



E. BON HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
怡 邦 行 控 股 有 限 公 司

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2003

RESULTS

The Board of Directors of E. Bon Holdings Limited (the “Company”) announces that the audited annual results of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2003 are as follows:

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

Notes:

1. **Turnover**
The Group is organised in Hong Kong into two main business segments:
- | | | |
|-----------|---|---|
| Wholesale | – | importing and wholesale of architectural builders hardware and bathroom collections to dealers, traditional hardware stores, contractors and property developers. |
| Retail | – | sale of architectural builders hardware and bathroom collections through the Group's retail outlets. |

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---------------------------------|------------------|------------------|
| Segment results | | |
| Turnover | | |
| Wholesale | 112,184 | 157,504 |
| Retail | 34,990 | 45,631 |
| Inter-segment elimination | (21,988) | – |
| Total turnover | 125,186 | 163,691 |
| Segment operating (loss)/profit | | |
| Wholesale | (13,265) | 3,819 |
| Retail | (9,182) | (930) |
| Total operating (loss)/profit | (22,447) | 2,889 |

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

2. **Operating (loss)/profit**
Operating (loss)/profit is stated after charging depreciation of fixed assets of HK\$4,113,000 (2002: HK\$3,850,000), staff costs, including directors' remunerations of HK\$29,844,000 (2002: HK\$38,980,000)

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

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Hong Kong profits tax | | |
| – current year | 461 | 921 |
| – over provision in previous year | – | (9) |
| Deferred taxation | 41 | (101) |
| | 502 | 811 |

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

The calculation of basis earnings per share for the ended 31 March 2002 was based on the Group's profit for the year of HK\$1,295,000 and on the outstanding number of 200,000,000 shares in issue.

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

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2003 (2002: Nil).

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

RESULTS OF OPERATIONS

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

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

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

WHOLESALES/RETAILS

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

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

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

Financial Resources and Liquidity

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

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

Contingent liabilities

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

- (b) In August 2001, the Subsidiary sued another customers (“Defendant B”) for recovery of an amount of approximately HK\$1,017,000 in respect of goods sold and delivered to Defendant B. In late September 2001, Defendant B filed a counter-claim in a sum of approximately HK\$1,443,000 against the Subsidiary for the alleged losses and damages as a result of the alleged breach of contract by the Subsidiary. The counter-claim amount was further revised to HK\$2,474,691 in April 2003. The proceedings are still in the pleading stage and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against Defendant B for the counter-claim and accordingly no provision in respect of the amount of the counter-claim has been made in the accounts of the Group.

- (c) As at 31st March 2003, the Group had indemnities in respect of performance bonds amounting to approximately HK\$322,000 (2002: HK\$2,152,647) given to certain customers in respect of commitments for the supply of goods to such customers.

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

People

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

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

FUTURE PROSPECTS

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

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

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

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

USE OF PROCEEDS FROM THE PUBLIC OFFERING

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

- (a) Approximately HK\$11.16 million was used for the expansion of distribution network, it mainly represents cost of establishment of new retail outlets and offices in China.
- (b) Approximately HK\$2.33 million was used to enhance existing computer system and software application.
- (c) Approximately HK\$2.87 million was used for securing new distributorships.
- (d) Approximately HK\$13 million was used for working capital including expansion of product range.
- (e) The remaining balance has been placed with banks in Hong Kong as short-term deposits for working capital purposes.

AUDIT COMMITTEE

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

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Group for the year ended 31st March 2003 containing all the information required by paragraphs 45 (1) to 45 (3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 17th July, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IF HEREBY GIVEN that the Annual General Meeting of E. Bon Holdings Limited (“the Company”) will be held at Gemini & Libra Rooms, Level 33, 8 Shelter Street, Rosedale On the Park, Causeway Bay, Hong Kong on the 26th day of the September 2003 at 10:00 a.m. for the following purposes:

- To receive and consider the audited consolidated financial statements, the report of the directors and the report of the auditors for the year ended 31st March, 2003;
- To re-elect Directors and authorize the Board of Directors to fix the Directors' remuneration;
- To re-appoint Auditors and to authorize the Board of Directors to fix their remuneration;
- As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

“**THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company (“Shares”) on The Stock Exchange of Hong Kong Limited be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares to be repurchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:
- “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the articles of association of the Company to be held.”

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

“**THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“Shares”) or securities convertible into Shares and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company as at the date of this Resolution carrying a right to subscribe for or purchase Shares or otherwise convertible into Shares; or (iii) the exercise of the subscription rights under the share option schemes of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly;
- (d) for the purpose of this Resolution:

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

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

“Rights Issue” means an offer of Shares open for a period fixed by the Directors to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

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

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

By Order of the Board
Ip Fu Wa, Benthony
Secretary

Hong Kong, 17th July, 2003

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

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

Notes:

- (a) A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.
- (b) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's branch registrars in Hong Kong, Abacus Share Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting.
- (c) An explanatory statement containing further details regarding Resolutions numbered 4 to 6 above will be sent to shareholders together with the 2003 Annual Report.