



E. BON HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

怡 邦 行 控 股 有 限 公 司

(Stock Code: 599)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2004

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 31 March 2004 are as follows:

		2004	As restated (note 1) 2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	153,897	125,186
Cost of sales		(104,930)	(78,319)
Gross profit		48,967	46,867
Other revenues		264	474
Selling and distribution expenses		(40,974)	(39,312)
Administrative expenses		(22,954)	(30,476)
Operating loss	3	(14,697)	(22,447)
Finance costs		(56)	(46)
Loss before taxation		(14,753)	(22,493)
Taxation	4	874	1,347
Loss for the year		(13,879)	(21,146)
Basic loss per share	5	(7 cents)	(11 cents)

Notes:

1. Basis of preparation

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

In the current year, the Group adopted Statement of Standard Accounting Practice 12 (revised) “Income taxes” (“SSAP 12”) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group’s accounting policies upon the adoption of SSAP 12 are set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As a result of the adoption of the new SSAP 12, opening retained earnings at 1 April 2002 and 2003 have been increased by HK\$708,000 and HK\$2,557,000, respectively, which represent the unprovided net

deferred tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31 March 2003 by HK\$2,160,000 and HK\$1,195,000, respectively. The loss and amount charged to equity for the year ended 31 March 2003 have been reduced by HK\$1,849,000 and increased by HK\$1,592,000, respectively.

2. 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.

	2004 HK\$'000	2003 <i>HK\$'000</i>
Segment results		
Turnover		
Wholesale	136,491	112,184
Retail	41,356	34,990
Inter-segment elimination	(23,950)	(21,988)
	<hr/>	<hr/>
Total turnover	153,897	125,186
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Segment operating loss		
Wholesale	(9,707)	(13,265)
Retail	(4,990)	(9,182)
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Total operating loss	(14,697)	(22,447)
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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.

3. Operating loss

Operating loss is stated after charging depreciation of fixed assets of HK\$4,732,000 (2003: HK\$4,113,000), staff costs, including directors' remunerations of HK\$27,055,000 (2003: HK\$29,844,000).

4. Taxation

Hong Kong profits tax is calculated at the rate of 17.5% (2003: 16%) on the estimated assessable profits for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

	2004 HK\$'000	As restated 2003 HK\$'000
Hong Kong profits tax		
– current year	–	461
– over provision in previous year	19	–
Deferred taxation	(893)	(1,808)
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Taxation credit	(874)	(1,347)
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5. Loss per share

The calculation of basic loss per share for the year ended 31 March 2004 is based on the Group's loss for the year of HK\$13,879,000 (2003 as restated: loss of HK\$21,146,000) and on the outstanding number of 200,000,000 shares in issue during the year.

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 31 March 2004 (2003: Nil).

MANAGEMENTS DISCUSSION AND ANALYSIS

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

Results of Operations

The Group's turnover for the year ended 31 March 2004 was HK\$154 million representing an increase of 23% as compared to last year. The increase was mainly due to the increase in sales of our products in both retail (represents 18.2% increase over last year) and property development projects (represents 77.1% increase over last year) despite the outbreak of SARS during the first half of the year.

The decrease in the Group's gross profit margin from 37.4% to 31.8% was caused mainly by the adverse foreign exchange rate for our import products and by our inability to increase prices due to severe competition for low end products demanded. On the other hand, with the loyal commitment of the part of our staff, we were able to maintain our operation while reducing further the administrative overheads by HK\$7.5 million down to HK\$23 million (2003: HK\$30.5 million).

Wholesales/Retails

The difficulty facing our wholesale and retail operations was worsened by the SARS during the first half of the year, however we were able to increase the volume of sales in the second half of the year when our customers were willing to spend more for improving the drainage and bathroom facilities after the SARS epidemics.

Despite the difficult year for the building industry, the Group has still managed to obtain sales from a number of prestige project developments including Science Park I, Theme park Resort Project in Lantau Island while overseas projects include Les Vegas Sands Casino Macau, Shangri La Hotel in Fuzhou etc.

The retail sales currently contribute 26.9% of the Group's turnover despite the effect of SARS during the first half of the year.

Financial Resources and Liquidity

The Group remains prudent in its financial management, we obtain our supplies mainly by trading on open account or documents

against acceptance. The current ratio and quick ratio are 5.76 (2003: 8.33) and 3.94 (2003: 5.37) respectively, while the cash and bank balances amounted to HK\$32.93 million as at 31 March 2004 (2003: HK\$40.62 million). The Group's gearing ratio (the ratio of total liabilities to the sum of total liabilities and owners' equity) increased to 15.1% as of 31 March 2004 (2003: 10.9%) which is mainly attributable to the increase of trade payable as a result of the increased in sales during the year. In addition, the Group had no bank borrowing as at 31 March 2004.

Except for the effect of foreign currency fluctuation on the Group's gross profit margin which has been discussed in the "Results and Operation" section above, the Group's exposure to foreign currency fluctuation is not material as 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") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered to 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 Defendant and the Subsidiary. The proceedings are still in the pleadings stage and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against Defendant 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) As at 31 March 2004, the Group had indemnities in respect of performance bonds amounting to approximately HK\$29,000 (2003: HK\$322,000) given to a customer in respect of commitments for the supply of goods to such customers.

- (c) As at 31 March 2004, the Company had guarantees given to certain banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$17,000,000.

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31 March 2004 and up to the date of the approval of these accounts.

People

As at 31 March 2004, our loyal workforce remained at 110 (2003: 110 employees). In July 2004, we are pleased to appoint Mr. YICK Kai Chung as an executive director of the Company, Mr. YICK joined the Group in 1979 and has been responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support. In addition, our executive director Mr. MAK So aged 64 was redesignated as a non executive director. The Board would like to thank Mr. Mak for his contribution to the success of the Group and is grateful to have his continuing support as non-executive director.

FUTURE PROSPECTS

The economic recovery of Hong Kong appears to hold on in the first half year of 2004 and the GDP is expected to increase by 5-7% for the year of 2004, we share with the sentiments of most of the businessmen in Hong Kong that Hong Kong will reconfirm itself an international trading logistics and financial center, with its established regulatory framework and other infrastructure, the territory remains competitive when compared with other cities in China for the next few years but the determination of these cities to become a regional hub or center for logistics, aviation and maritime services in the near future would weaken Hong Kong's competitive edge in these services and Hong Kong must readjust its role in the context of the competitions from these cities.

With the new housing policy being recently introduced by the Hong Kong Government, the price of the property market would likely be stable with moderate increase annually in the next three years. This means that the market demand for our products would be relatively stable.

We continue to expand our business in China, and Macau. We set up showroom in Macau, and with our effort, we have now generated more sale in Macau and our customer base includes Les Vegas Sands casino. We are now working on other Macau's development projects., In China , we have now established a further 61 local dealerships for our products since last year, and our coverage includes large cities such as Beijing, Shanghai, Cheungdu and various towns in Guangdong as we note that the level of expenditure have steadily increased in recent years in China due to its high annual growth rate of economic development. We remain optimistic about the continuing development of China economy and the potential business that may be brought in by the 2008 Olympic games in Beijing.

USE OF PROCEEDS FROM THE PUBLIC OFFERING

The company raised approximately HK\$62 Million ("Net Proceeds") from the new issue and placing of shares in early April 2000. During the year the application of the net proceeds by the Group was in compliance with the intended use of proceeds as set out in the Company's prospectus dated 28 March 2000 and the subsequent amendment on 5 August 2002, details of the utilization up to 31 March 2004 are as follows:—

- (a) Approximately HK\$13.56 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 was used for securing new distributorships.
- (d) Approximately HK\$13 million was used for working capital including expansion of product range.

The remaining balance has been placed with banks in Hong Kong as short-term deposits for working capital purposes.

AUDIT COMMITTEE

An audit committee, comprises two independent non-executive directors, namely Mr. Leung Kwong Kin, JP 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 Appendix 14 of the Listing Rules of 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 31 March 2004 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.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises nine Directors, of which six are Executive Directors, namely Messrs. TSE Sun Fat, Henry, TSE Sun Po, Tony, TSE Sun Lung, Alan, WONG Tin Cheung, Ricky, LAU Shiu Sun and YICK Kai Chung, and one is Non-Executive Director, namely MAK So and two are Independent Non-Executive Directors, namely Messrs. LEUNG Kwong Kin, JP and WONG Wah, Dominic.

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

Hong Kong, 13 July 2004

“Please also refer to the published version of this announcement in China Daily”.