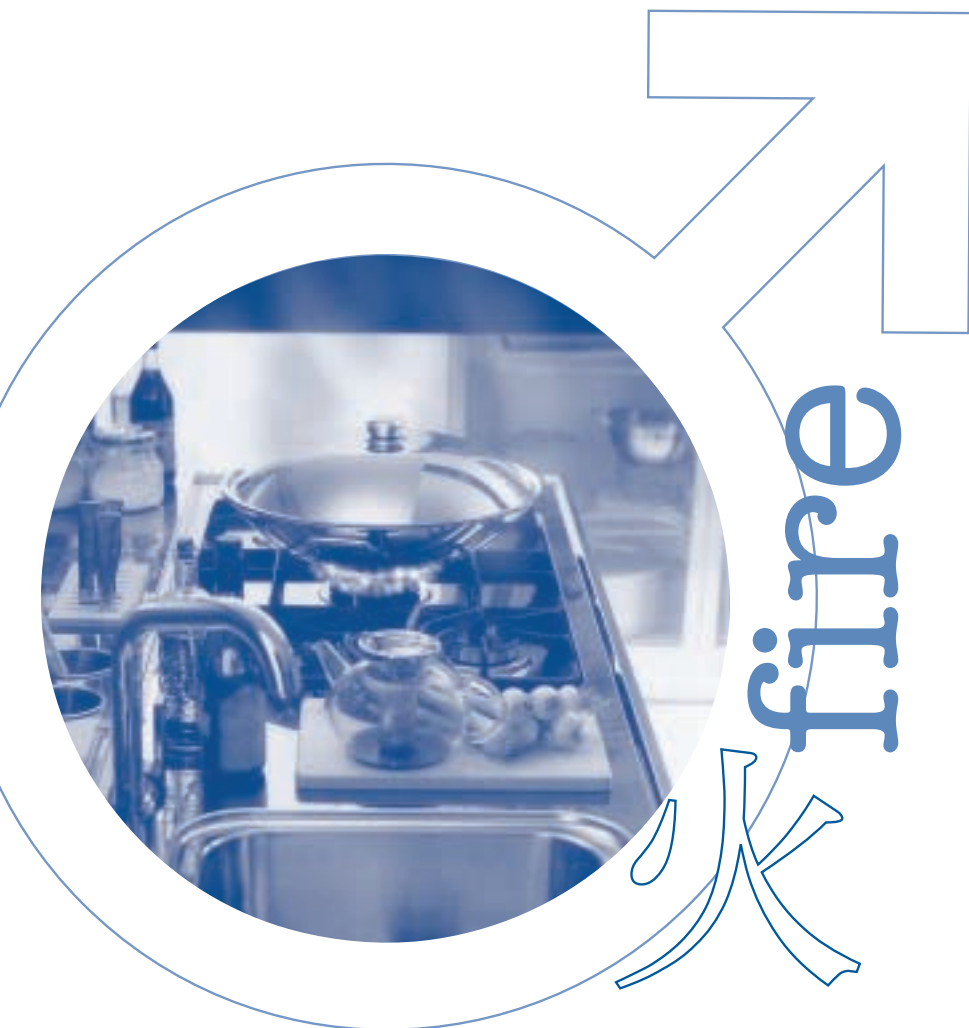
**Cayman Island principal
share registrar and transfer office**

Bank of Butterfield (Cayman) Limited
Butterfield House, Fort Street
P. O. Box 705, George Town
Grand Cayman
Cayman Islands
British West Indies

**Hong Kong branch share
registrar and transfer office**

Abacus Share Registrars Limited
5th Floor, Wing On Centre
111 Cannaught Road Central
Hong Kong

R e p o r t o f t h e D i r e c t o r s



The directors submit their report together with the audited accounts for the year ended 31st March, 2002.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the importing and sale of architectural builders hardware and bathroom collections in Hong Kong.

Details of the analysis of the Group's turnover and contribution to operating profit for the year by principal activity and market is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

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

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 18 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 11 to the accounts.

Share capital

Details of the share capital of the Company are set out in note 17 to the accounts.

Distributable reserves

Distributable reserves of the Company as at 31st March, 2002 amounted to HK\$133,968,000. Under Section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to shareholders, provided that no distribution shall be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

Report of the Directors (cont'd)

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 19.

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.

Directors

The directors during the year and up to the date of this report were:

Mr. TSE Sun Fat, Henry

Mr. TSE Sun Po, Tony

Mr. TSE Sun Lung, Alan

Mr. LEE Chi Wah, Rhodes

Mr. MAK So (appointed on 24th April, 2001)

Mr. WONG Tin Cheung, Ricky (appointed on 24th April, 2001)

Mr. LAU Shiu Sun (appointed on 10th December, 2001)

Mr. LEUNG Kwong Kin*

Mr. WONG Wah, Dominic* (appointed on 19th June, 2001)

Dr. CHAN Nai Keong, Kenneth* (resigned on 22nd June, 2001)

Mr. LEUNG Ka Cheung (resigned on 10th December, 2001)

* Independent non-executive directors who entered into contracts with the Company for an initial fixed term of one year and thereafter shall continue for further successive periods of one year, provided that the Company may terminate the contracts at the end of each one year period by giving the other party at least one month's notice in writing thereof.

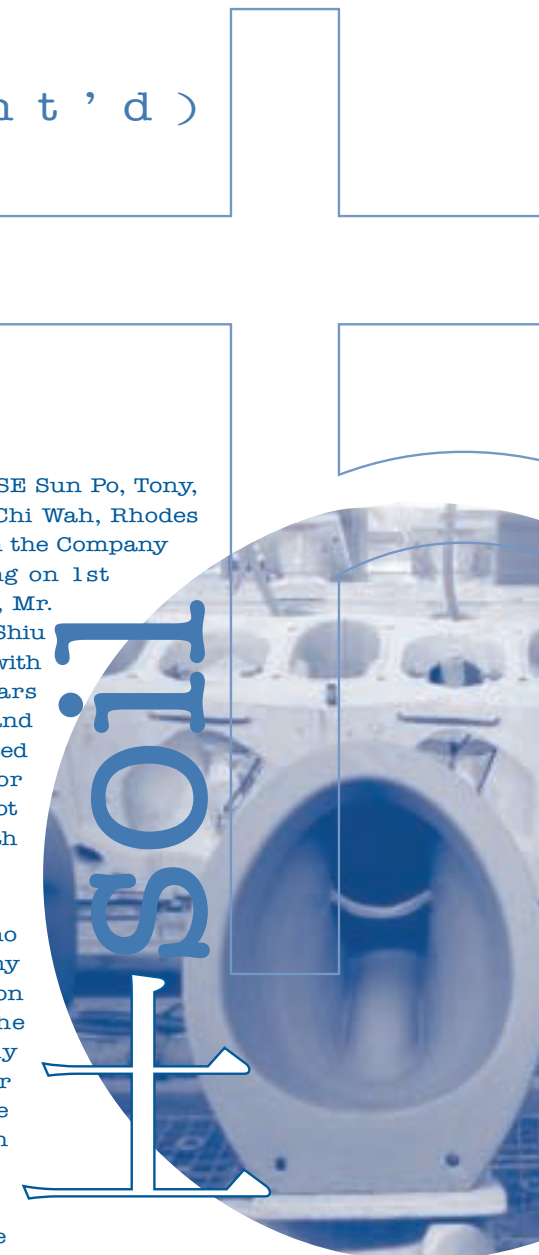
Mr. LAU Shiu Sun, Mr. LEE Chi Wah, Rhodes, Mr. TSE Sun Po, Tony and Mr. LEUNG Kwong Kin shall retire at the forthcoming annual general meeting in accordance with Articles 86(3) and 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan and Mr. LEE Chi Wah, Rhodes has entered into a service contract with the Company for a term of three years commencing on 1st March, 2000 and each of Mr. MAK So, Mr. WONG Tin Cheung, Ricky and Mr. LAU Shiu Sun has entered into a service contract with the Company for a term of three years commencing on 10th December, 2001 and will continue thereafter unless terminated by either party by three months' prior written notice to other party expiring not earlier than 28th February, 2003 and 9th December, 2002, respectively.

In addition, Mr. LEUNG Ka Cheung, who had a service contract with the Company for a term of three years commencing on 1st March, 2000, resigned during the year. Mr. LEUNG and the Company mutually agreed to waive their respective rights as set out in the contract despite the early termination of the contract.

Save as disclosed herein, none of the directors of the Company has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).



Directors' interests in contracts

Save as disclosed under the section "Connected transactions" below, no other contracts of significance in relation to the Group's business to which the Company, its subsidiaries or holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' benefits from rights to acquire shares or debentures

Under the terms of the Company's share option scheme adopted on 22nd March, 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. No options have been granted to the directors since its adoption. The Stock Exchange of Hong Kong Limited amended the Listing Rules governing share option schemes. The new requirements have come into effect from 1st September, 2001 and render some of the provisions of the existing Share Option Scheme no longer applicable.

Apart from the above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in equity securities

At 31st March, 2002, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Interests in shares of the Company

Director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. TSE Sun Fat, Henry (<i>Note 1</i>)	–	–	–	140,000,000
Mr. TSE Sun Po, Tony (<i>Note 1</i>)	–	140,000,000	–	140,000,000

Note 1: Bache Hill Group Limited ("BHGL") is holding these shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

Report of the Directors (cont'd)

Interests in shares of associated corporations

(i) BHGL

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (Note 2)	–	–	–	30,491	30,491
Mr. TSE Sun Po, Tony (Note 2)	–	30,491	–	30,491	30,491
Mr. TSE Sun Lung, Alan	3,025	–	–	–	3,025
Mr. LEE Chi Wah, Rhodes	965	–	–	–	965
Mr. WONG Tin Cheung, Ricky	1,265	–	–	–	1,265

Note 2: These shares are held by Tse Brother Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. Tse Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

(ii) Negotiator Consultants Limited ("NCL")

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (Note 3)	–	–	–	1	1
Mr. TSE Sun Po, Tony (Note 3)	–	1	–	1	1

Note 3: Such share is held by BHGL. Accordingly, the interest of Mr. TSE Sun Fat, Henry is regarded as "other interest" and the interests of Mr. TSE Sun Po, Tony are regarded as "family interest" and "other interest", respectively as described in Practice Note 5 of the Listing Rules.

Biographical details of directors and senior management

Executive directors

Mr. TSE Sun Fat, Henry, aged 45, is a founding member of the Group and the Chairman of the Company. Mr. TSE has over 24 years of experience in the trading of building materials. He is responsible for the planning of the Group's overall strategies and the overall management of the Group.

Mr. TSE Sun Po, Tony, aged 43, is the managing director of the Company and joined the Group in 1979. Mr. TSE has over 24 years of experience in the trading of building materials and is responsible for the retail business of the Group. Mr. TSE also assists in the strategic planning and management of the Group. He is a brother of Mr. TSE Sun Fat, Henry, the Chairman of the Group.

Mr. LEE Chi Wah, Rhodes, aged 39, is the deputy managing director of the Company. He joined the Group in 1982. Mr. LEE has over 20 years of experience in the trading of building materials and is responsible for project sales and marketing of products distributed by the Group.

Mr. TSE Sun Lung, Alan, aged 35, is an executive director of the Company. He joined the Group in 1990 and is now responsible for project sales and the marketing of products distributed by the Group. Mr. TSE Sun Lung, Alan is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony.

Mr. MAK So, aged 62, joined the Group in 1993. Mr. MAK was appointed as an executive director of the Company on 24th April, 2001 and is responsible for co-ordinating the sales and marketing activities of the Group. He has over 34 years of experience in the building materials industry. Prior to joining the Group, Mr. MAK worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 26 years.

Mr. WONG Tin Cheung, Ricky, aged 59, joined the Group in 1979. Mr. WONG was appointed as an executive director of the Company on 24th April, 2001, and is also a director of two subsidiaries of the Company and is responsible for the operation of the Group in project management. He has over 22 years of experience in selling building materials and was a civil servant before joining the Group.

Mr. LAU Shiu Sun, aged 35, joined the Group in 1994. Mr. LAU was appointed as an executive director of the company on 10th December 2001, before his appointment, Mr. lau was a sales manager of the Group and is responsible for project sales. He graduated from Hong Kong Baptist University (formerly Baptist College) in 1992 with a bachelor of science degree.

Mr. LEUNG Ka Cheung, aged 41, was the Finance Director and Company Secretary of the Company and was responsible for accounting and finance related activities. Mr. LEUNG joined the Group in 1984. Mr. LEUNG obtained a master's degree of business administration from International Management Centre, United Kingdom. He is also a member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, the Association of International Accountants and the Chartered Institute of Marketing. Mr. LEUNG resigned as an executive director of the Company and left the Group on 10th December 2001.

Non-executive directors

Mr. LEUNG Kwong Kin, aged 55, was appointed as an independent non-executive director in January 2000. Mr. LEUNG is a senior director of Wong Lam Leung & Kwok C.P.A. Ltd.. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Association of International Accountants. Mr. LEUNG is also a member of the Macau Society of Certified Practising Accountants, the Society of Chinese Accountants & Auditors, the Taxation Institute of Hong Kong, the Institute of Management and the International Institute of Management.

Mr. WONG Wah, Dominic, aged 53, was appointed as an independent non-executive director on 19th June, 2001. He graduated from the Chinese University of Hong Kong in 1972 with honours bachelor's degree of Social Science in Economics. He was appointed director and general manager of Hongkong Ferry (Holdings) Ltd., formerly The Hongkong & Yaumatei Ferry Co., Ltd. until late 1989. He has been actively involved in China trade and garment industry over the last few years.

Report of the Directors (cont'd)

Dr. CHAN Nai Keong, Kenneth, C.B.E., J.P., aged 70, joined the Group in January 2000. He holds a first class honours diploma in civil engineering from the Loughborough College, UK and a honorary degree of doctor of technology from the Loughborough University, UK. He joined the Public Works Department of Hong Kong Government in 1952 and held the position of the Secretary for Lands and Works during 1983-1986. He is presently a consultant of Parsons Brinckerhoff (Asia) Limited, a consulting engineering company based in Hong Kong. He has served as an Official Member of the Legislative Council. Dr. CHAN is a fellow of the Royal Academy of Engineering, The Institution of Civil Engineers, The Institution of Structural Engineers, The Hong Kong Academy of Engineering Sciences and The Hong Kong Institution of Engineer. Dr. CHAN resigned as an independent non-executive director of the Company on 22nd June, 2001.

Senior management

Mr. TSE Sun Ming, Almond, aged 42, is a director of three subsidiaries of the Company and a founding member of the Group. Mr. TSE has over 24 years of experience in the building materials industry and is responsible for product sourcing and development. He is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony and a brother of Mr. TSE Sun Lung, Alan.

Mr. AU Lai Chuen, Hercules, aged 45, joined the Group in 1982 and is a director of two subsidiaries of the Company. Mr. AU has over 24 years of experience in the building materials industry and is responsible for project related sales and marketing activities.

Mr. YICK Kai Chung, aged 43, joined the Group in 1979 and is a director of two subsidiaries of the Company. Mr. YICK has over 24 years of experience in building materials industry and is responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support.

Mr. CHAN Sau Lam aged 47, joined the Group in 1979. Mr. CHAN is a sales director of the Group and is responsible for co-ordinating sales related to the market in the People's Republic of China. He has over 22 years of experience in selling building materials.

Mr. LO Wai Man, aged 48, joined the Group in 1979. Mr. LO is a technical director and is responsible for overseeing provision of technical support for bathroom collections. He has over 22 years of experience in selling building materials and is a licensed plumber.

Mr. SHUM Lup Chi, aged 46, joined the Group in 1982. Mr. SHUM is the office manager and is responsible for office internal control and cost analysis. He had worked for various solicitor firms for 6 years before joining the Group.

Mr. NG Sheung Yiu, aged 40, joined the Group in 1984. Mr. NG is the chief designer for corporate brochure and retail shops of the Group and responsible for all kinds of graphic design and assisting in the interior design of the Group's retail outlets.

Mr. MA Sze Ho, aged 41, joined the Group in 1979. Mr. MA is a sales director in charge of major wholesales accounts. He has over 22 years experience in selling building materials.

Mr. CHAN Chiu Keung, aged 54, joined the Group since 1976. Mr. CHAN is the manager of the Mongkok retail shop of the Group and is in charge of overall shop management of that shop. He has over 26 years of experience in retail business.

Mr. CHANG Kai Chuen, aged 28, joined the Group in 1991. Mr. CHANG is a sales manager of the Group and is responsible for project sales.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st March, 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of Shareholder	Number of Shares
BHGL	140,000,000
Tse Brothers Assets Management Limited (<i>Note 4</i>)	140,000,000
Messrs. Kelvin K W Cheung & Chu Hei Chun (<i>Note 4</i>)	140,000,000

Note 4: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by Messrs. Kelvin K W Cheung & Chu Hei Chun (who are the trustees of the Tse's Family Trust). Tse Brothers Assets Management Limited and Messrs. Kelvin K W Cheung & Chu Hei Chun are respectively taken to be interested in these shares under Section 8(2) of the SDI Ordinance.

Information pursuant to Practice Note 19 of the Listing Rules

The directors of the Company are not aware of any circumstances which would give rise to any disclosure obligations under Practice Note 19 of Listing Rule as at 31st March, 2002.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Nothingness is used to denote the state that existed before the birth of heaven and earth.
Reality is used to denote the state where the multitude of things begins to have a separate existence.

「無」名天地之始，「有」名萬物之母。

Report of the Directors (cont'd)

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	15%
Five largest suppliers combined	42%

Sales

The largest customer	7%
Five largest customers combined	20%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Audit committee

An audit committee, comprising two independent non-executive directors, namely Dr CHAN Nai Keong, Kenneth and Mr. LEUNG Kwong Kin, was established on 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 as set out on page 11.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee have been prepared and adopted by the Board of the Company. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

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.

Pension scheme arrangements

The Group operated a defined contribution retirement scheme (the "scheme") for its employee who joined the group before 1st December 2000. During the year, the scheme was terminated and transferred to the Mandatory Provident Fund Scheme (the "MPF" scheme) in line with all employees who have opted for the MPF scheme since 1st December, 2000. The MPF scheme is a defined contribution retirement benefit scheme administered by the independent trustees. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions.

The aggregate employer's contributions under the above schemes amounted to approximately HK\$1,928,000 have been dealt with in the profit and loss account of the Group for the year ended 31st March, 2002. As at 31st March, 2002 there were no forfeited contributions available to offset future employer's contributions to the MPF Scheme.

Connected transactions

The related party transaction as disclosed in note 23 to the accounts for the year ended 31st March, 2002 in respect of rental expenses of approximately HK\$2,736,000 paid to NCL also constitutes a connected party transaction. NCL is a fellow subsidiary of the Company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan, Mr. LEE Chi Wah, Rhodes, Mr. WONG Tin Cheung, Ricky and a former director, Mr. LEUNG Ka Cheung, have beneficial interests. The Stock Exchange has granted conditional waivers to the Company from strict compliance with the requirements of Chapter 14 of the Listing Rules. In the opinion of the directors including the independent non-executive directors of the Company, the transactions were conducted in the ordinary course of the business of the Group and in accordance with the terms of the agreements.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

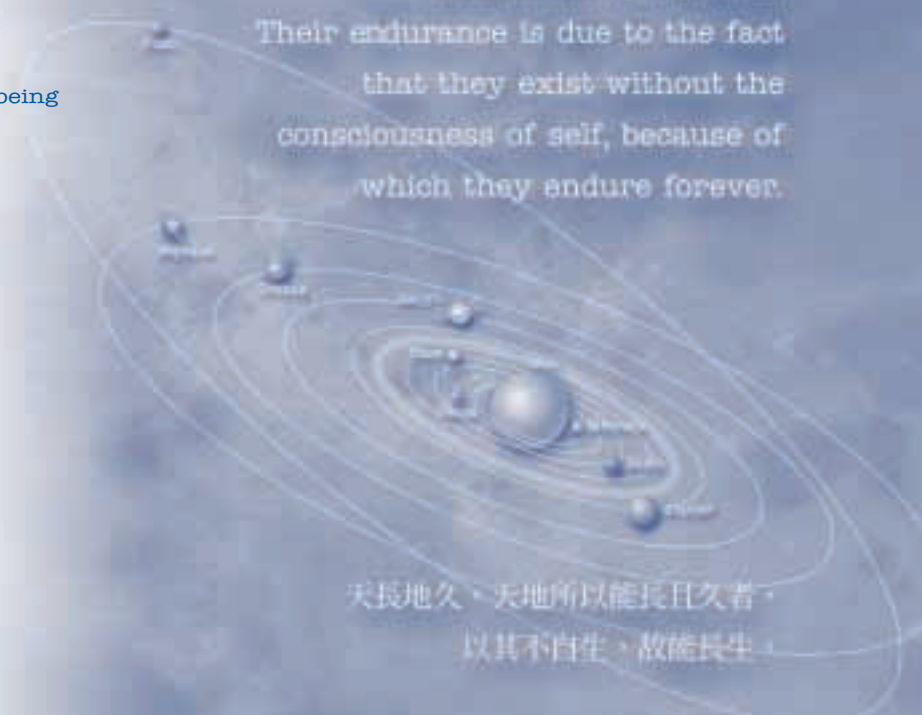
On behalf of the Board



TSE Sun Fat, Henry

Chairman

Hong Kong, 19th July, 2002



Heaven is everlasting,
and earth is perpetual.
Their endurance is due to the fact
that they exist without the
consciousness of self, because of
which they endure forever.

天長地久、天地所以能長且久者、
以其不自生、故能長生。

Five Year Financial Summary

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Results					
Profit attributable to shareholders	1,295	15,205	42,736	32,837	20,260
Assets and liabilities					
Total assets	171,359	217,781	169,677	180,182	172,565
Total liabilities	(12,825)	(58,498)	(78,760)	(72,353)	(97,573)
Shareholders' funds	<u>158,534</u>	<u>159,283</u>	<u>90,917</u>	<u>107,829</u>	<u>74,992</u>

The results, assets and liabilities of the Group for each of the two years ended 31st March 1999 and the results of the Group for the year ended 31st March 2000 have been prepared on the basis of merger accounting as if the group structure, which became effective in March 2000, had been in existence throughout the three years then ended.

The results, assets and liabilities of the Group for the year ended 31st March 2001 and 2002 and the assets and liabilities as at 31st March 2000 have been prepared on a consolidated basis.

A u d i t o r s ' R e p o r t

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

TO THE SHAREHOLDERS OF E. BON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 21 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19th July 2002

Consolidated Profit and Loss Account

For the year ended 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	3	163,691	281,564
Cost of sales		<u>(89,260)</u>	<u>(174,103)</u>
Gross profit		74,431	107,461
Other revenues	3	828	3,791
Selling and distribution expenses		<u>(41,245)</u>	<u>(52,090)</u>
Administrative expenses		<u>(31,125)</u>	<u>(37,410)</u>
Operating profit	4	2,889	21,752
Finance costs	5	<u>(783)</u>	<u>(2,726)</u>
Profit before taxation		2,106	19,026
Taxation	6(a)	<u>(811)</u>	<u>(3,821)</u>
Profit attributable to shareholders	7	<u><u>1,295</u></u>	<u><u>15,205</u></u>
Dividends	8	<u><u></u></u>	<u><u>8,000</u></u>
Basic earnings per share	9	<u><u>1 cent</u></u>	<u><u>8 cents</u></u>

Consolidated Balance Sheet

As at 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Fixed assets	11	27,106	25,487
Current assets			
Inventories	14	45,223	37,865
Trade receivables, other receivables, deposits and prepayments	15	66,496	86,208
Tax recoverable		1,717	2,794
Cash and bank balances		30,817	65,427
		<u>144,253</u>	<u>192,294</u>
Current liabilities			
Trade payables, accruals and deposits received	16	10,489	12,541
Bills payable		2,045	1,480
Trust receipt loans		-	34,077
Current portion of non-current liabilities	19	-	5,924
		<u>12,534</u>	<u>54,022</u>
Net current assets		<u>131,719</u>	<u>138,272</u>
Total assets less current liabilities		<u>158,825</u>	<u>163,759</u>
Financed by:			
Share capital	17	20,000	20,000
Reserves	18(a)	138,534	137,283
Proposed dividend		-	2,000
		<u>138,534</u>	<u>139,283</u>
Shareholders' funds		<u>158,534</u>	<u>159,283</u>
Non-current liabilities	19	291	4,476
		<u>158,825</u>	<u>163,759</u>



Tse Sun Po, Tony
Director



Tse Sun Lung, Alan
Director

B a l a n c e S h e e t

As at 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Investments in subsidiaries	12	90,917	90,917
Current assets			
Amounts due from subsidiaries	13	61,394	64,092
Prepayment		25	-
Bank balances		2,354	54
		63,773	64,146
Current liabilities			
Account payables		52	-
Amount due to a subsidiary	13	670	250
		722	250
Net current assets		63,051	63,896
Total assets less current liabilities		153,968	154,813
Financed by:			
Share capital	17	20,000	20,000
Reserves	18(b)	133,968	132,813
Proposed dividend		-	2,000
		133,968	134,813
		153,968	154,813



Tse Sun Po, Tony
Director



Tse Sun Lung, Alan
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Net cash inflow from operating activities	20(a)	15,915	31,646
Returns on investments and servicing of finance			
Interest received		828	3,791
Interest on bank borrowings		(748)	(2,689)
Interest element of finance leases		(35)	(37)
Dividends paid		(2,000)	(8,000)
Net cash outflow from returns on investments and servicing of finance		(1,955)	(6,935)
Taxation			
Hong Kong profits tax refunded/(paid)		165	(9,912)
Investing activities			
Purchase of fixed assets		(4,656)	(5,358)
Proceeds from disposal of fixed assets		-	85
Purchase of subsidiaries	20(c)&(d)	6	-
Decrease in pledged fixed deposits		-	5,615
Net cash (outflow)/inflow from investing activities		(4,650)	342
Net cash inflow before financing		9,475	15,141
Financing	20(b)		
Net proceeds from issue of shares		-	61,161
Bank loans repaid		(9,764)	(8,365)
Repayment of capital element of finance leases		(244)	(249)
Net trust receipt loans repaid		(34,077)	(6,038)
Net cash (outflow)/inflow from financing		(44,085)	46,509
(Decrease)/increase in cash and cash equivalents		(34,610)	61,650
Cash and cash equivalents at the beginning of the year		65,427	3,777
Cash and cash equivalents at the end of the year		30,817	65,427

Cash and cash equivalents represent cash and bank balances at the respective year end dates

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Exchange differences arising on translation of the accounts of subsidiaries not recognised in the profit and loss account	18(a)	(44)	–
Profit attributable to shareholders		<u>1,295</u>	<u>15,205</u>
Total recognised gains and losses		<u><u>1,251</u></u>	<u><u>15,205</u></u>

Notes to the Accounts

1 Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of land and buildings, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”).

In the current year, the Group adopted Statement of Standard Accounting Practice (“SSAP”) No. 14 (revised) issued by the HKSA which was effective for accounting periods commencing on or after 1st July 2000. In accordance with SSAP 14 (revised), the Group is required to disclose the aggregate future minimum lease payments, analysed into the periods in which the payment is to be made. This is a change from previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into periods in which the lease expires. Comparative information has also been restated to conform with the changed requirement.

2 Principal accounting policies

(a) Consolidation

- (i) The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities which are controlled directly or indirectly, by the Company who has the power to govern the financial and operating activities of these entities so as to obtain benefits from their activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2 Principal accounting policies (cont’d)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less provision for impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary, the related accumulated exchange differences is recognised in the profit and loss account as part of the gain or loss on disposal.

Notes to the Accounts (cont'd)

2 Principal accounting policies (cont'd)

(b) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings are stated at valuation, being open market value for existing use at the date of revaluation, less accumulated amortisation or depreciation. Independent valuations are performed periodically. In the intervening years, the directors review the carrying value of the leasehold land and buildings and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and thereafter are debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

Leasehold land is depreciated over the periods of the leases on a straight-line basis.

Leasehold buildings are depreciated on the straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 2% per annum.

(ii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other cost incurred to bring the asset into its existing use. Other tangible fixed assets are depreciated to write off the cost less accumulated impairment losses over their expected useful lives on the straight-line basis. The principal annual rates used for this purpose are:

Leasehold improvements	20%
Furniture, fixtures and equipment	10%-20%
Motor vehicles	20%

2 Principal accounting policies (cont'd)

(c) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(d) Inventories

Inventories represent trading stocks and are stated at the lower of cost and net realisable value. Cost represents purchase price and is determined on a weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

2 Principal accounting policies (cont'd)

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 Principal accounting policies (cont'd)

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Revenue recognition

(i) Revenue from the sale of goods is recognised on the transfer of ownership, which generally coincides with the time of cash receipt for retail sales or the time when the goods are delivered to customers and the title has passed for credit sales, net of returns and discounts given.

(ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(k) Retirement benefit costs

The Group's contributions to retirement schemes are expensed as incurred. Contributions under the retirement schemes other than mandatory provident fund scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in an independently administrated fund.

Notes to the Accounts (cont'd)

2 Principal accounting policies (cont'd)

(1) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of 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. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(m) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of fixed assets, inventories and receivables and mainly exclude operating cash. Segment liabilities comprise operating liabilities and exclude certain corporate borrowings. Capital expenditure comprises additions to fixed assets (note 11), including additions resulting from acquisitions through purchases of subsidiaries (note 12 and 20(c)).

3 Revenues and turnover

The Group is principally engaged in the importing and sale of architectural builders hardware and bathroom collections. Revenues recognised during the year are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Turnover – sales of goods	163,691	281,564
Other revenue		
Interest income	828	3,791
Total revenues	<u>164,519</u>	<u>285,355</u>

Primary reporting format – business segments

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.

3 Revenues and turnover (cont'd)

Primary reporting format – business segments (cont'd)

	2002 HK\$'000	2001 HK\$'000
Segment results		
Turnover		
Wholesale	157,504	261,673
Retail	45,631	35,651
Inter-segment elimination	<u>(39,444)</u>	<u>(15,760)</u>
Total turnover	163,691	281,564
Cost of goods sold		
Wholesale	100,907	166,643
Retail	27,797	23,220
Inter-segment elimination	<u>(39,444)</u>	<u>(15,760)</u>
Total cost of goods sold	89,260	174,103
Gross profit		
Wholesale	56,597	95,030
Retail	<u>17,834</u>	<u>12,431</u>
Total gross profit	74,431	107,461
Other costs, net of other revenues and other income		
Wholesale	(52,778)	(72,104)
Retail	<u>(18,764)</u>	<u>(13,605)</u>
Total other costs, net of other revenues and other income	(71,542)	(85,709)
Segment operating profit/(loss)		
Wholesale	3,819	22,926
Retail	<u>(930)</u>	<u>(1,174)</u>
Total operating profit	2,889	21,752
Finance costs	<u>(783)</u>	<u>(2,726)</u>
Total operating profit after finance cost	2,106	19,026
Profit taxes		
Wholesale	(84)	28
Retail	<u>(727)</u>	<u>(3,849)</u>
Total Profit taxes	(811)	(3,821)
Profit attributable to shareholders	<u>1,295</u>	<u>15,205</u>

3 Revenues and turnover (cont'd)

Primary reporting format – business segments (cont'd)

	2002 HK\$'000	2001 HK\$'000
Capital expenditure		
Wholesale	3,382	2,542
Retail	<u>2,087</u>	<u>3,146</u>
Total capital expenditure	<u>5,469</u>	<u>5,688</u>
Depreciation charged to profit and loss account		
Wholesale	1,937	1,558
Retail	<u>1,913</u>	<u>1,218</u>
Total depreciation charged to the profit and loss account	<u>3,850</u>	<u>2,776</u>
Segment assets		
Wholesale	163,420	118,154
Retail	58,188	43,079
Unallocated	30,817	65,427
Inter-segment elimination	<u>(81,066)</u>	<u>(8,879)</u>
Total assets	171,359	217,781
Segment liabilities		
Wholesale	49,687	44,728
Retail	44,204	12,885
Unallocated	-	9,764
Inter-segment elimination	<u>(81,066)</u>	<u>(8,879)</u>
Total liabilities	12,825	58,498
	<u>158,534</u>	<u>159,283</u>

Secondary reporting format – geographical segments

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.

N o t e s t o t h e A c c o u n t s (c o n t ' d)

4 Operating profit

Operating profit is stated after charging/(crediting) the following:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Auditors' remuneration		
– current year	725	480
– under provision in last year	424	412
Cost of inventories sold	89,260	174,103
Depreciation of owned fixed assets	3,780	2,706
Depreciation of fixed assets held under finance leases	70	70
Loss on disposal of fixed assets	–	112
Net exchange gains	(240)	(1,270)
Payments under operating leases for leasehold land and buildings	12,064	10,180
(Write-back of provision)/provision for doubtful debts	(1,181)	4,401
(Write-back of provision)/provision for slow-moving inventories, included in cost of inventories sold above	(6,378)	4,857
Staff costs, including directors' emoluments (note 10)	<u>38,980</u>	<u>47,334</u>

5 Finance costs

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank borrowings	748	2,689
Interest element of finance leases	35	37
	<u>783</u>	<u>2,726</u>

6 Taxation

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current year	921	3,602
– (over)/ under provision in previous year	(9)	238
Deferred taxation (note 6(b))	(101)	(19)
	<u>811</u>	<u>3,821</u>

6 Taxation (cont'd)

(b) The movements in the deferred taxation account are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Brought forward	392	411
Transfer from profit and loss account (note 6(a))	(101)	(19)
Carried forward	<u>291</u>	<u>392</u>

The deferred taxation is provided for in respect of accelerated depreciation allowances. There was no material unprovided deferred taxation for the year.

7 Profit attributable to shareholders

Included in the profit attributable to shareholders is a profit of HK\$1,155,000 (2001: HK\$10,735,000) which is dealt with in the accounts of the Company.

8 Dividends

	2002	2001
	HK\$'000	HK\$'000
Interim, paid, of HK\$0.03 per share	-	6,000
Final, proposed, of HK\$0.01 per share	-	2,000
	<u>-</u>	<u>8,000</u>

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

9 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.

10 Directors' and senior management's emoluments

(a) Directors' remuneration

Emoluments of the directors of the Company during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Fees (i)	244	240
Other emoluments		
- Basic salaries and allowances	8,805	7,172
- Discretionary bonuses (ii)	-	2,989
- Retirement scheme contributions	250	594
	<u>9,299</u>	<u>10,995</u>

(i) The fees were paid to the three independent non-executive directors during the year

(ii) The discretionary bonuses were paid to certain executive directors who have service contracts with the Company

Notes to the Accounts (cont'd)

10 Directors' and senior management's emoluments (cont'd)

(a) Directors' remuneration (cont'd)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
HK\$Nil – HK\$1,000,000	6*	2
HK\$1,000,001 – HK\$1,500,000	3	–
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	–	3
HK\$2,500,001 – HK\$3,000,000	–	1
	<u> </u>	<u> </u>

* Included the three independent non-executive directors.

Mr LEUNG Ka Cheung, resigned as a director of the Company during the year. Mr LEUNG entered into an agreement with the Company during the year to terminate the service contract between him and the Company and waive the respective parties' rights as set out in the service contract.

Except for the above, no director waived or agreed to waive their emoluments in respect of the years ended 31st March 2002 and 2001.

10 Directors' and senior management's emoluments (cont'd)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2001: two) individuals during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Basic salaries and allowances	2,706	3,258
Discretionary bonuses	–	818
Retirement scheme contributions	61	180
	<u> </u>	<u> </u>
	2,767	4,256
	<u> </u>	<u> </u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2002	2001
HK\$1,000,000 – HK\$1,500,000	3	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	2
	<u> </u>	<u> </u>

11 Fixed assets

	Group					
	Land and buildings under long leases in Hong Kong	Land and buildings under long leases in PRC (note (b))	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation						
At 1st April 2001	14,000	-	13,774	11,117	1,468	40,359
Additions	-	-	2,602	2,054	-	4,656
Acquisition of a subsidiary	-	813	-	-	-	813
	<u>14,000</u>	<u>813</u>	<u>16,376</u>	<u>13,171</u>	<u>1,468</u>	<u>45,828</u>
At 31st March 2002	14,000	813	16,376	13,171	1,468	45,828
Accumulated depreciation						
At 1st April 2001	195	-	6,319	7,386	972	14,872
Charge for the year	196	-	2,396	1,138	120	3,850
	<u>391</u>	<u>-</u>	<u>8,715</u>	<u>8,524</u>	<u>1,092</u>	<u>18,722</u>
At 31st March 2002	391	-	8,715	8,524	1,092	18,722
Net book value						
At 31st March 2002	<u>13,609</u>	<u>813</u>	<u>7,661</u>	<u>4,647</u>	<u>376</u>	<u>27,106</u>
At 31st March 2001	<u>13,805</u>	<u>-</u>	<u>7,455</u>	<u>3,731</u>	<u>496</u>	<u>25,487</u>
The analysis of the cost or valuation of the above assets at 31st March 2002 is as follows:						
At cost	-	813	16,376	13,171	1,468	31,828
At 2000 professional valuation (note a)	14,000	-	-	-	-	14,000
	<u>14,000</u>	<u>813</u>	<u>16,376</u>	<u>13,171</u>	<u>1,468</u>	<u>45,828</u>

Notes to the Accounts (cont'd)

11 Fixed assets (cont'd)

- (a) The leasehold land and buildings were revalued by Vigers Hong Kong Limited, an independent firm of professional valuers, at 31st January 2000 on the basis of open market value. The revaluation of the Group's leasehold land and buildings does not constitute a timing difference for tax purposes. The directors have reviewed the carrying value of leasehold land and buildings as at 31st March 2002 and are of the opinion that there is no material change in the carrying value of the assets since the date of the previous valuation. The carrying amount of the property would have been approximately HK\$3,885,000 (2001: HK\$3,969,000) had they been stated at cost less accumulated depreciation.
- (b) The directors have reviewed the carrying value of the property in the PRC as at 31st March 2002 and are of the opinion that there is no material difference between the cost of the property acquired by the Group during the year and the carrying value of the asset as at 31st March 2002.
- (c) At 31st March 2001, the cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to approximately HK\$349,000 and HK\$70,000, respectively. As at 31st March 2002, no fixed assets were held by the Group under finance leases.

12 Investment in subsidiaries

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted share / investments, at cost	<u>90,917</u>	<u>90,917</u>

12 Investment in subsidiaries (cont'd)

Particulars of the subsidiaries as at 31st March 2002 are as follows:

Name	Country/place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Principal activities and place of operation	Equity interest held
Interest held directly:- E. Bon (BVI) Holdings Limited	British Virgin Islands	50,000 ordinary shares of US\$1 each	Investment holding in Hong Kong	100%
Interests held indirectly:- Asia Bon Company Limited	Hong Kong	100,000 ordinary shares of HK\$1 each	Property holding in Hong Kong	100%
E. Bon Building Materials Company Limited	Hong Kong	6,000 ordinary shares of HK\$1,000 each	Importing and sale of architectural builders hardware and bathroom collections in Hong Kong	100%
Right Century Limited	Hong Kong	2 ordinary shares of HK\$1 each	Retail of bathroom accessories and decoration materials in Hong Kong	100%
Sunny Building and Decoration Materials Company Limited	Hong Kong	6,000 ordinary shares of HK\$1,000 each	Retail of architectural builders hardware and bathroom collections in Hong Kong	100%
Shanghai Tech Pro International Trading Co., Ltd.	People's Republic of China	US\$300,000	Importing and sale of architectural builders hardware and bathroom collections in Mainland China	100%
Twinwood Venture Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100%
H2O (Pro) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of bathroom collections in Hong Kong	100%

N o t e s t o t h e A c c o u n t s (c o n t ' d)

12 Investment in subsidiaries (cont'd)

Name	Country /place of incorporation / establishment	Issued and fully paid up share capital / registered capital	Principal activities and place of operation	Equity interest held
Interests held indirectly:-				
Massford Holdings Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100%
Techpro Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100%
Massford (Hong Kong) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Supplying architectural builders hardware and bathroom collections for property development in Hong Kong	100%
Bonco Ironmongery Limited (formerly known as Ranco Limited)	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100%
Kitchen Pro Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of kitchen fittings in Hong Kong	100%
D.I.Y. Limited (Acquired on 12th December 2001)	Hong Kong	2 ordinary shares of HK\$100 each	Handling of the human resources planning and development activities of the Group	100%
Sanfield Properties Limited (Acquired on 21st March 2002)	Hong Kong	2 ordinary shares of HK\$1 each	Property holding in mainland China	100%
Tech Pro (China) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in mainland China	100%

13 Amounts due from/(to) subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

14 Inventories

	Group	
	2002	2001
	HK\$'000	HK\$'000
Inventories	74,542	73,562
Less: Provision for slow-moving inventories	(29,319)	(35,697)
	<u>45,223</u>	<u>37,865</u>

At 31st March 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK\$6,372,000 (2001: HK\$13,753,000).

15 Trade receivables, other receivables, deposits and prepayments

Included in the balance are trade receivables and their ageing analysis is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0-30 days	12,313	22,149
31-60 days	2,633	16,793
61-90 days	8,728	7,465
Over 90 days	39,680	37,306
	63,354	83,713
Provision for doubtful debts	(9,908)	(11,089)
	<u>53,446</u>	<u>72,624</u>

The majority of the Group's sales are on credit terms of 30 to 90 days. The remaining amounts are on letter of credit or document against payment.

16 Trade payables, accruals and deposits received

Included in the balance are trade payables and their ageing analysis is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 - 30 days	3,627	3,337
31 - 60 days	564	2,545
61 - 90 days	2,561	155
Over 90 days	1,769	3,375
	<u>8,521</u>	<u>9,412</u>

17 Share capital

	Company	
	2002	2001
	HK\$'000	HK\$'000
Authorised		
1,000,000,000 ordinary shares at HK\$0.1	<u>100,000</u>	<u>100,000</u>
Issued and fully paid		
200,000,000 ordinary share at HK\$0.1	<u>20,000</u>	<u>20,000</u>

Notes to the Accounts (cont'd)

18 Reserves

(a) Group

	Share premium HK\$'000	Revaluation reserve HK\$'000	Merger reserve HK\$000	Capital reserve HK\$000	Exchange reserve HK\$'000	Retained earnings HK\$000	Total HK\$000
At 1st April 2000 as previously reported	-	9,947	6,979	2,896	-	68,995	88,817
Prior year adjustment on adopting SSAP 9 (revised)	-	-	-	-	-	2,000	2,000
At 1st April 2000 as restated	-	9,947	6,979	2,896	-	70,995	90,817
Issue of shares	66,000	-	-	-	-	-	66,000
Capitalisation on new issue	(13,900)	-	-	-	-	-	(13,900)
Issuing expenses	(10,839)	-	-	-	-	-	(10,839)
Profit attributable to shareholders	-	-	-	-	-	15,205	15,205
2000 final dividend paid	-	-	-	-	-	(2,000)	(2,000)
2001 interim dividend paid	-	-	-	-	-	(6,000)	(6,000)
Reserves	41,261	9,947	6,979	2,896	-	76,200	137,283
Proposed dividend	-	-	-	-	-	2,000	2,000
At 31st March 2001	<u>41,261</u>	<u>9,947</u>	<u>6,979</u>	<u>2,896</u>	<u>-</u>	<u>78,200</u>	<u>139,283</u>
At 1st April 2001	41,261	9,947	6,979	2,896	-	78,200	139,283
Exchange difference	-	-	-	-	(44)	-	(44)
Profit attributable to shareholders	-	-	-	-	-	1,295	1,295
2001 final dividend paid	-	-	-	-	-	(2,000)	(2,000)
At 31st March 2002	<u>41,261</u>	<u>9,947</u>	<u>6,979</u>	<u>2,896</u>	<u>(44)</u>	<u>77,495</u>	<u>138,534</u>

18 Reserves (cont'd)

(b) Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 2000	90,817	-	90,817
Issue of shares	66,000	-	66,000
Capitalisation on new issue	(13,900)	-	(13,900)
Issuing expenses	(10,839)	-	(10,839)
Profit for the year	-	10,735	10,735
2000 final dividend paid	(2,000)	-	(2,000)
2001 interim dividend paid	-	(6,000)	(6,000)
	<u>130,078</u>	<u>4,735</u>	<u>134,813</u>
At 31st March 2001	130,078	4,735	134,813
Profit attributable to shareholders	-	1,155	1,155
2001 final dividend paid	-	(2,000)	(2,000)
	<u>130,078</u>	<u>3,890</u>	<u>133,968</u>

19 Non-current liabilities

	2002 HK\$'000	Group 2001 HK\$'000
Obligations under finance leases	-	244
Bank loans	-	9,764
	<u>-</u>	<u>10,008</u>
Less: amounts payable within one year shown under current liabilities	-	(5,924)
	<u>-</u>	<u>4,084</u>
Deferred taxation (note 6(b))	291	392
	<u>291</u>	<u>4,476</u>

20 Notes to cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002 HK\$'000	2001 HK\$'000
Operating profit	2,889	21,752
Interest income	(828)	(3,791)
Depreciation of owned fixed assets	3,780	2,706
Depreciation of fixed assets held under finance leases	70	70
Loss on disposal of fixed assets	-	112
Increase in inventories	(7,358)	(14,844)
Decrease in trade receivables, other receivables, deposits and prepayments	19,712	28,284
Decrease in trade payables, accruals, deposits received and bills payable	(2,306)	(2,643)
Effect on foreign exchange rate changes, net	(44)	-
	<u>15,915</u>	<u>31,646</u>
Net cash inflow from operating activities	<u>15,915</u>	<u>31,646</u>

N o t e s t o t h e A c c o u n t s (c o n t ' d)

20 Notes to cash flow statement (cont'd)

(b) Analysis of changes in financing during the year

	Share capital including premium		Obligations under finance leases		Bank loans		Trust receipt loans	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	61,261	100	244	163	9,764	18,129	34,077	40,115
Issue of ordinary shares	-	72,000	-	-	-	-	-	-
Issuing expenses	-	(10,839)	-	-	-	-	-	-
Bank loans repaid	-	-	-	-	(9,764)	(8,365)	-	-
Repayment of capital element of finance leases	-	-	(244)	(249)	-	-	-	-
Inception of finance leases	-	-	-	330	-	-	-	-
Net trust receipt loans repaid	-	-	-	-	-	-	(34,077)	(6,038)
Balance carried forward	61,261	61,261	-	244	-	9,764	-	34,077

20 Notes to cash flow statement (cont'd)

(c) Purchase of subsidiaries

	2002 HK\$'000
Net assets acquired	
Fixed assets	813
Bank balances and cash	6
Payables and accruals	(819)
	<u> </u>
	-
	<u> </u>
Satisfied by Cash	-
	<u> </u>
	<u> </u>

The subsidiaries acquired during the year did not contribute (2001: Nil) to the Group's net operating cash flows, did not make payment (2001: Nil) in respect of the net returns on investments, servicing of finance, taxation and investing activities.

20 Notes to cash flow statement (cont'd)

(d) Analysis of the net inflow in respect of the purchase of subsidiaries:

	2002 HK\$'000
Cash consideration	-
Bank balances and cash in hand acquired	6
	<u> </u>
Net cash inflow in respect of the purchase of subsidiaries	<u> </u>
	<u> </u>

(e) Major non-cash transactions

During 2001, the Group entered into finance lease arrangements in respect of fixed assets with total capital value at the inception of the leases of HK\$330,000. No finance leases were entered into by the Group during 2002.

Notes to the Accounts (cont'd)

21 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 customer (“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.

21 Contingent liabilities (cont'd)

- (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.

21 Contingent liabilities (cont'd)

- (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.

22 Commitments

(a) Capital commitments

	Group	
	2002	2001
	HK\$'000	HK\$'000
Authorised but not contracted for	-	900
Contracted but not provided for	-	-
	<u>-</u>	<u>900</u>

(b) Commitments under operating leases

As at 31st March, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Not later than one year	9,623	8,934
Later than one year and not later than five years	3,305	12,928
	<u>12,928</u>	<u>21,862</u>

- (c) the Company did not have any capital or lease commitments as at 31st March, 2002 (2001: Nil).

Notes to the Accounts (cont'd)

23 Related party transactions

During the year, the Group undertook the following material transaction with Negotiator Consultants Limited ("NCL"), a company in which Mr TSE Sun Fat, Henry, Mr TSE Sun Po, Tony, Mr TSE Sun Lung, Alan, Mr LEE Chi Wah, Rhodes, Mr WONG Tin Cheung, Ricky and a former director, Mr LEUNG Ka Cheung, have beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Rental expense paid to NCL	<u>2,736</u>	<u>2,736</u>

24 Ultimate holding company

The directors regard Bache Hill Group Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

25 Approval of accounts

The accounts were approved by the board of directors on 19th July, 2002.

Notice of Annual General Meeting

NOTICE IS 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:

1. 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;
2. To re-elect Directors and authorize the Board of Directors to fix the Directors’ remuneration;
3. To re-appoint Auditors and to authorize the Board of Directors to fix their remuneration;
4. As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

“THAT:

- (a) 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;
- (b) 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
- (c) for the purpose of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and
- (iii) 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.”

Notice of Annual General Meeting (cont'd)

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

“THAT:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) for the purpose of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company following the passing of this Resolution;
- (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and
- (iii) 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).”

6. 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
Cricket 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) 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.
- (b) 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.
- (c) An explanatory statement containing further details regarding Resolutions numbered 4 to 6 above will be sent to shareholders together with the 2002 Annual Report.