

【泰】Prosper

小往大來、吉亨。

All the bad things go away and the success came back.

ANNUAL REPORT 2003



E. BON
怡邦行



【否】Fail

否之匪人，不利君子貞，大往小來。

Fail, and stagnate is started by the bad things. It is not advantageous to the superior man use firm and correct virtue, when the great go away and the small come back.

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F i n a n c i a l H i g h l i g h t s



		As at 31 March	
		2003	2002
		HK\$'000	HK\$'000
	Net asset value	<u>135,547</u>	<u>158,534</u>



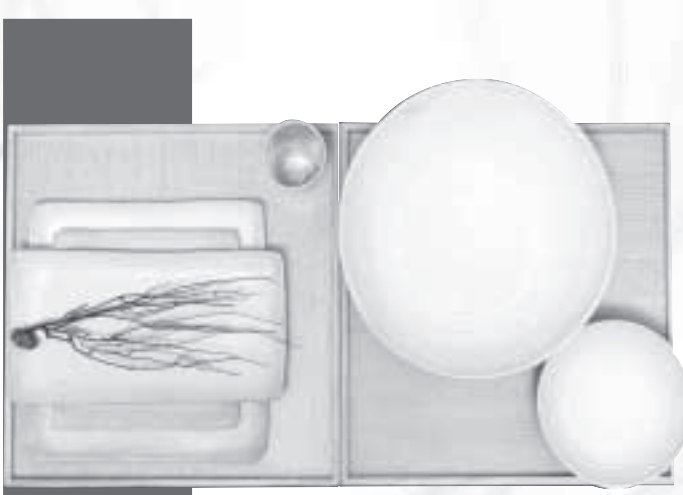
		Year ended 31 March	
		2003	2002
		HK\$'000	HK\$'000
	Turnover	125,186	163,691
	Cost of sales	<u>(78,319)</u>	<u>(89,260)</u>
	Gross profit	46,867	74,431
	Other revenues	474	828
	Selling and distribution expenses	(39,312)	(41,245)
	Administrative expenses	<u>(30,476)</u>	<u>(31,125)</u>



	Operating (loss)/profit	(22,447)	2,889
	Finance costs	<u>(46)</u>	<u>(783)</u>
	(Loss)/profit before taxation	(22,493)	2,106
	Taxation	<u>(502)</u>	<u>(811)</u>
	(Loss)/profit for the year	<u><u>(22,995)</u></u>	<u><u>1,295</u></u>



	Basic (loss)/earnings per share	<u>(12 cents)</u>	<u>1 cent</u>
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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 31 March 2003.

Our business, similar to most of other business, depends on the consumer spending which has been fallen since the economic crisis in 1998. These are mainly due to the concerns of Hong Kong people on the dimly job market, dropping of income and weakness in asset pricing. The consumer price index has been dropping for the last 4 years which means that it is an incentive for the consumers to make the purchase only on what they need and at the very last minute which leads to the shrinking of the overall investment in Hong Kong.

Facing the uncertainty, the demand for residential market has been growing smaller despite the abundant supply of new flats. This would drive the property price lower and the number of the owners of the negative equity is getting bigger. The price of the property fell a further 8 % in the first half year of 2003 despite the nine measures announced in November 2002 by the Secretary for Housing, Planning and Lands, which aimed to stabilize the property market in Hong Kong.

We remain cautiously optimistic about the outlook of the economy of the year of 2003 as the rate of unemployment was at record high (8.3% in May 2003) which might be partly caused by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in the second quarter of 2003 in Hong Kong. No doubt, SARS has devastating impacts on the economy of Hong Kong which is now heavily dependant on the service industry (over 85% of GNP of Hong Kong comes from service sector) such as international trade, tourism and retail trade. We believe that with the announcement from World Health Organisation that Hong Kong is no longer an affected area in June this year, situations will change better.

Looking forward, we continue to be of the same view as stated in our previous reports that unless and until the owners of negative equity are no longer an issue in our economy or alternatively we have a new middle class to replace those who are now facing the predicaments of negative equity, it is unlikely that there will be a bounce back of the property market.

The Government is visibly in taking initiatives to tackle the prevailing economic problems such as the introduction of the investment immigrants program and the sensible control of the land supply and any other measures which would stabilize the property market. The fruit of such effort is as yet to be seen.

The recent signing of the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and Mainland China will no doubt create new business opportunities for Hong Kong as we are now at least 2 years ahead of other countries under the WTO arrangement albeit the details of the operation aspects of CEPA as yet to be finalized before end of the year of 2003.

The management believes that the building industry will eventually be on the track of recovery. As mentioned in my last year letter to shareholders, we have repositioned our strength on retail sales and consolidated the project sales and also expanded our business into China Market during the past 2 years.



Xu
(Wait)

Despite the unfavorable economic situation, our retail sales remain solid and constitute approximately 28 % to the total turnover of the Group. During the year, we continue to expand our presence in China, as at June 2003 there were approximately 38 major outlets selling our products. In furtherance emphasis on our China operations, we acquired office premises in Guangzhou with a view to setting up our representative office in Guangdong while our Tianjin office has been in operation since November, 2002. We will examine the business opportunity as may be created by CEPA for our business.

In addition, our experience reveals that many overseas manufacturers including those which we currently represent are technologically superior and of high quality standard, we have always advised them not to push their products in our market without due consideration for the differences in environment, tastes, statutory requirements and use-patterns in our market and any ignorance on their parts on the demand differences will cost their business potential and opportunity. We will work with our principals to identify the preference differences of specifications of their products in our market and to encourage them to supply products which are in line with our market preference.



Song
(Conflict)

"It was the best of times; it was the worst of times". This year we recorded our first operating loss since we became a public group. As with other business, we have experienced the most challenging time in our corporate history as we have all witnessed the deepening adversity in Hong Kong economy, the weakening of Hong Kong dollars and the sudden surge of Euros translates into higher costs of import of products from our principals on one hand, but the deflation in Hong Kong would not allow us to make any adjustment in pricing which would narrow our profit margin on the other hand. This will harden the resolve of the management to accept the challenge of the difficult period we have faced and will be facing ahead. The Group has become more efficient and can serve as a springboard to our future growth and profitability when the transformation of Hong Kong economy to technology/knowledge-based economy has taken some effect.

Together with all other members of the Board, I would like to express my gratitude to our principals customers and shareholders for their confidence and support in the Group despite the adverse operating environment we have ever experienced.



Shih
(The Army)

TSE Sun Fat, Henry

Chairman

17 July 2003



Bi
(Coordination)



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 31 March 2003 was HK\$125 million representing a decrease of 24% as compared to last year. The decrease was mainly due to the decrease in sales of our products for property development projects as a result of the sharp decline in the property market and abundant supply of housing stock for the next 3 years which collectively leads to the restructuring of the housing policy by the Hong Kong Government in response to the adverse local economy.

The decrease in the Group's gross profit margin from 45.4% to 37.4% was caused by the high costs of imports as a result of strong Euros and Japanese Yen and the inability to make parallel price increase on these imports due to deflation pressure here in Hong Kong. In the circumstances, the staff costs have been streamlined by HK\$9 million to HK\$29.8 million (2002: HK\$38.9 million) while maintaining our operational efficiency.

The loss for the year amounted to HK\$22.99 million (2002: profit of HK\$1.29 million) as a result of the lowering turnover and narrowing of our profit margin as mentioned above.

Wholesales/Retails

Facing the difficulty of the overall economy in Hong Kong which has driven the property pricing down and with the abundant supply of residential properties in the next 3 years, the rate of development of real property has now been slowed down which has taken a heavy toll on our project sale.

Despite the adverse environment, the Group has still managed to obtain sales of a number of privilege project developments including, among others, YOHO Town in Yuen Long, Rambler Crest in Tsing Yi; the hotel in Cyberport etc. As regards to our presence in China, we have managed to secure supply contracts of our products on a number of China projects such as Shangri La hotels in Xian and Zhongshan.

The retail sales currently constitute some 28% of our Group's total turnover albeit the sluggish property market.

Financial Resources and Liquidity

The Group remains prudent in its financial management, we obtain our supplies mainly by trading on open accounts or document against acceptance. The current ratio and quick ratio are 8.33 (2002: 11.51) and 5.37 (2002: 7.90), respectively, while the cash and bank balances amounted to HK\$40.62 million (2002: HK\$30.8 million). In addition, the Group had no bank borrowings as at 31 March 2003.

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 foreign exchange risk.

People

As at 31 March 2003, our workforce was streamlined by some 15% to 110 (2002: 130 employees) with no compulsory redundancy. Although we have experienced the most challenging operating environment in years, the Group's remuneration packages are largely in line with the prevailing market trend while the workforce has shown their loyalty with the increase in productivity and excellent working spirit despite our further effort in rationalizing general expenses.

On 17 July 2003, we regrettably accepted the resignation of Mr. Lee Chi Wah, Rhodes, one of our executive directors who had been with the Group for over 20 years. The Board would like to thank Mr. Lee for his contribution to the growth and success of the Group.

Future Prospects

Last year we reported that we would expand our presence in Mainland China. For the year ended 31 March 2003, we have set up an additional office of Shanghai Techpro International Trading Company Limited in Tianjin to support our activities in Northern China. We have also acquired office premises in Guangzhou with a view to supporting and expanding our future operations in Guangdong and its vicinities. The management will continue to explore business opportunities and widening our network in Mainland China.

The economy in Mainland China has not been badly affected despite the outbreak of SARS at the end of 2002 as she is basically a manufacturing and agricultural based economy, the demand for quality products remains strong and the Group has planned to expand our presence in Mainland China to support our operation.

We have secured 28 local dealership in various towns and cities in Guangdong and 10 other cities in Eastern China (approximately 38 major outlets) as at 30 June 2003. We would expand further local dealership of our **BONCO**® products with local dealers in other parts of Mainland China.

We opened a new shop in Macau SAR in April 2003 in order to expand our retail operation in Macau and Zhuhai. A new concept of designer shop "OVO Living" was opened in Wanchai, Hong Kong in January 2003, which serves to cater for our customers for high-end living room furniture and bathroom accessories.

Use of Proceeds from the public offering

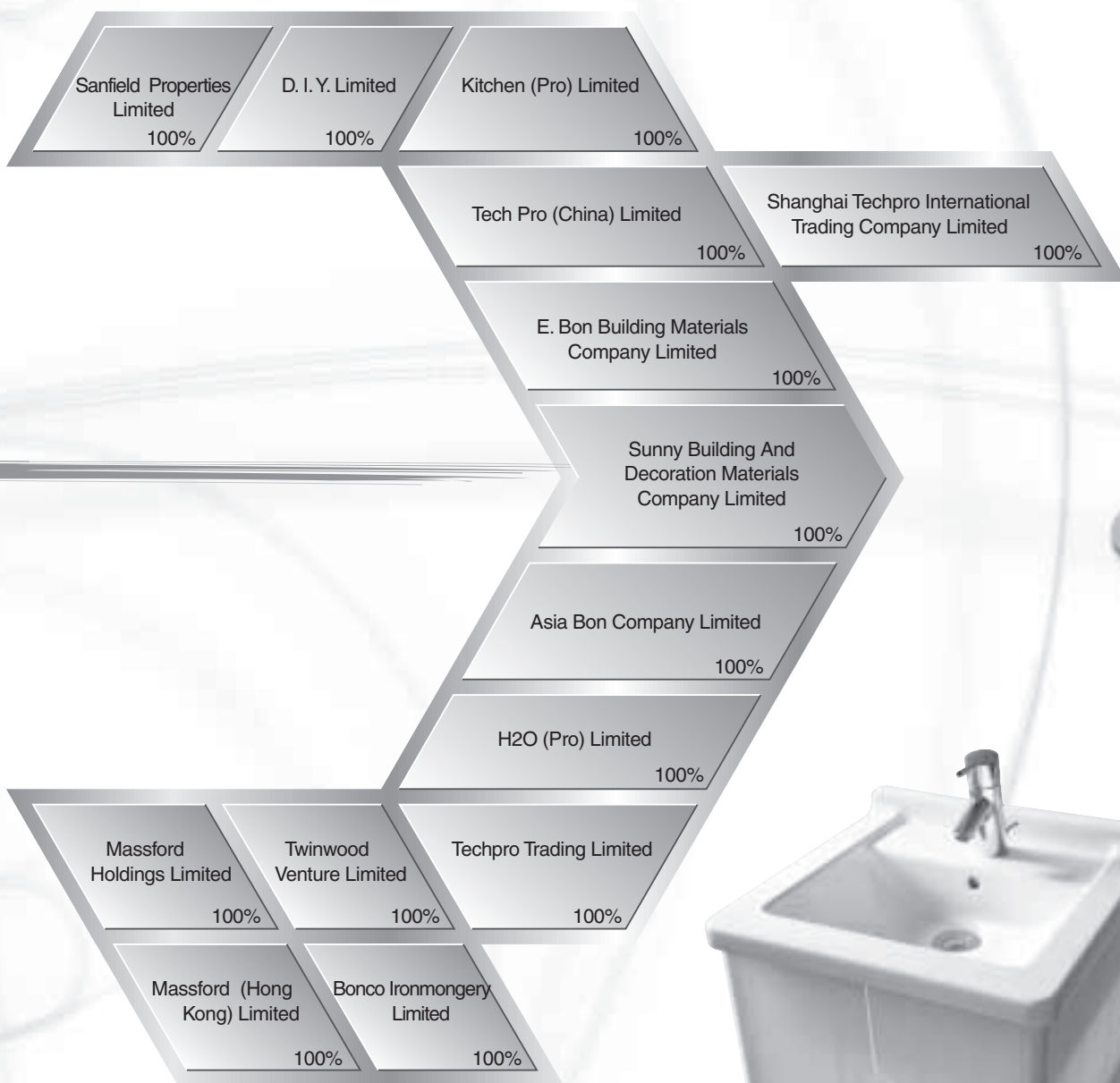
The company raised approximately HK\$62 million ("Net Proceeds") from the new issue and placing of shares in early April 2000. During the year, the application of the net proceeds by the Group was in compliance with the intended use of proceed as set out in the Company's prospectus dated 28 March 2000 and the subsequent amendment on 5 August 2002, details of utilization up to 31 March 2003 are as follows:

- (a) Approximately HK\$11.16 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 working capital including expansion of product range.
- (e) The remaining balance has been placed with banks in Hong Kong as short-term deposits for working capital purposes.



G r o u p C h a r t





C o r p o r a t e I n f o r m a t i o n



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 31 March 2003.



Suei
(Following)

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 loss 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 18.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2003.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 19 to the accounts.



Gu
(Decay)

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

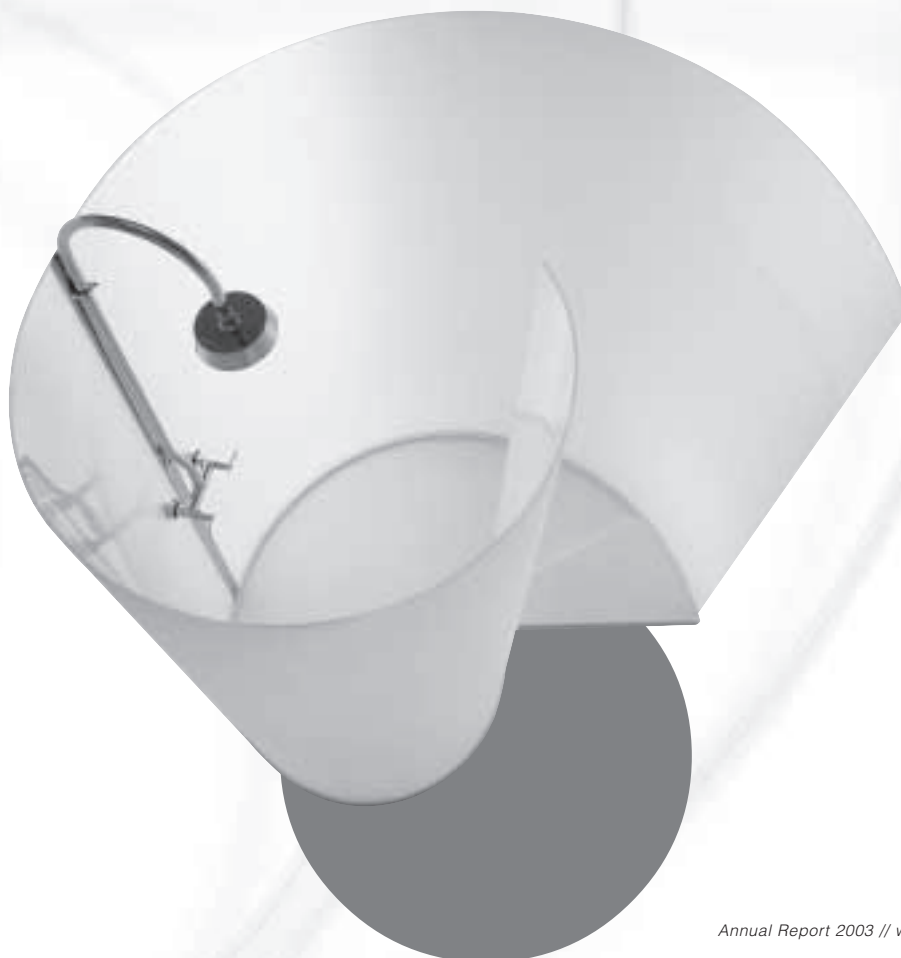
Details of the share capital of the Company are set out in note 17 to the accounts.



Lin
(Approach)



Gung
(Observation)



R e p o r t o f t h e D i r e c t o r s (c o n t ' d)

Distributable reserves

Distributable reserves of the Company as at 31 March 2003 amounted to HK\$132,148,000. 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.



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 16.

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. MAK So
Mr. WONG Tin Cheung, Ricky
Mr. LAU Shiu Sun
Mr. LEUNG Kwong Kin*
Mr. WONG Wah, Dominic*
Mr. LEE Chi Wah, Rhodes (resigned on 17 July 2003)



* 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. TSE Sun Lung, Alan and Mr. MAK So shall retire at the forthcoming annual general meeting in accordance with Articles 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 and Mr. TSE Sun Lung, Alan has entered into a service contract with the Company for a term of three years commencing on 1 March 2000 and continuing thereafter unless terminated by either party with at least three months advance notice in writing.



Each of Mr. MAK So, Mr. WONG Tin Cheung, Ricky and Mr. LAU Shiu Sun has entered into a service contract with the Company commencing on 24 April 2001 and 10 December 2001 and will continue thereafter unless terminated by either party by three months prior written notice.

In addition, Mr. LEE Chi Wah, Rhodes, who had a service contract with the Company for a term of three years commencing on 1 March 2000, resigned on 17 July 2003.

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 22 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.

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 31 March 2003, 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)

Directors' interests in equity securities (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 (<i>Note 2</i>)	–	–	–	30,491	30,491
Mr. TSE Sun Po, Tony (<i>Note 2</i>)	–	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 (<i>Note 3</i>)	–	–	–	1	1
Mr. TSE Sun Po, Tony (<i>Note 3</i>)	–	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 46, is a founding member of the Group and the Chairman of the Company. Mr. TSE has over 25 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 44, is the managing director of the Company and joined the Group in 1979. Mr. TSE has over 25 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. TSE Sun Lung, Alan, aged 36, 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 63, 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 27 years.

Mr. WONG Tin Cheung, Ricky, aged 60, 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 23 years of experience in selling building materials and was a civil servant before joining the Group.

Biographical details of directors and senior management (cont'd)

Executive directors (cont'd)



Mr. LAU Shiu Sun, aged 36, joined the Group in 1994. Mr. LAU was appointed as an executive director of the Company on 10 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. LEE Chi Wah, Rhodes, aged 40, is the deputy managing director of the Company. He joined the Group in 1982. Mr. LEE has over 21 years of experience in the trading of building materials and is responsible for project sales and marketing of products distributed by the Group. Mr. LEE resigned as an executive director of the Company and left the Group on 17th July 2003.

Non-executive directors



Mr. LEUNG Kwong Kin, aged 56, 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 54, was appointed as an independent non-executive director on 19th June 2001. He graduated with honours from the Chinese University of Hong Kong in 1972 with a bachelor's degree in 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.

Senior management



Mr. TSE Sun Ming, Almond, aged 43, is a director of two subsidiaries of the Company and a founding member of the Group. Mr. TSE has over 25 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 46, joined the Group in 1982 and is a director of one subsidiary of the Company. Mr. AU has over 25 years of experience in the building materials industry and is responsible for project related sales and marketing activities.

Mr. YICK Kai Chung, aged 44, joined the Group in 1979 and is a director of three subsidiaries of the Company. Mr. YICK has over 25 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. LO Wai Man, aged 49, joined the Group in 1979 and is a director of six subsidiaries of the Company. Mr. LO is a technical director and is responsible for overseeing provision of technical support for bathroom collections. He has over 23 years of experience in selling building materials and is a licensed plumber.

Mr. SHUM Lup Chi, aged 47, 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. CHAN Chiu Keung, aged 55, joined the Group since 1976 and is a director of one subsidiary of the Company. 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 27 years of experience in retail business.

Mr. CHANG Kai Chuen, aged 29, joined the Group in 1991. Mr. CHANG is a sales manager of the Group and is responsible for project sales.

Report of the Directors (cont'd)

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 March 2003, 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 trustee 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.

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.

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	10%
Five largest suppliers combined	40%

Sales

The largest customer	3%
Five largest customers combined	14%

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

The audit committee comprises two independent non-executive directors, namely Mr. LEUNG Kwong Kin and Mr. WONG Wah, Dominic.

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

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pension scheme arrangements



With effect from 1 December 2000, the mandatory provident fund scheme (the "MPF Scheme") was made compulsory as enforced by the Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administered by independent trustees. The employer and the employee have to contribute in total an amount equal to 10% of the relevant income of the employee to the MPF Scheme. Contributions from the employer are 100% vested in the employee 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 which amounted to approximately HK\$1,273,000 have been dealt with in the consolidated profit and loss account of the Group for the year ended 31 March 2003.

Connected transactions



The related party transaction as disclosed in note 23 to the accounts for the year ended 31 March 2003 in respect of rental expenses of approximately HK\$2,729,000 paid to Negotiator Consultants Limited ("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. WONG Tin Cheung, Ricky and a former director namely, Mr. LEE Chi Wah, Rhodes, have beneficial interests. The Stock Exchange has granted conditional waiver 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 transaction was 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



A handwritten signature in black ink, appearing to be "TSE Sun Fat, Henry".

TSE Sun Fat, Henry

Chairman

Hong Kong, 17 July 2003

F i v e Y e a r F i n a n c i a l S u m m a r y

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Results					
(Loss)/profit for the year	<u>(22,995)</u>	<u>1,295</u>	<u>15,205</u>	<u>42,736</u>	<u>32,837</u>
Assets and liabilities					
Total assets	<u>151,071</u>	<u>171,359</u>	<u>217,781</u>	<u>169,677</u>	<u>180,182</u>
Total liabilities	<u>(15,524)</u>	<u>(12,825)</u>	<u>(58,498)</u>	<u>(78,760)</u>	<u>(72,353)</u>
Shareholders' funds	<u>135,547</u>	<u>158,534</u>	<u>159,283</u>	<u>90,917</u>	<u>107,829</u>

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 18 to 40 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 31 March 2003 and of the loss 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, 17 July 2003

Consolidated Profit and Loss Account

For the year ended 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	3	125,186	163,691
Cost of sales		<u>(78,319)</u>	<u>(89,260)</u>
Gross profit		46,867	74,431
Other revenues	3	474	828
Selling and distribution expenses		<u>(39,312)</u>	<u>(41,245)</u>
Administrative expenses		<u>(30,476)</u>	<u>(31,125)</u>
Operating (loss)/ profit	4	<u>(22,447)</u>	2,889
Finance costs	5	<u>(46)</u>	<u>(783)</u>
(Loss)/ profit before taxation		<u>(22,493)</u>	2,106
Taxation	6(a)	<u>(502)</u>	<u>(811)</u>
(Loss)/ profit for the year	7	<u><u>(22,995)</u></u>	<u><u>1,295</u></u>
Basic (loss)/ earnings per share	8	<u><u>(12 cents)</u></u>	<u><u>1 cent</u></u>



C o n s o l i d a t e d B a l a n c e S h e e t

As at 31 March 2003

	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Fixed assets	11	29,763	27,106
<hr style="border-top: 1px dashed black;"/>			
Current assets			
Inventories	14	43,178	45,223
Trade receivables, other receivables, deposits and prepayments	15	37,512	66,496
Tax recoverable		–	1,717
Cash and bank balances		40,618	30,817
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		121,308	144,253
<hr style="border-top: 1px dashed black;"/>			
Current liabilities			
Trade payables, accruals and deposits received	16	10,030	10,489
Bills payable		3,571	2,045
Current portion of finance lease liabilities	18	246	–
Tax payable		711	–
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		14,558	12,534
<hr style="border-top: 1px dashed black;"/>			
Net current assets		106,750	131,719
<hr style="border-top: 1px dashed black;"/>			
Total assets less current liabilities		136,513	158,825
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Financed by:			
Share capital	17	20,000	20,000
Reserves	19(a)	115,547	138,534
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Shareholders' funds		135,547	158,534
Non-current liabilities			
Non-current portion of finance lease liabilities	18	634	–
Deferred taxation	18	332	291
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		136,513	158,825
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>



Tse Sun Po. Tony
Director



Tse Sun Lung, Alan
Director

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

As at 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Investments in subsidiaries	12	90,917	90,917
Current assets			
Amounts due from subsidiaries	13	62,233	61,394
Prepayment		26	25
Bank balances		1,569	2,354
		<u>63,828</u>	<u>63,773</u>
Current liabilities			
Account payables and accruals		1,498	52
Amount due to a subsidiary	13	1,099	670
		<u>2,597</u>	<u>722</u>
Net current assets		<u>61,231</u>	<u>63,051</u>
Total assets less current liabilities		<u>152,148</u>	<u>153,968</u>
Financed by:			
Share capital	17	20,000	20,000
Reserves	18(b)	132,148	133,968
		<u>152,148</u>	<u>153,968</u>



Tse Sun Po. Tony
Director

Tse Sun Lung, Alan
Director

Consolidated Statement of Changes in Equity

As at 31 March 2003

	Total equity	
	2003 HK\$'000	2002 HK\$'000
Balance brought forward	158,534	159,283
Exchange difference	8	(44)
(Loss)/profit for the year	(22,995)	1,295
2001 final dividend paid	—	(2,000)
	<hr/>	<hr/>
Balance carried forward	<u>135,547</u>	<u>158,534</u>

Consolidated Cash Flow Statement

For the year ended 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Operating activities			
Net cash inflow generated from operations	20(a)	13,300	15,915
Hong Kong profits tax refund		1,967	165
Net cash inflow from operating activities		15,267	16,080
Investing activities			
Interest received		474	828
Interest on bank borrowings		(14)	(748)
Interest element of finance leases		(32)	(35)
Dividend paid		–	(2,000)
Purchase of fixed assets		(4,569)	(4,656)
Purchase of subsidiaries		(960)	6
Net cash outflow from investing activities		(5,101)	(6,605)
Net cash inflow before financing		10,166	9,475
Financing activities			
Bank loans repaid	20(b)	–	(9,764)
Repayment of capital element of finance leases		(365)	(244)
Net trust receipt loans repaid		–	(34,077)
Net cash outflow from financing		(365)	(44,085)
Increase/(decrease) in cash and cash equivalents		9,801	(34,610)
Cash and cash equivalents at the beginning of the year		30,817	65,427
Cash and cash equivalents at the end of the year		40,618	30,817



Suen
(Loss)



Yi
(Gain)



Gwai
(Resolution)



Gou
(Encounter)

N o t e s t o t h e A c c o u n t s

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 the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP1 (revised)	:	Presentation of financial statements
SSAP11 (revised)	:	Foreign currency translation
SSAP15 (revised)	:	Cash flow statements
SSAP34 (revised)	:	Employee benefits

The adoption of the above SSAPs has no material effect on the Group's prior year accounts.

2 *Principal accounting policies*

(a) *Consolidation*

- (i) The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities which the Company, directly or indirectly controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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.

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, and exchange difference taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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 accounts are translated at average rates. Exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary, the related accumulated exchange difference is recognised in the consolidated 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 profit and loss account. Any subsequent increases are credited to the profit and loss account 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 a 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%

(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 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.

2 Principal accounting policies (cont'd)



(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.

(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, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.



(h) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to a defined contribution scheme which is available to all relevant employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries and are subject to a cap of monthly earnings of HK\$20,000 and thereafter contributions are voluntary. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The assets of the scheme are held separately from those of the Group in the independently administered fund.



(i) 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 the outflow becomes 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.



Notes to the Accounts (cont'd)

2 Principal accounting policies (cont'd)

(j) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between loss as computed for taxation purposes and loss 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.



(k) 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.

(l) 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 (notes 12 and 20(c)).



3 Revenues and turnover

- (a) 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	
	2003 HK\$'000	2002 HK\$'000
Turnover – sales of goods	125,186	163,691
Other revenue		
Interest income	474	828
Total revenues	<u>125,660</u>	<u>164,519</u>



Primary reporting format – business segments

The Group is primarily 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)

	Group	
	2003 HK\$'000	2002 HK\$'000
Segment results		
Turnover		
Wholesale	112,184	157,504
Retail	34,990	45,631
Inter-segment elimination	(21,988)	(39,444)
Total turnover	125,186	163,691
Cost of goods sold		
Wholesale	77,161	100,907
Retail	23,146	27,797
Inter-segment elimination	(21,988)	(39,444)
Total cost of goods sold	78,319	89,260
Gross profit		
Wholesale	35,023	56,597
Retail	11,844	17,834
Total gross profit	46,867	74,431
Other costs, net of other revenues and other income		
Wholesale	(48,288)	(52,778)
Retail	(21,026)	(18,764)
Total other costs, net of other revenues and other income	(69,314)	(71,542)
Segment operating (loss)/profit		
Wholesale	(13,265)	3,819
Retail	(9,182)	(930)
Total operating (loss)/profit	(22,447)	2,889
Finance costs	(46)	(783)
Total operating (loss)/profit after finance cost	(22,493)	2,106
Taxation		
Wholesale	(41)	(84)
Retail	(461)	(727)
Total taxation	(502)	(811)
(Loss)/profit for the year	<u>(22,995)</u>	<u>1,295</u>

Notes to the Accounts (cont'd)

3 Revenues and turnover (cont'd)

Primary reporting format – business segments (cont'd)

	Group	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure		
Wholesale	2,597	3,382
Retail	3,217	2,087
Total capital expenditure	<u>5,814</u>	<u>5,469</u>
Depreciation charged to the profit and loss account		
Wholesale	1,689	1,937
Retail	2,424	1,913
Total depreciation charged to the profit and loss account	<u>4,113</u>	<u>3,850</u>
Segment assets		
Wholesale	143,936	163,420
Retail	42,695	58,188
Unallocated	40,618	30,817
Inter-segment elimination	(76,178)	(81,066)
Total assets	<u>151,071</u>	<u>171,359</u>
Segment liabilities		
Wholesale	47,313	49,687
Retail	44,389	44,204
Unallocated	–	–
Inter-segment elimination	(76,178)	(81,066)
Total liabilities	<u>15,524</u>	<u>12,825</u>
	<u>135,547</u>	<u>158,534</u>



Jiang
(Gradual)



Guei-me
(Marriage)



Fong
(Abundance)



Lu
(Traveling)

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.

4 Operating (loss)/profit

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Auditors' remuneration		
– current year	590	725
– under provision in last year	–	424
Depreciation of owned fixed assets	3,864	3,780
Depreciation of fixed assets held under finance leases	249	70
Legal and professional fees	3,329	2,115
Net exchange gains	(493)	(240)
Payments under operating leases for leasehold land and buildings	13,795	12,064
Provision/(write-back of provision) for doubtful debts	1,843	(1,181)
Write-back of provision for slow-moving inventories, included in cost of sales	(3,913)	(6,378)
Staff costs, including directors' emoluments (<i>note 9</i>)	29,844	38,980

5 Finance costs

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings	14	748
Interest element of finance leases	32	35
	46	783

6 Taxation

(a) Hong Kong profits tax is calculated at the rate of 16% (2002: 16%) on the estimated assessable profits for the year.

	Group	
	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
– current year	461	921
– over provision in previous year	–	(9)
Deferred taxation (<i>note 6(b)</i>)	41	(101)
	502	811

Notes to the Accounts (cont'd)

6 Taxation (cont'd)

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Brought forward	291	392
Charged to/(transfer from) profit and loss account (<i>note 6(a)</i>)	41	(101)
Carried forward	<u>332</u>	<u>291</u>



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

7 (Loss)/profit for the year

Included in the loss for the year is a loss of HK\$1,820,000 (2002: profit of HK\$1,155,000) which is dealt with in the accounts of the Company.



8 (Loss)/earnings per share

The calculation of the basic loss per share for the year ended 31 March 2003 is based on the Group's loss for the year of HK\$22,995,000 and on the outstanding number of 200,000,000 shares in issue during the year.

The calculation for the basic earnings per share for last year was based on the Group's profit for the year of HK\$1,295,000 and on the outstanding number of 200,000,000 shares in issue

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



9 Staff costs

	Group	
	2003 HK\$'000	2002 HK\$'000
Wages and salaries	28,571	37,170
Pension costs – defined contribution plans	1,273	1,810
	<u>29,844</u>	<u>38,980</u>



10 Directors' and senior management's emoluments

(a) Directors' remuneration

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees (i)	240	244
Other emoluments		
– Basic salaries and allowances	8,772	8,805
– Retirement scheme contributions	96	250
	<u>9,108</u>	<u>9,299</u>

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

The emoluments of the directors fell within the following bands:

Emolument bands	2003	Number of directors	
		2002	
HK\$Nil – HK\$1,000,000		3*	6*
HK\$1,000,001 – HK\$1,500,000		5	3
HK\$1,500,001 – HK\$2,000,000		1	2
		<u>1</u>	<u>2</u>

* Include the two independent non-executive directors.

Mr. LEE Chi Wah, Rhodes, resigned as a director of the Company on 17 July 2003. Mr. LEE entered into an agreement with the Company to terminate the service contract between him and the Company and waive the respective parties' rights as set out in the service contract.

Mr. LEUNG Ka Cheung, resigned as a director of the Company during the year ended 31 March 2002. 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 31 March 2003 and 2002.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2003: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2002: three) individual during the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Basic salaries and allowances	1,380	2,706
Retirement scheme contributions	48	61
	<u>1,428</u>	<u>2,767</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2003	2002
HK\$1,000,001 – HK\$1,500,000	1	3
	<u>1</u>	<u>3</u>

Notes to the Accounts (cont'd)

11 Fixed assets

	Group					
	Land and buildings under long leases in Hong Kong	Land and buildings under long leases in the 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 1 April 2002	14,000	813	16,376	13,171	1,468	45,828
Additions	-	-	3,231	1,338	1,245	5,814
Acquisition of a subsidiary	-	960	-	-	-	960
Disposal	-	-	-	(4)	-	(4)
At 31 March 2003	14,000	1,773	19,607	14,505	2,713	52,598
Accumulated depreciation						
At 1 April 2002	391	-	8,715	8,524	1,092	18,722
Charge for the year	195	13	2,258	1,281	366	4,113
At 31 March 2003	586	13	10,973	9,805	1,458	22,835
Net book value						
At 31 March 2003	13,414	1,760	8,634	4,700	1,255	29,763
At 31 March 2002	13,609	813	7,661	4,647	376	27,106
The analysis of the cost or valuation of the above assets at 31 March 2003 is as follows:						
At cost	-	1,773	19,607	14,505	2,713	38,598
At 2000 professional valuation (note a)	14,000	-	-	-	-	14,000
	14,000	1,773	19,607	14,505	2,713	52,598

- (a) The leasehold land and buildings were revalued by Vigers Hong Kong Limited, an independent firm of professional valuers, at 31 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 31 March 2003 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\$3,690,000 (2002: HK\$3,885,000) had they been stated at cost less accumulated depreciation.
- (b) The directors have reviewed the carrying value of the properties in the PRC as at 31 March 2003 and are of the opinion that there was 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 31 March 2003.
- (c) At 31 March 2003, the cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to approximately HK\$249,000 (2002: Nil).



12 Investments in subsidiaries

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares/investments, at cost	90,917	90,917

Particulars of the subsidiaries as at 31 March 2003 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	1,000 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 Techpro International Trading Co., Ltd.	People's Republic of China	US\$300,000	Trading 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 Investments 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	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	Hong Kong	2 ordinary shares of HK\$1 each	Handling of the human resources planning and development activities of the Group	100%
Sanfield Properties Limited	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	Investment holding in Hong Kong	100%
Bonlex Properties Limited (Acquired on 18th March 2003)	Hong Kong	9,998 ordinary shares of HK\$1 each	Property holding in mainland China	100%

13 Amounts due from/(to) subsidiaries

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

14 Inventories

	Group	
	2003 HK\$'000	2002 HK\$'000
Inventories	68,584	74,542
Less: Provision for slow-moving inventories	(25,406)	(29,319)
	<u>43,178</u>	<u>45,223</u>

At 31 March 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK\$7,069,000 (2002: HK\$6,372,000).

15 Trade receivables, other receivables, deposits and prepayments

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

	Group	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	6,181	12,313
31– 60 days	3,346	2,633
61–90 days	3,982	8,728
Over 90 days	25,924	39,680
	<u>39,433</u>	<u>63,354</u>
Provision for doubtful debts	(11,751)	(9,908)
	<u>27,682</u>	<u>53,446</u>

The majority of the Group's sales are with 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	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	4,541	3,627
31–60 days	877	564
61–90 days	584	2,561
Over 90 days	422	1,769
	<u>6,424</u>	<u>8,521</u>

Notes to the Accounts (cont'd)

17 Share capital

	Company	
	2003 HK\$'000	2002 HK\$'000
<i>Authorised</i> 1,000,000,000 ordinary shares at HK\$0.1	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid</i> 200,000,000 ordinary share at HK\$0.1	<u>20,000</u>	<u>20,000</u>

18 Non-current liabilities

	Group	
	2003 HK\$'000	2002 HK\$'000
Obligations under finance leases	880	–
Less: amounts payable within one year shown under current liabilities	<u>246</u>	<u>–</u>
	634	–
Deferred taxation (<i>note 6(b)</i>)	<u>332</u>	<u>291</u>
	<u>966</u>	<u>291</u>

19 Reserves

(a) Group

	Share premium HK\$'000	Revaluation reserve HK\$'000	Merger reserve HK\$000	Capital reserve (<i>note (i)</i>) HK\$000	Exchange reserve HK\$'000	Retained earnings HK\$000	Total HK\$000
At 1 April 2001	41,261	9,947	6,979	2,896	–	78,200	139,283
Exchange difference	–	–	–	–	(44)	–	(44)
Profit for the year	–	–	–	–	–	1,295	1,295
2001 final dividend paid	–	–	–	–	–	(2,000)	(2,000)
At 31 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>
At 1 April 2002	41,261	9,947	6,979	2,896	(44)	77,495	138,534
Exchange difference	–	–	–	–	8	–	8
Loss for the year	–	–	–	–	–	(22,995)	(22,995)
At 31 March 2003	<u>41,261</u>	<u>9,947</u>	<u>6,979</u>	<u>2,896</u>	<u>(36)</u>	<u>54,500</u>	<u>115,547</u>

19 Reserves (cont'd)

(b) Company

	Share premium (note (ii)) HK\$'000	Retained earnings HK\$000	Total HK\$000
At 1 April 2001	130,078	4,735	134,813
Profit for the year	–	1,155	1,155
2001 final dividend paid	–	(2,000)	(2,000)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	130,078	3,890	133,968
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 April 2002	130,078	3,890	133,968
Loss for the year	–	(1,820)	(1,820)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	130,078	(2,070)	132,148
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- (i) The capital reserve represented contribution surplus made by the then shareholders to certain subsidiaries of the Company before the group reorganisation.
- (ii) The balance included the difference between the consolidated net worth of E. Bon (BVI) at the date on which its shares were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition of HK\$90,817,000. Under Section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

20 Notes to consolidated cash flow statement

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

	2003 HK\$'000	2002 HK\$'000
Operating (loss)/profit	(22,447)	2,889
Interest income	(474)	(828)
Depreciation of owned fixed assets	3,864	3,780
Depreciation of fixed assets held under finance leases	249	70
Loss on disposal of fixed assets	4	–
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	(18,804)	5,911
Decrease/(increase) in inventories	2,045	(7,358)
Decrease in trade receivables, other receivables, deposits and prepayments	28,984	19,712
Increase/(decrease) in trade payables, accruals and deposits received and bills payable	1,067	(2,306)
Effect on foreign exchange rate changes, net	8	(44)
	<hr/>	<hr/>
Net cash inflow from operating activities	13,300	15,915
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts (cont'd)

20 Notes to consolidated cash flow statement (cont'd)

(b) Analysis of changes in financing during the year

	Obligations under finance leases		Bank loans		Trust receipt loans	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	-	244	-	9,764	-	34,077
Bank loans repaid	-	-	-	(9,764)	-	-
Repayment of capital element of finance leases	(365)	(244)	-	-	-	-
Inception of finance leases	1,245	-	-	-	-	-
Net trust receipt loans repaid	-	-	-	-	-	(34,077)
Balance carried forward	<u>880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(c) Purchase of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets acquired		
Fixed assets	960	813
Bank balances and cash	-	6
Payables and accruals	-	(819)
	<u>960</u>	<u>-</u>
Satisfied by		
Cash	960	-
	<u>960</u>	<u>-</u>

The subsidiaries acquired during the year did not contribute (2002: Nil) to the Group's net operating cash flows, did not make payment (2002: Nil) in respect of the net returns on investments, servicing of finance, taxation and investing activities.

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

	2003 HK\$'000	2002 HK\$'000
Cash consideration	960	-
Bank balances and cash in hand acquired	-	(6)
Net cash outflow/(inflow) in respect of the purchase of subsidiaries	<u>960</u>	<u>(6)</u>

(e) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with total capital value at the inception of the leases of HK\$1,245,000. No finance leases were entered into by the Group during 2002.

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 pleading 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 counter-claim amount was further revised to HK\$2,475,000 in April 2003. The proceedings are still in the pleading stage and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against Defendant B for the counter-claim and accordingly no provision in respect of the amount of the counter-claim has been made in the accounts of the Group.
- (c) As at 31 March 2003, the Group had indemnities in respect of performance bonds amounting to approximately HK\$322,000 (2002: HK\$2,153,000) given to certain customers in respect of commitments for the supply of goods to such customers.
- (d) As at 31 March 2003, the Company had guarantees given to certain banks for banking facilities to the extent of approximately HK\$14,000,000 to be utilised by certain subsidiaries.

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31 March 2003 and up to the date of the approval of these accounts.

22 Commitments

Commitments under operating leases

As at 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	13,730	9,623
Later than one year and not later than five years	20,428	3,305
	<u>34,158</u>	<u>12,928</u>

The Company did not have any capital or operating lease commitments at 31 March 2003 (2002: Nil).

Notes to the Accounts (cont'd)

23 Related party transactions

During the year, the Group undertook the following material transactions 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. WONG Tin Cheung, Ricky and a former director namely, Mr. LEE Chi Wah, Rhodes, have beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Rental expense paid to NCL	2,729	2,736

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 17 July 2003.

N o t i c e o f A n n u a l G e n e r a l M e e t i n g

NOTICE IS HEREBY GIVEN that the Annual General Meeting of E. Bon Holdings Limited ("the Company") will be held at Gemini & Libra Rooms, Level 33, 8 Shelter Street, Rosedale On the Park, Causeway Bay, Hong Kong on the 26th day of the September 2003 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 the auditors for the year ended 31 March, 2003;
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."

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;

Notice of Annual General Meeting (cont'd)

(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 5 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, 17 July 2003

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 G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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 2003 Annual Report.