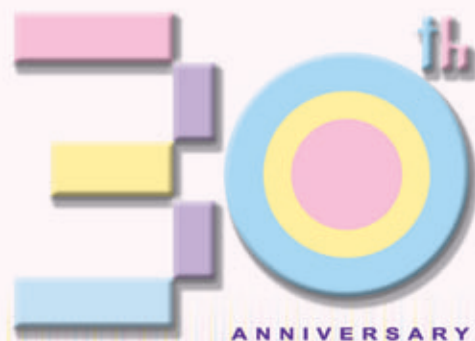




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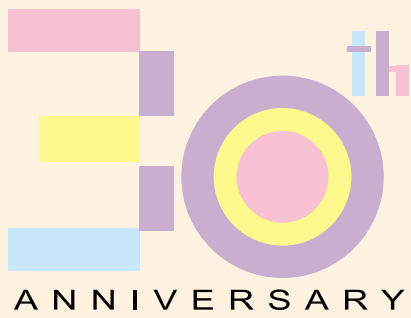
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ANNUAL REPORT 2006



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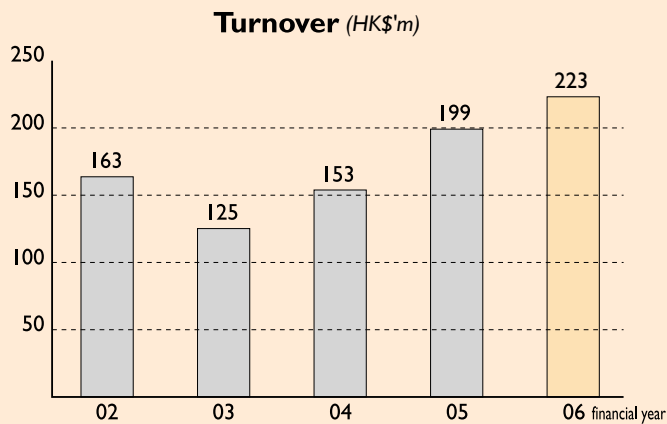
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## Financial Highlights



	<b>As at 31 March</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Net asset value	<b>142,763</b>	132,848
	<b>Year ended 31 March</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>223,466</b>	199,090
Cost of Sales	<b>(138,668)</b>	(117,871)
Gross profit	<b>84,798</b>	81,219
Other revenues	<b>389</b>	172
Selling and distribution expenses	<b>(52,506)</b>	(49,854)
Administrative expense	<b>(21,224)</b>	(20,253)
Finance costs	<b>(100)</b>	(53)
Profit before taxation	<b>11,357</b>	11,231
Taxation	<b>628</b>	(1,056)
Profit for the year	<b>11,985</b>	10,175
Dividends	<b>7,000</b>	5,000
Basic earnings per share	<b>6 cents</b>	5 cents

# 元利 continuing through

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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 are pleased to present the annual report for the year ended 31 March 2006.

This year is a special year for E. Bon Group, as it marks the 30th anniversary of our operation. We established as a small retail shop for the supply of building hardware in Wan Chai in 1976. We have gone through the successive phases of the changes of social political and economic development of Hong Kong and the development of our business has more or less followed the rhythm of such changes. We, like the citizens of Hong Kong, have witnessed the success and hardship of our economy during these 30 years which was partly due to the uncertainty in the economic policy as a result of the change of the sovereignty. However, our business has managed to grow from a small retail shop to one of the leading suppliers of the builders hardware, bathroom and kitchen collections.

The fundamental economic factors related to our economy since our annual report for the year of 2004 have basically remained the same, these include the continuation of the upward trend of interest rate; the weakening of Hong Kong dollars against major currencies such as Euro, Japanese Yen etc.; the high oil price; and the potential threat of avian flu. Hong Kong economy has been growing steadily with an average increase of 5 percent growth annually and the property price has risen by more than 25% since then, which reduces the number of negative equity owners down to below 10,000.

Our economy has been benefited from the China policy for allowing more residents from more cities to visit Hong Kong and also from the annual increase of economic growth of 8% in China for the last 5 years, which is now an engine of the growth of our economy. The influx of funds into Hong Kong from overseas with a view to capitalizing the phenomenal growth of China market under the framework of the World Trade Organization by selectively investing into a number of high quality state-owned or private enterprises of China, which have sought to be listed in the Hong Kong Stock Exchange, have contributed to the growth of our economy.

Hong Kong has become economically an integral part of the greater Pearl River delta extending to 9 provinces in neighborhood of Hong Kong plus Macau SAR. The role to be played by Hong Kong has now been currently under study but the consensus is that we will strengthen what Hong Kong knows best, namely, finance, logistics, tourisms and other service sector. The mandate from the 11th five-year economic plan for China has stipulated that Hong Kong's status as an international finance center shall be strengthened as it will provide as a finance power house for the restructuring of China's market driven economy in order to accommodate and meet with the requirements of the World Trade Organization.

Our key concern is that the service industry of Hong Kong has now represented more than 85% of our GDP, it may be worthwhile to take a note that it may be highly desirable if we have a high end manufacturing base established in Hong Kong for both China and International markets and that our manufacturing sector will represent more than 20% of our GDP in the next decade. This will obviate the concern expressed by our business leaders that the competitiveness of our services industry will be diminished down to insignificant as China is now moving to harmonize its infrastructure and frameworks in line with the norms and obligations of the global market in service industry. Some perceive that it will only take a decade before Shanghai and other major cities can replace and compete effectively with Hong Kong as key finance centre for China. The strong manufacturing base for high technology products will act as a cushion for any negative impact on our economy due to any dramatic and fundamental change of our service market. This requires the strong business leadership and the political will power of our government.

As in the past, we will continue to grow with Hong Kong and to serve the Hong Kong market. We would expand further our wholesale operations from bathroom and kitchen to other product lines catered for our target customers such as living room furnishings. Recently, we have signed letters of intent for a number of agencies such as Poliform and Effegibi for high end quality living room furniture and spa equipment respectively, which aims for businessmen and health conscious individuals. We will supply the ever increasing demand for spa equipment to clubhouse of the apartment complex and hotels in Hong Kong and China markets.

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The number of apartments to be completed per year in the next few years will be relatively stable. As the income of the Hong Kong's middle class has increased in line with the economic growth of Hong Kong, we have noted that there is more demand for quality residential flats with larger living space and also for the better and quality furnishing covering from living room to bathroom. The fact that a number of foreign companies have chosen Hong Kong as a regional base for doing business in China and a number of the China enterprises have chosen Hong Kong for networking with the international market has created more demand for commercial premises. These are the driver of the growth of our business for both residential and commercial projects.

With regards to the China market, the recent administrative measures introduced by the Central Government for cooling down the high-end property market will slow the growth of our business in this sector. The measures are aimed at stabilizing the price of the housing and also at encouraging the development of more affordable housing units for average workers in China. We will examine the prospect of introducing quality but affordable products, which may be made in China or overseas, for China market.

This year, the theme of our annual report entitled "The Creative Works Sublime Success, Furthering Through Perseverance". This reflects and echoes that, for the past 30 years, the Group has sublimed itself from a shop in Wan Chai trading with metallic builders hardware to a listed company in the Hong Kong Stock Exchange with products ranging from locks to bathroom and kitchen collections for domestic and commercial premises. We shall commit and proceed with vigilance to a new chapter of our history of business development just as Hong Kong Special Administrative Region of the People's Republic of China is going to celebrate the 10th anniversary of its establishment and is ready to accept the new challenge ahead. Just like other enterprises in Hong Kong, we are looking forward to meeting new challenge and to capitalizing any business opportunity in the next decade.

I, as a Chairman of the Company, will work closely with my colleagues and my business partners in order to provide our customers with quality products and the quality services behind these products. Last but not least, I would like to thank the unfailing support of our shareholders, our customers and my fellow colleagues, many of whom have been with us for years.



**TSE Sun Fat, Henry**  
*Chairman*  
14 June 2006

## 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

We are pleased to announce an operating profit of HK\$11.4 million (2005: HK\$11.3 million), while the profit after tax amounts to HK\$11.98 million (2005: HK\$10.17 million) a 18% increase in profit, with the Group turnover amounted to HK\$223.5 million (2005: HK\$199.1 million) represents an increase of 12.3% from last year. We have been able to capture the opportunities in the upsurge of sales of luxurious apartments from major property developers in Hong Kong. As a result, the increase in proportion of project sales, results in a slight adjustment to our overall gross profit to 38% (2005: 40%). The improvement in sales volume has also caused the increase in selling and distribution costs by 5% to HK\$52.5 million (2005: HK\$49.9 million) while the continue weakening of US dollars against Euro and the interest rates increased this year presents a challenge to our attempt to keep the operating expenses at optimal level, the administrative expenses increased slightly by 5% from HK\$20.2 million to HK\$21.2 million.

### Wholesales/Retails

As the pace of economic recovery in Hong Kong gathers momentum, we note an increase in both our wholesale and retail operations, during the year, we opened our very first showroom in Central, while improved and enlarged our sales floors in Wan Chai by designated an area for upmarket spas for health conscious customers. However, the rental expenses for our outlets & showrooms increased significantly when compared with the previous years, in particular for the leases signed in 2003 during the SARS epidemics which were due for renewal during the year. As a result, there is an overall increase of 10% in expenses for our retail operations.

Meanwhile, the Group has firmly established itself as a major supplier of quality bathroom, kitchen collections and other hardware for luxurious apartments, and have been contracted to supply these products for prestige apartments and commercial buildings such as Grand Waterfront, The Great Hill, Union Square Package 6, Enterprise Square Phase 5, Nina Towers I & II. As at 31 March 2006, the contracts in hand amounted to HK\$105 million. During the year, we have also made progress in expanding in Macau and Mainland China operations, featuring projects such as Nova Taipa Gardens (Macau), and Pazhou Shangri La Hotel (Mainland China), while we remain cautious in expanding in these areas.

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### **Financial Resources and Liquidity**

The Group continues to be prudent in its financial management, owing to the expansion in business, the current ratio and quick ratio are 3.17 (2005: 5.85) and 1.98 (2005: 3.82) respectively, while the cash and bank balances amounted to HK\$36 million as at 31 March 2006 (2005: HK\$29 million). The Group's gearing ratio (the ratio of total liabilities to the sum of total liabilities and owners' equity) increase to 27.3% as of 31 March 2006 (2005: 15.3%) The bank borrowing of the Group amount to merely HK\$1 million (2005: HK\$nil).

### **People**

As at 31 March 2006, our workforce counted to 135 (2005: 125) due to our further expansion in retail trade and additional showrooms. Among them, there are 51 employees who grow together with us and served the Group for more than 10 years.

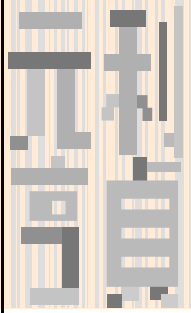
### **Future prospects**

During the year, we noted the increase in the number of businesses in China going public and get listed in Hong Kong, couple with the introduction of Qualified Domestic Institutional Investors programme and the further expansion of business connections from the Pearl River delta to other provinces in the neighborhood are likely to give further boost to our sales of quality products.

In our opinion, this will result in an increase in the pace of economic development in Hong Kong, and we believe that concept of luxurious living will continue in the territory. We intend to place ourselves in strategic position to capture the growth in this market, and continue to expand our sales in kitchen collection in both wholesale and retail market while we plan to expand further into luxurious living room furniture.

Meanwhile, the growth in our sales in Macau and China continue, we have established 71 local dealership in China and obtaining significant increase in project sales in Macau while looking forward to our further participation in the supply of building materials in hotels projects in the region.

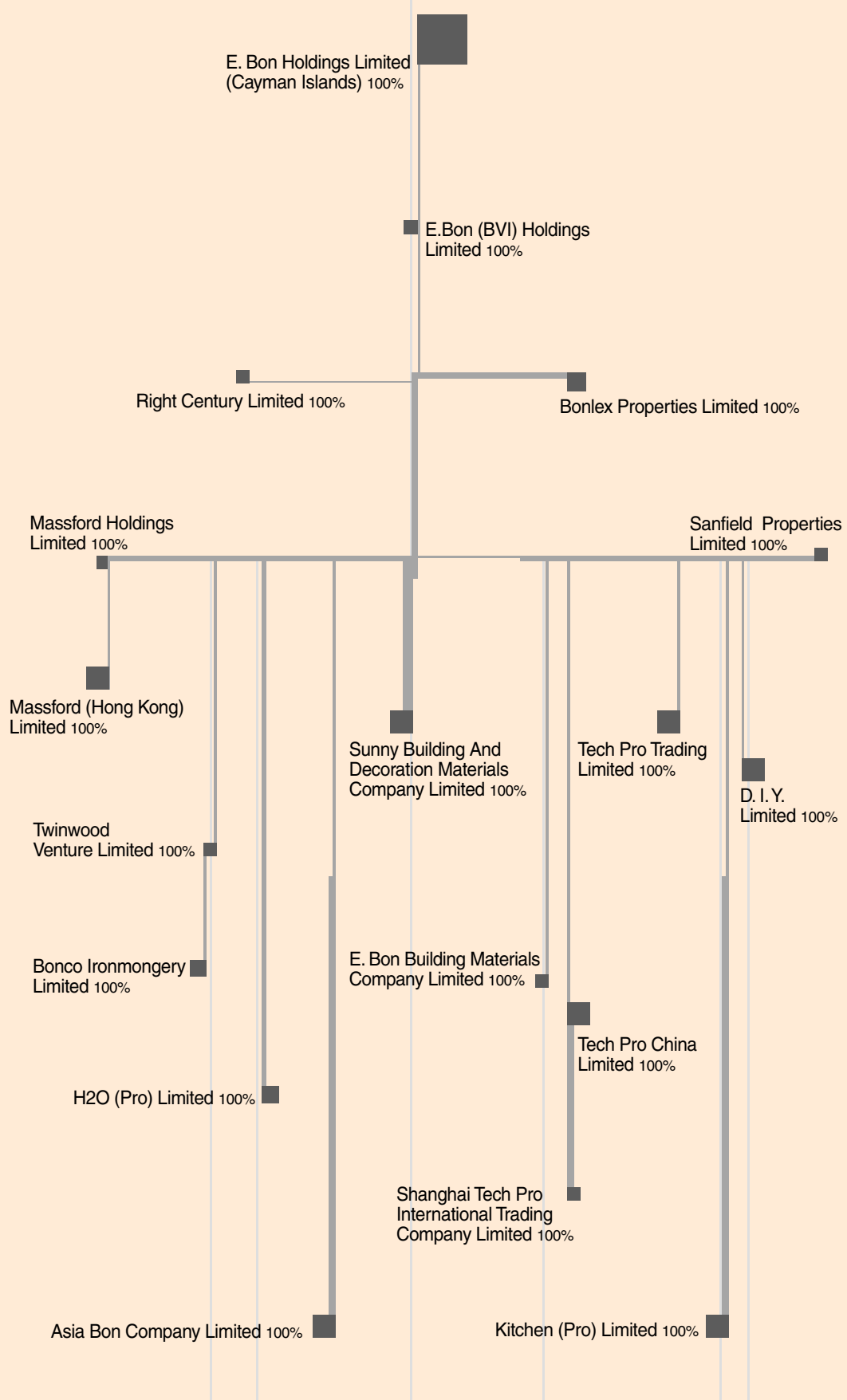


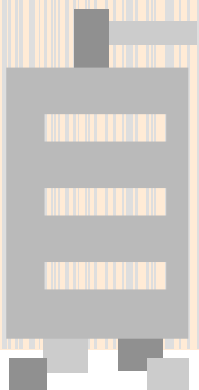


# Correct Virtue

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## Group Chart





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

### Register Office

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

### Hong Kong branch share registrar and transfer office

Abacus Share Registrars Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### 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, CPA

### Cayman Island principal share registrar and transfer office Butterfield Fund Services (Cayman) Limited

Butterfield House, Fort Street,  
P.O. Box 705, George Town  
Grand Cayman, Cayman Islands  
British West Indies

### Auditors

Moores Rowland Mazars  
Chartered Accountants  
Certified Public Accountants  
34th Floor  
The Lee Gardens  
33 Hysan Avenue  
Causeway Bay  
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

### Authorised representatives

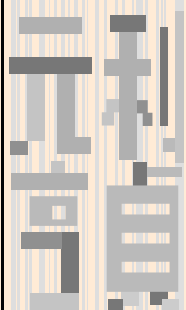
TSE Sun Lung, Alan  
IP Fu Wa, Benthony  
ACA, CPA

### Legal advisers on Hong Kong law

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

### Principal bankers

Nanyang Commercial Bank Limited  
Wing Lung Bank Limited  
Industrial and Commercial Bank of China (Asia) Limited  
China Construction Bank (Asia) Limited  
Shanghai Commercial Bank Limited  
DBS Bank (Hong Kong) Limited



# the Origin

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## 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 financial statements for the year ended 31 March 2006.

### **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, bathroom and kitchen 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 7 to the financial statements.

### **Results and appropriations**

The results of the Group for the year are set out in the consolidated income statement on page 27.

### **Dividend**

The Board has resolved to recommend the payment of a final dividend of HK2.5 cents per share in respect of the year ended 31 March 2006 (2005: 2.5 cents) at the forthcoming annual general meeting to be held on 30 August 2006 (the "AGM"). The final dividend, if approved by the members, will be paid on 9 October 2006 to members whose names appear on the principal or branch register of members of the Company in Grand Cayman or Hong Kong respectively (collectively the "Register of Members") as at the close of business on 30 August 2006.

### **Reserves**

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

### **Property, plant and equipment**

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

### **Share capital**

Details of the share capital of the Company are set out in note 22 to the financial statements.

### **Distributable reserves**

Distributable reserves of the Company as at 31 March 2006 amounted to HK\$126,503,000. 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 25.

### **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.

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## Directors

The directors during the year were:

Mr. TSE Sun Fat, Henry  
Mr. TSE Sun Po, Tony  
Mr. TSE Sun Lung, Alan  
Mr. WONG Tin Cheung, Ricky  
Mr. LAU Shiu Sun  
Mr. YICK Kai Chung  
Mr. MAK So  
Mr. LEUNG Kwong Kin, J.P.<sup>1</sup>  
Mr. WONG Wah, Dominic<sup>1</sup>  
Mr. WAN Sze Chung, Wilson

<sup>1</sup> 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, Mr. YICK Kai Chung, Mr. MAK So and Mr. LEUNG Kwong Kin, JP. 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 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. 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 24 April 2001 and 10 December 2001, respectively and will continue thereafter unless terminated by either party by three months prior written notice to other party expiring not earlier than 23 April 2004 and 9 December 2004, respectively.

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.

## Report of the Directors

### 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. The Stock Exchange of Hong Kong Limited amended the Listing Rules governing share option schemes. The new requirements have come into effect from 1 September 2002 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 shares and underlying shares

As at 31 March 2006, the interests and long positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and long positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code contained in the Listing Rules, were as follows:

#### Long position in shares and underlying shares

Director	Number of ordinary shares held				Percentage of issued share capital
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry ( <i>Note 1</i> )	–	–	–	140,000,000	70%
Mr. TSE Sun Po, Tony ( <i>Note 1</i> )	–	140,000,000	–	140,000,000	70%

*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. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust.

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## Directors' interests in shares and underlying shares (cont'd)

### Long position 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. 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. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust.

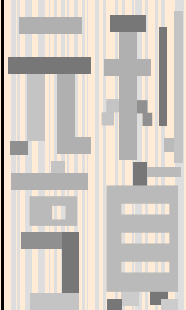
#### (ii) Negotiator Consultants Limited ("NCL")

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.

Save as disclosed above, none of the directors or their associates had, as at 31 March 2006, any interests or short positions in any shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the year was the Company, its subsidiaries or holding company a party to any arrangement to enable the directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



# Harmonious

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

### **Biographical details of directors and senior management**

#### *Executive directors*

Mr. TSE Sun Fat, Henry, aged 49, 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 47, 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 39, 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. WONG Tin Cheung, Ricky, aged 63, joined the Group in 1979. Mr. WONG was appointed as an executive director of the Company on 24 April 2001, and is responsible for the operation of the Group in project management. He has over 25 years of experience in selling building materials and was a civil servant before joining the Group.

Mr. LAU Shiu Sun, aged 39, 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 in 1992 with a bachelor of science degree.

Mr. YICK Kai Chung, aged 47, joined the Group in 1979 and was appointed as an executive director of the Company on 13 July 2004. Mr. Yick is a director of two subsidiaries of the Company. He 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.

#### *Non-executive directors*

Mr. LEUNG Kwong Kin, J.P., aged 59, was appointed as an independent non-executive director in January 2000. Mr. LEUNG is a senior practising director of Wong Lam Leung & Kwok C.P.A. Ltd. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. Mr. LEUNG is also an associate member of the Institute of Chartered Accountants in England & Wales, the 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 57, was appointed as an independent non-executive director on 19 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.

Mr. MAK So, aged 66, joined the Group in 1993 and retired in June 2006. He has over 34 years of experience in the building materials industry. Mr. MAK worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 27 years. Mr. MAK has been a non-executive director since 2004.

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

### *Non-executive directors (cont'd)*

Mr. WAN Sze Chung, Wilson, aged 33, was appointed as an independent non-executive director on 27 September 2004. Mr. Wan obtained a Master degree in Business Administration from the Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. WAN is a director of Training and Consultancy Firm specializing in corporate and personal training. In addition, Mr. WAN is also the Hong Kong Chapter Leader of International Coach Federation (USA).

### *Senior management*

Mr. TSE Sun Ming, Almond, aged 46, is a director of three 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 49, joined the Group in 1982 and is a director of a 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. LO Wai Man, aged 52, 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 25 years of experience in selling building materials and is a licensed plumber.

Mr. SHUM Lup Chi, aged 50, 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 7 years before joining the Group.

Mr. CHAN Chiu Keung, aged 57, 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 28 years of experience in retail business.

Mr. CHANG Kai Chuen, aged 32, joined the Group in 1991. Mr. CHANG is a marketing manager of the Group and is responsible for project sales.

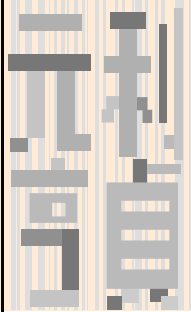
## Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO of shows that as at 31 March 2006, the Company had been notified of the following substantial shareholders' interests, being 5% 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.

### *Long position in shares of the Company*

Name of Shareholder	Number of Shares	Percentage of issued share capital
BHGL	140,000,000	70%
Tse Brothers Assets Management Limited ( <i>Note 4</i> )	140,000,000	70%
Messrs. Kelvin K W Cheung & Chu Hei Chun ( <i>Note 4</i> )	140,000,000	70%

*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 336 of the SFO.



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

### **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	8%
Five largest suppliers combined	36%

#### Sales

The largest customer	9%
Five largest customers combined	17%

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.

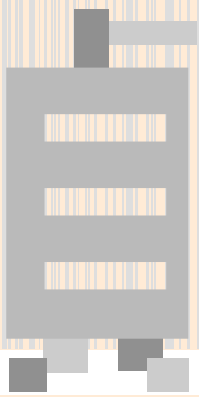
### **Pension scheme arrangements**

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 the 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 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 which amounted to approximately HK\$1,002,885 have been dealt with in the income statement of the Group for the year ended 31 March 2006.

### **Connected transactions**

The related party transaction as disclosed in note 28 to the financial statements for the year ended 31 March 2006 in respect of rental expenses of approximately HK\$2,510,000 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 and Mr. WONG Tin Cheung, Ricky has 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.



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**Public float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of the Company's Securities as required under the Listing Rules.

**Auditors**

A resolution will be submitted to the annual general meeting to re-appoint Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, as auditors of the Company.

On behalf of the Board

**TSE Sun Fat, Henry**  
*Chairman*

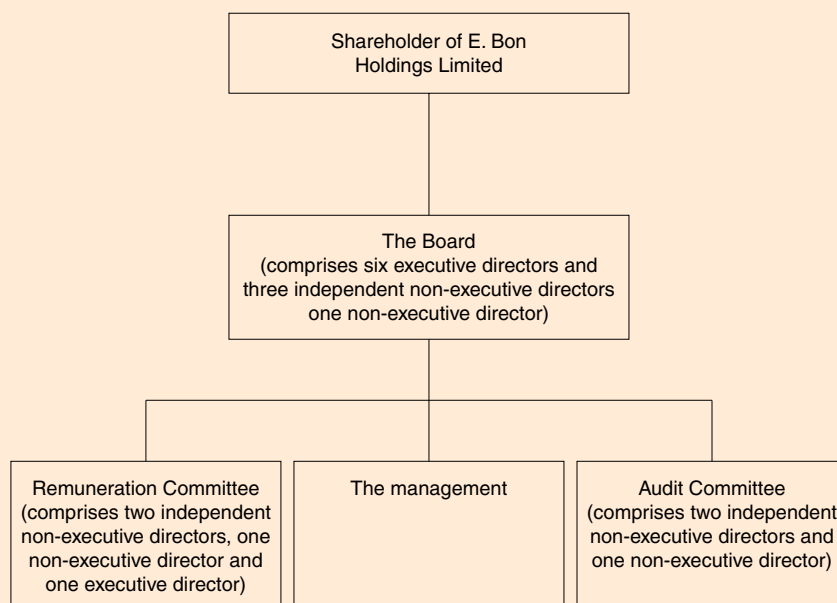
Hong Kong, 14 June 2006

## Corporate Governance Report

The Board believes that accountability and reporting system with high transparency for the Company's operation has been in place. Disclosure could also be made timely and accurately. At the same time, the rights of shareholders can be treated and protected equitably.

The Company is led by an efficient and responsible Board, which is comprised of individuals with high qualifications and relevant experience. This can ensure that the Company and its subsidiaries (the "Group") maintain good corporate governance practices and have comprehensive internal control systems, so as to cope with the Group's development strategies and increase the shareholders' value.

The Company's overall governance structure is as follows:



The Board has complied with the code provision listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2006 with the exception of the code provision A.4.1. Appendix 14 of the Listing Rules stipulates the code of good corporate governance (the "Code"), and two levels of recommendations: (a) code provisions; and (b) recommended best practices. It also states that issuers are expected to comply with, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only. The Company opted to comply with mandatory code provisions and provisions on recommended best practices that are considered by the Board as reasonable and appropriate.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term of service. This constitutes a deviation from code provision A.4.1. However, they are subject to retirement by rotation at each annual general meeting under the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

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During the year and up to the date of this report, the Board hereby presents information in relation to the Company's corporate governance practices as summarized below.

## 1. THE BOARD

The Board of the Company assumes responsibility for leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs.

The Board is responsible for establishing the strategic direction of the Company, setting the objectives of management, monitoring the performance of management, overseeing the management of the Company's relationships with shareholders, ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed, and setting the Company's values and standards.

When the Board delegates management and administrative functions to management, it has given clear directions on the powers of management with respect to the circumstances where management is to report back and obtain prior approval from the Board before making decisions or entering into any commitment on behalf of the Company.

The task of the management and staff of the Company is the successful implementation of the strategies and directions as determined by the Board. In doing so, they must apply business principles and ethics, which are consistent with those expected by the Board and Shareholders and other stakeholders.

The Board is comprised six executive directors (including the Chairman and the Managing Director), three independent non-executive directors and one non-executive director. The independent non-executive directors help to ensure that the Board can make independent judgment efficiently. Biographies for all directors are listed in Directors and Senior Management's Profiles set out on page 14 to 15.

The independent non-executive directors possess appropriate professional qualification among them, some possess expertise in accounting and financial management. Each independent non-executive director has confirmed to the Stock Exchange his independence pursuant to the requirements of the Listing Rules, and has also submitted an annual written confirmation to the Company confirming his independence. Two independent non-executive directors are engaged by contract every year. All directors are subject to retirement in accordance with the Company's Articles of Association.

Mr. Leung Kwong Kin, J.P. and Mr. Wong Wah, Dominic, independent non-executive directors, have entered into contracts with the Company for an initial fixed term of one year commencing on 1 March 2000 and 19 June 2001 respectively and thereafter shall continue for further successive period 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.

Except as disclosed in the Annual Report, there is no special relationship, including financial, business, family or other material/relevant relationship among the members of the Board.

All directors actively participated in the Board meetings to discuss the overall strategies and business directions of the Group. Throughout the year, the Company held five Board meetings. To ensure that the directors could obtain all related information for performing their duties and responsibilities, documents for the Board meeting were supplied to directors for their consideration before the meeting according to the regulations set out in the Listing Rules and code provision.

## Corporate Governance Report

Throughout the year, Director's attendance was as follows:

<b>Executive directors</b>	<b>Attendance</b>
Mr. Tse Sun Fat, Henry (Chairman)	5
Mr. Tse Sun Po, Tony (Managing Director)	5
Mr. Tse Sun Lung, Alan	5
Mr. Wong Tin Cheung, Ricky	4
Mr. Yick Kai Chung	4
Mr. Lau Shiu Sun	5
<b>Non-executive directors</b>	
Mr. Mak So	4
<b>Independent non-executive directors</b>	
Mr. Leung Kwong Kin, J.P.	3
Mr. Wong Wah	3
Mr. Wan Sze Chung	3

Chairman of the Board and Managing Director (in this report, "Managing Director" is equivalent to "Chief Executive Officer" set out in appendix 23 of the Listing Rules) are two clearly separated roles and are performed by different individuals. Mr. Tse Sun Fat, Henry, Chairman of the Board, is responsible for managing the Board. Mr. Tse Sun Po, Tony, Managing Director, is responsible for the Company's operations. The division of responsibilities between the Chairman of the Board and the Managing Director have been clearly defined and the written terms of reference have been set.

Responsibilities of the Chairman of the Board are as follows:

- (a) providing leadership for the Board;
- (b) ensuring all Directors are properly briefed on matters to be discussed at Board meetings;
- (c) ensuring all Directors receive adequate, complete and reliable information in a timely manner;
- (d) ensuring that the Board works effectively, discharges its responsibilities and discusses all key issues in a timely manner;
- (e) ensuring that, the Company Secretary settles and approves the agenda for Board meetings on the Chairman's behalf, taking into account any matters proposed by other Directors for inclusion in the agenda;
- (f) providing effective communication with Shareholders and that views of Shareholders are communicated to the Board as a whole;
- (g) ensuring good corporate governance practices and procedures are in place;
- (h) giving each Director an opportunity to express his views at Board meetings, encouraging all Directors to fully contribute to the Board's affairs and ensuring that the Board acts in the best interests of the Company; and
- (i) facilitating the effective contribution of all Directors, in particular Non-Executive Director, and building constructive relations between Executive and Non-executive Directors.

The Managing Director is appointed by the Board, his responsibilities are as follows:

- (a) providing leadership for the management;
- (b) implementing and reporting to the Board on the Company's strategies;

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- (c) overseeing the implementation by the Company of the objectives set by the Board;
- (d) providing all such information to the Board as is necessary to enable the Board to monitor the performance of Management;
- (e) leading the management of the Company's relationships with its stakeholders;
- (f) putting in place programmes for management development and succession;
- (g) working with the Head of Finance, establishing and maintaining proper internal controls and systems as well as disclosure controls and procedures; and
- (h) discharging such duties and authorities as may be delegated in writing to him by the Board.

In addition, the Board formulated a set of procedure for the Directors to seek for independent professional advice. Directors can make reasonable requests and seek for independent professional advice for discharging their duties in appropriate circumstances. Related expenses shall be borne by the Company.

## 2. AUDIT COMMITTEE

The Audit Committee was established on 22 March 2000, and is currently comprised of two independent non-executive directors, one non-executive director. The Audit Committee is chaired by Mr. Leung Kwong Kin, J.P.

Roles and functions of the Audit Committee include: handle the relationship between the Company and the external auditors (include: making recommendation to the Board on the appointment, re-appointment and removal of external auditors, approve remuneration and terms of engagement of the external auditors, handle issues for the resignation or dismissal of external auditors, review and monitor the independence and objectivity of the external auditors and effectiveness of the audit process and develop and implement policy on the engagement of an external auditor to supply non-audit services), review the financial information of the Company, monitor the financial reporting system and internal control procedures of the Company.

The Audit Committee reports to the Board on its discussion results and recommendations after each meeting.

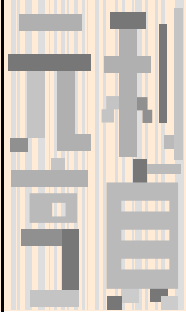
Throughout the year, the Audit Committee reviewed the 2005 annual report and interim report of the Company, discussed the effectiveness of the internal control with external auditors, and reviewed the 2006 budget auditing fees.

In addition, the Audit Committee considered and reviewed the annual report for the year end annual result on 14 June 2006, and proposed to the Board for their approval.

All members of the Audit Committee actively participated in the committee's meetings. Throughout the year, the Audit Committee met three times. Discussion results and recommendations have been proposed to the Board for its review, and related recommendations were adopted by the Board.

Throughout the year, committee members' attendance was as follow:

<b>Audit Committee Members</b>	<b>Attendance</b>
Mr. Leung Kwong Kin J.P. (Independent Non-Executive Director) (chairman of audit committee)	3
Mr. Wong Wah, Dominic (Independent Non-Executive Director)	3
Mr. Mak So (Non-Executive Director)	3



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## Corporate Governance Report

All directors acknowledge their responsibilities in preparing the financial statements. As at 31 March 2006, none of the directors are aware of any uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. As such, the directors have prepared the Company's financial statements on a going concern basis.

Responsibilities of external auditors to the financial statements are set out in the auditors' report of the 2006 annual report.

### 3. REMUNERATION COMMITTEE

The Remuneration Committee was established on 29 September 2005. It is comprised of two independent non-executive directors, one non-executive director and one executive director. The Remuneration Committee is chaired by Mr. Wong Wah, Dominic.

Roles and function of the Remuneration Committee are as follows:

- (a) to make recommendations to the Board on policy and structure for the remuneration of Directors, Senior Management and all other employees of the corporate office and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (b) to determine the remuneration of all Executive Directors and Senior Management
- (c) to make recommendations to the Board on the remuneration of the Non-executive Directors;
- (d) to review and approve performance-based remuneration by referring to corporate goals and objectives set by the Board;
- (e) to review and approve the compensation payable to Executive Directors and Senior Management relating to any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms;
- (f) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms; and
- (g) to ensure no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee reports to the Board on its discussion results and recommendations after each meeting.

Throughout the year, the Remuneration Committee reviewed the remuneration of the executive directors and senior management of the Company.

All members of the Remuneration Committee actively participated in the committee's meetings. Throughout the year, the Remuneration Committee met once. Discussion results and recommendations have been proposed to the Board for its review.

During the year, committee members' attendance was as follows:

<b>Remuneration Committee Members</b>	<b>Attendance</b>
Mr. Wong Wah (Independent Non-Executive Director) (chairman of Remuneration Committee)	1
Mr. Leung Kwong Kin J.P. (Independent Non-Executive Director)	1
Mr. Mak So (Non-Executive Director)	1
Mr. Tse Sun Lung, Alan (Executive Director)	1

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#### 4. NOMINATION OF DIRECTORS

The Board has not established a nomination committee. According to the Articles of Association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Board reviews the structure, size and composition of the Board from time to time and makes recommendation on the appointment of directors. During the year, there was no change to the members of the Board.

#### 5. SECURITIES TRANSACTION BY DIRECTORS

During the year, the Company has complied with all code provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in appendix 10 of the Listing Rules.

After making specific enquiries to all directors, the directors confirmed that they have complied with the Model Code throughout the year.

As at 31 March 2006, Directors’ interests in the Company’s shares were disclosed in “Directors’ Report” set out on pages 12 to 13 of the annual report.

#### 6. REMUNERATION OF THE AUDITORS

For the year ended 31 March 2006, audit fee paid by the Company to Moores Rowland Mazars (external auditor of the Company) was HK\$470,000.

#### 7. FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group. The reporting responsibilities of the auditors are set out in the auditors’ report on page 26 of the annual report.

#### 8. INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system for the Group. The system is for the interests of the shareholders by protecting the shareholders’ investment and the assets of the Group.

For implementing internal control effectively, the Company shall review the following five elements for internal control:

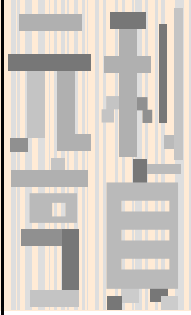
(i) *Overall control*

The Group has established a comprehensive organization structure and deployed suitable personnel for the efficient implementation of policies. Adequate information is also provided. Executive directors and the senior management are granted appropriate authority to execute the strategies, policies and targets of the Group effectively when risks are within control. At the same time, the Board and senior management shall communicate the values and code of conduct of the Company to all the staff, for maintaining honesty and a high level of morality. In addition, all directors actively participate in the affairs of the Board and the work of all Board Committees.

(ii) *Risk assessment*

The Group determines annual operation targets, financial reporting targets and compliance targets in accordance with the development strategies set by the Board. This is to ensure that the Group operates within risks that are of tolerate and reasonable level.

The Company shall review the risks faced by the Group with external auditors regularly, so as to set a firm base for the Board to review the effectiveness of internal control and report to the shareholders on issues in relation to internal control.



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## Corporate Governance Report

### *(iii) Controlling activities*

The Group fully undertakes controlling activities, for ensuring the implementation of the management's instructions, and different policies and procedures (including operation management, information handling, actual monitoring, performance indicator and definition of responsibilities and duties) in a consistent manner.

### *(iv) Information and communication*

The Board and senior management shall communicate the importance of control to the staff, enabling the staff to understand that control must be implemented. The staff shall regularly report any information related to operation, financial and regulation to the Board and senior management.

The senior management shall provide the latest information on the Group to the Board and the Board Committees regularly or under material circumstances, in a view to have sufficient preparation for any risks.

In order to lower risks, the Company actively communicates with, and considers opinions from, all external parties, so that it is able to take appropriate actions in face of risks.

### *(v) Monitoring*

The Company shall continuously assess and properly report the performance of the internal control system.

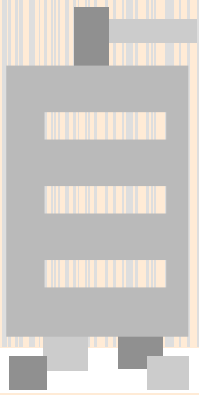
## **9. SHAREHOLDERS' RIGHTS AND INVESTORS' RELATIONSHIP**

It is the Company's policies to have open communication and disclose information in a fair manner. Information disclosure is a key means to enhance corporate governance standard. Shareholders can assess the Company's performance based on the information and provide opinions to the Company. However, disclosure of more information does not necessarily increase the transparency of a company's operations. The completeness of the information disclosed is very important for cultivating investors' confidence towards the Company. Information relating to the Group and its business, together with its financial condition, are disclosed in the 2006 annual report and the Company's website at [www.ebon.com.hk](http://www.ebon.com.hk).

All registered shareholders shall receive notice of the Annual General Meeting and special general meeting (together the "Meeting") by post. The notice of the Meeting contains an agenda, resolutions proposed and a voting form. All shareholders, whose shares are registered in the register of members, are entitled to attend the Meeting. Shareholders who cannot attend the Meeting can appoint their proxies or the chairman of the meeting as their proxies by completing the proxy form enclosed with the notice of the meeting and returning it to the Company's share registrar. Procedures for demanding a vote by poll, together with the notice of the meeting, have been enclosed with a circular dispatched to the shareholders. The procedures shall be read out at the Meeting by the chairman of the meeting.

In addition, separate resolutions for actually separated issues shall be proposed to the Meeting for the approval of shareholders.

The Annual General Meeting (the "AGM") is considered as an annual significant event of the Company. The AGM can provide a precious opportunity for the shareholders and the Board to exchange constructive opinions. All directors and the senior management shall attend the AGM. Apart from attending the AGM, the Chairman of the Board shall arrange the chairmen of each Board Committee to attend and answer question at the AGM.



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## Five Year Financial Summary

	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>Results</b>					
Profit/(Loss) attributable to shareholders	<u>11,985</u>	<u>10,175</u>	<u>(13,879)</u>	<u>(21,146)</u>	<u>1,682</u>
<b>Assets and liabilities</b>					
Total assets	<u>196,417</u>	<u>156,854</u>	<u>144,595</u>	<u>153,231</u>	<u>171,755</u>
Total liabilities	<u>(53,654)</u>	<u>(24,006)</u>	<u>(21,884)</u>	<u>(16,719)</u>	<u>(14,104)</u>
Shareholders' funds	<u>142,763</u>	<u>132,848</u>	<u>122,711</u>	<u>136,512</u>	<u>157,651</u>

The results, assets and liabilities of the Group for each of the five years ended 31 March 2006 have been prepared on a consolidated basis.

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

## Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

To the shareholders of

**E. BON HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 27 to 54 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 financial statements which give a true and fair view. In preparing financial statements 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 financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Basis of opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 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.

**Moores Rowland Mazars**

*Chartered Accountants*

Certified Public Accountants

Hong Kong, 14 June 2006

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## Consolidated Income Statement

For the year ended 31 March 2006

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Turnover	7	<b>223,466</b>	199,090
Cost of sales		<b>(138,668)</b>	(117,871)
Gross profit		<b>84,798</b>	81,219
Other revenues	7	<b>389</b>	172
Selling and distribution expenses		<b>(52,506)</b>	(49,854)
Administrative expenses		<b>(21,224)</b>	(20,253)
Finance costs	8	<b>(100)</b>	(53)
Profit before taxation	9	<b>11,357</b>	11,231
Taxation	10(a)	<b>628</b>	(1,056)
Profit for the year		<b><u>11,985</u></b>	<u>10,175</u>
Dividends	12	<b><u>7,000</u></b>	<u>5,000</u>
Basic earnings per share	13	<b><u>6 cents</u></b>	<u>5 cents</u>

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## Consolidated Balance Sheet

As at 31 March 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	31,741	25,983
Deferred tax assets	10(b)	3,792	2,271
		<u>35,533</u>	<u>28,254</u>
<b>Current assets</b>			
Inventories	19	60,276	44,628
Trade receivables, other receivables, deposits and prepayments	20	64,237	54,507
Bank balances and cash		36,371	29,465
		<u>160,884</u>	<u>128,600</u>
<b>Current liabilities</b>			
Trade payables, accruals and deposits received	21	33,134	15,731
Bills payable		15,671	5,525
Interest bearing borrowing		1,052	–
Current portion of finance lease liabilities	23	159	262
Tax payable		721	457
		<u>50,737</u>	<u>21,975</u>
<b>Net current assets</b>		<u>110,147</u>	<u>106,625</u>
<b>Total assets less current liabilities</b>		<u>145,680</u>	<u>134,879</u>
<b>Non-current liabilities</b>			
Non-current portion of finance lease liabilities	23	39	199
Deferred tax liabilities	10(b)	2,878	1,832
		<u>2,917</u>	<u>2,031</u>
<b>Net assets</b>		<u>142,763</u>	<u>132,848</u>
Financed by:			
Share capital	22	20,000	20,000
Reserves	24(a)	122,763	112,848
<b>Shareholders' funds</b>		<u>142,763</u>	<u>132,848</u>



Tse Sun Po, Tony  
Director



Tse Sun Lung, Alan  
Director

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

As at 31 March 2006

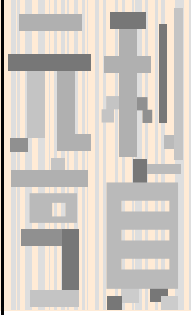
	<i>Note</i>	<b>2006</b> HK\$'000	2005 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	17	<u>90,917</u>	<u>90,917</u>
<b>Current assets</b>			
Amounts due from subsidiaries	18	<b>64,020</b>	65,483
Amount due from ultimate holding company	18	<b>9</b>	4
Tax receivables		<b>104</b>	–
Prepayments and other receivables		<b>152</b>	96
Bank balances and cash		<b>46</b>	75
		<u><b>64,331</b></u>	<u>65,658</u>
<b>Current liabilities</b>			
Accounts payables		–	36
Amounts due to subsidiaries	18	<b>8,745</b>	3,281
		<u><b>8,745</b></u>	<u>3,317</u>
<b>Net current assets</b>		<u><b>55,586</b></u>	<u>62,341</u>
<b>Total assets less current liabilities</b>		<u><b>146,503</b></u>	<u>153,258</u>
Financed by:			
Share capital	22	<b>20,000</b>	20,000
Reserves	24(b)	<b>126,503</b>	133,258
		<u><b>146,503</b></u>	<u>153,258</u>



**Tse Sun Po, Tony**  
*Director*



**Tse Sun Lung, Alan**  
*Director*



# Harmonious

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## Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

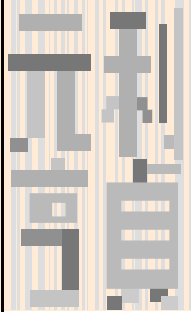
	Total equity	
	2006	2005
	HK\$'000	HK\$'000
At 1 April	<u>132,848</u>	<u>122,711</u>
Exchange difference	(1)	(38)
Gain on revaluation of properties	5,977	–
Deferred tax effect on items recognised directly in equity	<u>(1,046)</u>	<u>–</u>
Net income (loss) directly recognised in equity	4,930	(38)
Dividends	(7,000)	–
Profit for the year	<u>11,985</u>	<u>10,175</u>
At 31 March	<u><u>142,763</u></u>	<u><u>132,848</u></u>

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## Consolidated Cash Flow Statement

For the year ended 31 March 2006

	<i>Note</i>	<b>2006</b> HK\$'000	2005 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Net cash inflow generated from operations	25(a)	<b>19,568</b>	917
Hong Kong profits tax paid		<b>(1,118)</b>	(171)
Net cash inflow from operating activities		<b>18,450</b>	746
<b>INVESTING ACTIVITIES</b>			
Interest received		<b>348</b>	172
Purchase of property, plant and equipment		<b>(4,531)</b>	(4,230)
Proceeds on disposal of property, plant and equipment		–	152
Net cash outflow from investing activities		<b>(4,183)</b>	(3,906)
Net cash inflow/(outflow) before financing		<b>14,267</b>	(3,160)
<b>FINANCING ACTIVITIES</b>			
Interest on bank borrowings		<b>(61)</b>	(17)
Interest element of finance leases		<b>(39)</b>	(36)
Dividends paid		<b>(7,000)</b>	–
Repayment of capital element of finance leases		<b>(261)</b>	(254)
Net cash outflow from financing		<b>(7,361)</b>	(307)
Increase/(decrease) in cash and cash equivalents		<b>6,906</b>	(3,467)
Cash and cash equivalents at the beginning of the year		<b>29,465</b>	32,932
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>		<b>36,371</b>	29,465



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## Notes to the Financial Statements

For the year ended 31 March 2006

### 1. General Information

E. Bon Holdings Limited (“the Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the importing and sale of architectural builders hardware, bathroom and kitchen collections in Hong Kong. The Company is a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its principal place of business is located at 16th – 18th Floors, First Commercial Building, 33 Leighton Road, Causeway Bay, Hong Kong.

### 2. Statement of Compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out in note 3 to the financial statements.

In this year, the Group adopted all the new/revised HKFRS pertinent to its operations, which are effective for accounting period beginning on or after 1 January 2005. The adoption of these HKFRS mainly affects the presentation and disclosures of certain items in financial statements and has no significant financial effects on the current period and prior period presented. The details of major changes in accounting policies are summarised in note 4 to the financial statements.

### 3. Principal Accounting Policies

#### *Basis of preparation*

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of leasehold land and buildings under long lease in Hong Kong.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March, each year. 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 meeting of the board of directors.

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

All inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interest is that part of profit or loss or net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### 3. Principal Accounting Policies (cont'd)

#### *Property, plant and equipment*

Property, plant and equipment, other than leasehold land and buildings in Hong Kong, are stated at cost less accumulated depreciation and accumulated impairment losses.

The leasehold land and buildings in Hong Kong are stated at revalued amount, being the fair value at the date of valuation less accumulated depreciation and accumulated impairment losses. Fair value is determined by independent valuations, which are performed periodically. 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 asset and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to the revaluation reserve.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the period of leases
Buildings	2%
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	20%

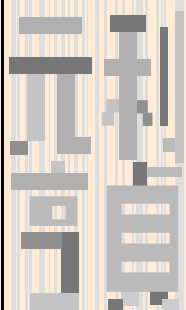
Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

#### *Trade receivables and payables*

Trade receivables and payables are recognised at cost which approximates to their fair values, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

#### *Cash equivalents*

For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.



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## Notes to the Financial Statements

For the year ended 31 March 2006

### 3. Principal Accounting Policies (cont'd)

#### *Revenue recognition*

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with time when the goods are delivered to customers and title has been passed.

Interest income is recognised as the interest accrues, using the effective interest method, to the net carrying amount of the financial asset.

#### *Foreign currency translation*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

#### *Impairment loss*

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

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### 3. Principal Accounting Policies (cont'd)

#### *Impairment loss (cont'd)*

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

#### *Inventories*

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

#### *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.

#### *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

#### *Employee benefits*

##### Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

## Notes to the Financial Statements

For the year ended 31 March 2006

### 3. Principal Accounting Policies (cont'd)

#### *Employee benefits (cont'd)*

##### Long service payment

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

#### *Taxation*

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

#### *Related parties*

A party is related to the Group if

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

#### *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services with a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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### 3. Principal Accounting Policies (cont'd)

#### *Segment reporting (cont'd)*

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Inter-segment pricing are principally on a cost plus basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, borrowings, tax balances, corporate and financing expenses.

#### *Future changes in HKFRS*

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective. The Group has not early adopted these new/revised HKFRS and the directors anticipate that the adoption of these new/revised HKFRS in the future accounting periods will have no material impact on the result of the Group.

### 4. Changes in Accounting Policies

In this year, the Group adopted the following new/revised HKFRS issued by the HKICPA. The comparatives have been amended as required, in accordance with the relevant requirements. The major effects on the changes in accounting policies are summarised below:

(a) HKAS 24 Related party disclosures

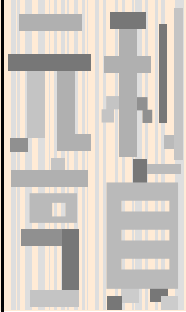
HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures. Comparative figures have been restated accordingly.

(b) HKAS 17 Leases

In prior years, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings should be separated into leasehold land and buildings. The Group's leasehold land should be classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and should be reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. However, since the fair value of the leasehold land cannot be measured separately from the fair value of buildings situated thereon at the inception of the lease and no similar land and buildings are sold or leased separately so that reference to the leasehold land portion can be made, the lease payments cannot be allocated reliably between the land and buildings elements. As such, the entire lease payments are included in the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the results and financial position of the current and prior accounting periods. No prior period adjustments were required.



## Notes to the Financial Statements

For the year ended 31 March 2006

### 5. Significant Accounting Judgements and Estimates

In the process of applying the entity's accounting policies which are described in note 3, management has made the following judgement that have significant effect on the amounts recognised in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key source of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarised below.

#### *Allowance for bad and doubtful debts*

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management's judgment. At the balance sheet date, the accounts receivables, net of provision, amounted to HK\$52,408,000 (2005: HK\$44,943,000). A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

#### *Allowance for inventories*

The Group's management reviews an aging analysis of inventories at each balance sheet date and makes allowance for obsolete and slow-moving inventory items identified that are no longer recoverable. From month nine, a 10% provision is made for each successive month, thereafter until month eighteen when the provision reaches 100%.

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves estimation regarding the future performance of the Group entities in which the deferred tax asset has been recognised. Other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial budgets are reviewed at each balance sheet date to justify their recognition.

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## 6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and notes receivable, other receivables, trade and notes payables, other payables and interest-bearing borrowings. Details of the policies on how to mitigate the risks from these financial instruments are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### *Interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

### *Foreign currency risk*

The Group mainly operates in Hong Kong with most of the sales transactions settled in Hong Kong dollars. However, foreign currencies are required to settle the Group's purchases from overseas suppliers.

### *Credit risk*

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

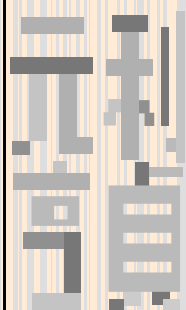
### *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

## 7. Revenues and Turnover

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

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover – sales of goods	<b>223,466</b>	199,090
Other revenue		
Interest income	<b>349</b>	172
Exchange gain	<b>40</b>	–
Total revenues	<b><u>223,855</u></b>	<b><u>199,262</u></b>



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## Notes to the Financial Statements

For the year ended 31 March 2006

### 7. Revenues and Turnover (cont'd)

*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, bathroom and kitchen collections to dealers, traditional hardware stores, contractors and property developers.
- Retail – sale of architectural builders hardware, bathroom and kitchen collections through the Group's retail outlets.

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Segment results		
Turnover		
Wholesale	<b>195,529</b>	173,743
Retail	<b>65,154</b>	63,692
Inter-segment elimination	<b>(37,217)</b>	(38,345)
Total turnover	<b>223,466</b>	199,090
Cost of goods sold		
Wholesale	<b>135,362</b>	116,822
Retail	<b>40,523</b>	39,394
Inter-segment elimination	<b>(37,217)</b>	(38,345)
Total cost of goods sold	<b>138,668</b>	117,871
Gross profit		
Wholesale	<b>60,167</b>	56,921
Retail	<b>24,631</b>	24,298
Total gross profit	<b>84,798</b>	81,219
Other costs, net of other revenues and other income		
Wholesale	<b>(48,733)</b>	(47,508)
Retail	<b>(24,608)</b>	(22,427)
Total other costs, net of other revenues and other income	<b>(73,341)</b>	(69,935)
Segment operating profit		
Wholesale	<b>11,434</b>	9,413
Retail	<b>23</b>	1,871
Total operating profit	<b>11,457</b>	11,284
Finance costs	<b>(100)</b>	(53)
	<b>11,357</b>	11,231
Taxation		
Wholesale	<b>835</b>	(321)
Retail	<b>(207)</b>	(735)
Total profit taxes	<b>628</b>	(1,056)
Profit for the year	<b>11,985</b>	10,175

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## 7. Revenues and Turnover (cont'd)

*Primary reporting format – business segments (cont'd)*

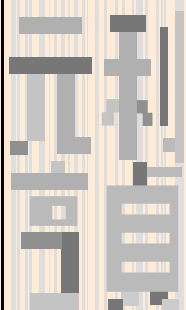
	Group	
	2006 HK\$'000	2005 HK\$'000
Capital expenditure		
Wholesale	303	639
Retail	4,227	3,672
Total capital expenditure	<u>4,530</u>	<u>4,311</u>
Depreciation charged to income statement		
Wholesale	1,539	2,319
Retail	3,210	3,005
Total depreciation charged to the income statement	<u>4,749</u>	<u>5,324</u>
Segment assets		
Wholesale	211,201	200,633
Retail	124,992	100,322
Unallocated	–	30,746
Inter-segment elimination	(139,776)	(174,847)
Total assets	<u>196,417</u>	156,854
Segment liabilities		
Wholesale	75,261	105,720
Retail	118,169	93,133
Unallocated	–	–
Inter-segment elimination	(139,776)	(174,847)
Total liabilities	<u>53,654</u>	24,006
	<u>142,763</u>	<u>132,848</u>

*Secondary reporting format – geographical segments*

No geographical analysis 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.

## 8. Finance Costs

	Group	
	2006 HK\$'000	2005 HK\$'000
Interest on bank borrowings	61	17
Interest element of finance leases	39	36
	<u>100</u>	<u>53</u>



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## Notes to the Financial Statements

For the year ended 31 March 2006

### 9. Profit Before Tax

Profit before tax is stated after charging/(crediting) the following:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Auditors' remuneration		
– current year	470	450
– under provision in last year	–	1
Depreciation of property, plant and equipment	4,749	5,324
Legal and professional fees	732	1,066
Gain on disposal of fixed assets	–	(10)
Net exchange losses	658	38
Payments under operating leases for leasehold land and buildings	20,650	14,845
Provision for doubtful debts	–	2,026
Write-back of provision for doubtful debts	–	(466)
Provision/(write-back) for slow-moving inventories, included in cost of sales	1,180	(2,217)
Staff costs, including directors' emoluments ( <i>note 14</i> )	<u>27,771</u>	<u>26,120</u>

### 10. Taxation

(a) Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year.

	Group	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current year	1,001	336
– over provision in previous year	(108)	(367)
Deferred taxation ( <i>note 10(b)</i> )	(1,521)	1,087
	<u>(628)</u>	<u>1,056</u>

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## 10. Taxation (cont'd)

(b) The movements in the deferred tax liabilities/(assets) account are as follows:

Deferred tax liabilities	Group					
	Accelerated tax depreciation		Revaluation of properties		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	189	–	1,643	1,658	1,832	1,658
Charged/(credited) to income statement/ equity	–	189	1,046	(15)	1,046	174
At the end of the year	<u>189</u>	<u>189</u>	<u>2,689</u>	<u>1,643</u>	<u>2,878</u>	<u>1,832</u>
Deferred tax assets	Tax losses		Others		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At beginning of the year	1,267	2,399	1,004	785	2,271
(Charged)/credited to income statement	1,135	(1,132)	386	219	1,521	(913)
At the end of the year	<u>2,402</u>	<u>1,267</u>	<u>1,390</u>	<u>1,004</u>	<u>3,792</u>	<u>2,271</u>
Deferred tax assets	Company					
	Tax losses					
	2006	2005				
	HK\$'000	HK\$'000				
At beginning of the year	–	146				
Credited to income statement	–	(146)				
At the end of the year	<u>–</u>	<u>–</u>				

Since certain subsidiaries of the Group in which the losses arose started to generate taxable profits in the current year and in the opinion of the directors, it is probable that sufficient taxable profits will be available to utilise the deferred tax assets in the foreseeable future, deferred tax assets are recognised in respect of the unused tax losses.

## Notes to the Financial Statements

For the year ended 31 March 2006

### 10. Taxation (cont'd)

- (c) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the country where the Group principally operates as follows:

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	<u>11,357</u>	<u>11,231</u>
Calculated at a taxation rate of 17.5% (2005: 17.5%)	1,987	1,967
Over provision in prior years	(654)	(367)
Income not subject to taxation	(61)	(91)
Expenses not deductible for taxation purpose	10	8
Utilisation of prior years unrecognised tax losses	(990)	(1,031)
Recognition of previously unrecognised deferred tax assets	(1,719)	–
Derecognised deferred tax assets	613	–
Unrecognised temporary differences	185	495
Unrecognised tax losses	110	86
Differential tax rate on the profit of a PRC subsidiary	(112)	(11)
Others	<u>3</u>	<u>–</u>
Taxation charged to consolidated income statement	<u>(628)</u>	<u>1,056</u>

### 11. Profit for the Year

Included in the profit for the year is a profit of HK\$245,000 (2005: HK\$780,000) which is dealt with in the financial statements of the Company.

### 12. Dividends

	2006 HK\$'000	2005 HK\$'000
Interim dividend of HK1 cent per share	2,000	–
Proposed final dividend of HK 2.5 cents (2005: HK 2.5 cents) per share ( <i>note</i> )	<u>5,000</u>	<u>5,000</u>
	<u>7,000</u>	<u>5,000</u>

*Note:* A final dividend in respect of 2006 of HK2.5 cents (2005: HK2.5 cents) per share amounting to approximately HK\$ 5,000,000 (2005: HK\$5,000,000) has been proposed by the directors after the balance sheet date. The proposed dividend is not accounted for until it has been approved at the annual general meeting.

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### 13. Earnings per Share

The calculation of basic earnings per share is based on the Group's profit for the year of HK\$11,985,000 (2005: HK\$10,175,000) and on the outstanding number of 200,000,000 shares in issue (2005: 200,000,000 shares) during the year.

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

### 14. Staff Costs

	2006 HK\$'000	2005 HK\$'000
Wages and salaries	26,768	25,237
Pension costs – defined contribution plans	1,003	883
	<u>27,771</u>	<u>26,120</u>

### 15. Directors' and Senior Management's Emoluments

#### (a) Directors' remuneration

The aggregate amount of emoluments received or receivable by the directors of the Company are as follows:

#### 2006

	Directors' fees HK\$'000	Salaries and other emoluments HK\$'000	Discretionary bonuses HK\$'000	Total HK\$'000
Executive directors				
Tse Sun Fat, Henry	–	748	37	785
Tse Sun Po, Tony	–	732	70	802
Tse Sun Lung, Alan	–	711	51	762
Wong Tin Cheung, Ricky	–	252	30	282
Lau Shiu Sun	–	478	70	548
Yick Kai Chung	–	672	65	737
Non-executive director				
Mak So	200	–	–	200
Independent non-executive directors				
Leung Kwong Kin, JP	90	–	–	90
Wong Wah, Dominic	90	–	–	90
Wan Sze Chung	70	–	–	70
	<u>450</u>	<u>3,593</u>	<u>323</u>	<u>4,366</u>

## Notes to the Financial Statements

For the year ended 31 March 2006

### 15. Directors' and Senior Management's Emoluments (cont'd)

#### (a) Directors' remuneration (cont'd)

2005

	Salaries and other Discretionary			Total HK\$'000
	Directors' fees HK\$'000	emoluments HK\$'000	bonuses HK\$'000	
Executive directors				
Tse Sun Fat, Henry	–	1,200	30	1,230
Tse Sun Po, Tony	–	1,200	60	1,260
Tse Sun Lung, Alan	–	1,154	24	1,178
Wong Tin Cheung, Ricky	–	385	15	400
Lau Shiu Sun	–	466	38	504
Yick Kai Chung	–	1,128	28	1,156
Non-executive director				
Mak So	300	124	8	432
Independent non-executive directors				
Leung Kwong Kin, JP	90	–	–	90
Wong Wah, Dominic	90	–	–	90
Wan Sze Chung	35	–	–	35
	<u>515</u>	<u>5,657</u>	<u>203</u>	<u>6,375</u>

No directors waived or agreed to waive their emoluments in respect of the years ended 31 March 2006 and 2005.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: one) individual during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Basic salaries and allowances	790	1,157
Retirement scheme contributions	12	12
	<u>802</u>	<u>1,169</u>

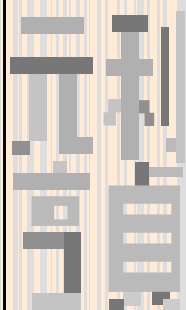
The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2006	2005
HK\$Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	–	1
	<u>1</u>	<u>1</u>

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## 16. Property, Plant and Equipment

	Group					Total
	Land and buildings under long leases in Hong Kong <i>(Note(a))</i> HK\$'000	Land and buildings under long leases in the PRC HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixturess and equipment HK\$'000	Motor vehicles HK\$'000	
Reconciliation of carrying amount – year ended 31 March 2005						
At beginning of year	13,218	1,725	7,561	3,586	1,048	27,138
Additions	–	–	4,042	197	72	4,311
Disposals	–	–	–	–	(142)	(142)
Depreciation	(195)	(36)	(2,913)	(1,877)	(303)	(5,324)
Reclassification	–	–	(1,395)	1,395	–	–
<b>At balance sheet date</b>	<b><u>13,023</u></b>	<b><u>1,689</u></b>	<b><u>7,295</u></b>	<b><u>3,301</u></b>	<b><u>675</u></b>	<b><u>25,983</u></b>
Reconciliation of carrying amount – year ended 31 March 2006						
At beginning of year	13,023	1,689	7,295	3,301	675	25,983
Additions	–	6	4,180	344	–	4,530
Revaluation	5,977	–	–	–	–	5,977
Depreciation	–	(35)	(3,083)	(1,328)	(303)	(4,749)
<b>At balance sheet date</b>	<b><u>19,000</u></b>	<b><u>1,660</u></b>	<b><u>8,392</u></b>	<b><u>2,317</u></b>	<b><u>372</u></b>	<b><u>31,741</u></b>
At 1 April 2005						
Cost/valuation	14,000	1,773	19,765	13,450	1,673	50,661
Accumulated depreciation	(977)	(84)	(12,470)	(10,149)	(998)	(24,678)
	<b><u>13,023</u></b>	<b><u>1,689</u></b>	<b><u>7,295</u></b>	<b><u>3,301</u></b>	<b><u>675</u></b>	<b><u>25,983</u></b>
At 31 March 2006						
Cost/valuation	19,000	1,779	23,945	13,794	1,673	60,191
Accumulated depreciation	–	(119)	(15,553)	(11,477)	(1,301)	(28,450)
	<b><u>19,000</u></b>	<b><u>1,660</u></b>	<b><u>8,392</u></b>	<b><u>2,317</u></b>	<b><u>372</u></b>	<b><u>31,741</u></b>



## Notes to the Financial Statements

For the year ended 31 March 2006

### 16. Property, Plant and Equipment (cont'd)

- (a) The leasehold land and buildings in Hong Kong were revalued by A.G. Wilkinson & Associate, an independent firm of professional valuers, at 30 September 2005 on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve in shareholders' equity (Note 24). The directors are of the opinion that as at the balance sheet date, there is no material change in the carrying value of the assets since 30 September 2005. The carrying amount of the property would have been approximately HK\$3,631,000 (2005: HK\$3,631,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (b) At 31 March 2006, the net carrying amount of property, plant and equipment held by the Group under finance leases amounted to approximately HK\$306,000 (2005: HK\$571,000).

### 17. Investment in Subsidiaries

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	<u>90,917</u>	<u>90,917</u>

Particulars of the subsidiaries as at 31 March 2006 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
<b>Interest held directly:-</b>				
E. Bon (BVI) Holdings Limited	British Virgin Islands	50,000 ordinary shares of US\$1 each	Investment holding in Hong Kong	100 %
<b>Interests held indirectly:-</b>				
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 %

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## 17. 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
<b>Interests held indirectly:- (cont'd)</b>				
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 %
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\$100 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 mainland China	100 %
Bonlex Properties Limited	Hong Kong	9,998 ordinary shares of HK\$1 each	Property holding in mainland China	98 %

## Notes to the Financial Statements

For the year ended 31 March 2006

### 18. Amounts Due from/(to) Subsidiaries and Ultimate Holding Company

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

### 19. Inventories

	Group	
	2006 HK\$'000	2005 HK\$'000
Inventories	90,836	74,007
Less: Provision for slow-moving inventories	(30,560)	(29,379)
	<u>60,276</u>	<u>44,628</u>

At 31 March 2006, the carrying amount of inventories that are carried at fair value less costs to sell amounted to HK\$6,094,000 (2005: HK\$5,258,000).

### 20. Trade Receivables, Other Receivables, Deposits and Prepayments

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

	Group	
	2006 HK\$'000	2005 HK\$'000
0-30 days	24,720	23,730
31-60 days	8,492	3,855
61-90 days	5,281	3,195
Over 90 days	14,376	25,745
	<u>52,869</u>	<u>56,525</u>
Provision for doubtful debts	(461)	(11,582)
	<u>52,408</u>	<u>44,943</u>

The majority of the Group's sales are with credit terms of 30 to 90 days. In some cases, customers may be granted extended credit period of up to 120 days. Certain balances over 90 days old are on letter of credit or document against payment.

### 21. Trade Payables, Accruals and Deposits Received

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

	Group	
	2006 HK\$'000	2005 HK\$'000
0 – 30 days	9,700	4,134
31-60 days	2,429	3,658
61-90 days	2,923	1,015
Over 90 days	1,099	2,110
	<u>16,151</u>	<u>10,917</u>

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## 22. Share Capital

	2006 HK\$'000	2005 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>

## 23. Obligations Under Finance Lease

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Amount payable:				
Within one year	183	300	159	262
In the second to fifth years inclusive	50	235	39	199
	<u>233</u>	<u>535</u>	<u>198</u>	<u>461</u>
Future finance charges	(35)	(74)	–	–
Present value of lease obligations	<u>198</u>	<u>461</u>	<u>198</u>	<u>461</u>

## 24. 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 1 April 2004	41,261	8,355	6,979	2,896	42	43,178	102,711
Exchange difference	–	–	–	–	(38)	–	(38)
Profit for the year	–	–	–	–	–	10,175	10,175
At 31 March 2005	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>4</u>	<u>53,353</u>	<u>112,848</u>
At 1 April 2005	41,261	8,355	6,979	2,896	4	53,353	112,848
Exchange difference	–	–	–	–	(1)	–	(1)
Dividends	–	–	–	–	–	(7,000)	(7,000)
Gain on revaluation of properties	–	5,977	–	–	–	–	5,977
Deferred tax effect on items recognised directly in equity	–	(1,046)	–	–	–	–	(1,046)
Profit for the year	–	–	–	–	–	11,985	11,985
At 31 March 2006	<u>41,261</u>	<u>13,286</u>	<u>6,979</u>	<u>2,896</u>	<u>3</u>	<u>58,338</u>	<u>122,763</u>

## Notes to the Financial Statements

For the year ended 31 March 2006

### 24. Reserves (cont'd)

(b) Company

	Share premium HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1 April 2004	130,078	2,400	132,478
Profit for the year	–	780	780
At 31 March 2005	<u>130,078</u>	<u>3,180</u>	<u>133,258</u>
At 1 April 2005	130,078	3,180	133,258
Profit for the year	–	245	245
Dividend	(7,000)	–	(7,000)
At 31 March 2006	<u>123,078</u>	<u>3,425</u>	<u>126,503</u>

### 25. Notes to Cash Flow Statement

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

	2006 HK\$'000	2005 HK\$'000
Profit before tax	11,357	11,231
Interest cost	100	53
Interest income	(348)	(172)
Depreciation of owned fixed assets	4,484	5,068
Depreciation of fixed assets held under finance leases	265	256
(Gain) on disposal of fixed assets	–	(10)
Operating profit before working capital changes	15,858	16,426
Increase in inventories	(15,648)	(8,450)
Increase in trade receivables, other receivables, deposits and prepayments	(9,240)	(9,280)
Increase in trade payables, accruals and deposits received and bills payable	28,599	2,260
Effect on foreign exchange rate changes, net	(1)	(39)
Net cash inflow from operating activities	<u>19,568</u>	<u>917</u>

(b) Analysis of changes in financing during the year

	Obligations under finance leases	
	2006 HK\$'000	2005 HK\$'000
Balance brought forward	461	634
Repayment of capital element of finance leases	(263)	(254)
Inception of finance leases	–	81
Balance carried forward	<u>198</u>	<u>461</u>

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## 25. Notes to Cash Flow Statement (cont'd)

### (c) Major non-cash transactions

The Group entered into finance lease arrangements in respect of fixed assets with total capital value at the inception of the leases of HK\$nil (2005: HK\$80,000).

## 26. Contingent Liabilities

- (a) In August 2001, a subsidiary of the Company ("the Subsidiary") sued one of its customers ("the Defendant") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered to the Defendant. In September 2001, the Defendant 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 the Defendant and the Subsidiary. The case is now in the stage where the parties' expert reports are to be exchanged and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against the Defendant for the counter-claim and accordingly no provision in respect of the debt due or the amount of the counter-claim has been made in the financial statements of the Group.
- (b) As at 31 March 2006, the Company had guarantees given to certain banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$60,000,000 (2005: HK\$18,200,000).

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31 March 2006 and up to the date of the approval of these financial statements.

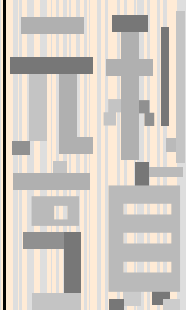
## 27. Commitments

### Commitments under operating leases

As at 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Not later than one year	12,752	15,662
Later than one year and not later than five years	10,418	8,170
	<u>23,170</u>	<u>23,832</u>

At 31 March 2006, the Group had commitments in respect of forward foreign exchange contracts amounting to HK\$ 6,687,339 (2005: Nil).



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## Notes to the Financial Statements

For the year ended 31 March 2006

### 28. 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, and Mr. WONG Tin Cheung, Ricky, has beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL:

Related party relationship	Nature of transaction	Group	
		2006 HK\$'000	2005 HK\$'000
Key management personnel, including directors	Compensation Short-term employee benefits	4,366	6,375
A company under common control by the directors of the Company ( <i>note</i> )	Rental expenses paid to Negotiator Consultants Limited ("NCL")	<u>2,510</u>	<u>2,500</u>

*Note:* NCL is a company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan, and Mr. WONG Tin Cheung, Ricky, have beneficial interests. The rental expenses paid were in the normal course of business at terms mutually agreed between the Group and NCL.

### 29. Approval of Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 14 June 2006.