



E. BON  
怡邦行

ANNUAL REPORT 2005



**D e t e r m i n e t o P r o f i t**

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# C o n t e n t s

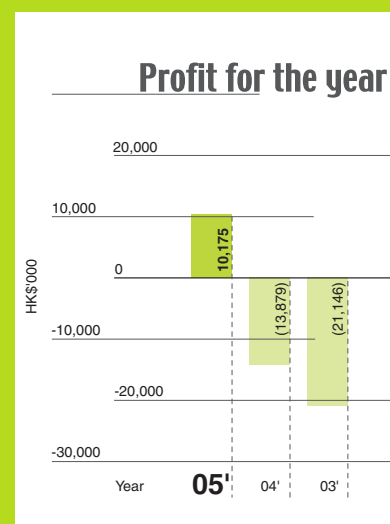
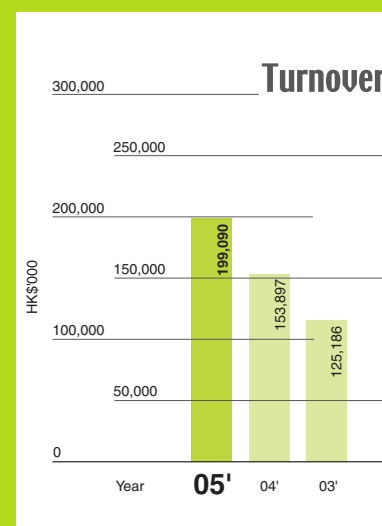


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	As at 31 March	
	2005 HK\$'000	2004 HK\$'000
Net asset value	<u>132,848</u>	<u>122,711</u>
	Year ended 31 March	
	2005 HK\$'000	2004 HK\$'000
Turnover	199,090	153,897
Cost of sales	<u>(117,871)</u>	<u>(104,930)</u>
Gross profit	81,219	48,967
Other revenues	172	264
Selling and distribution expenses	(49,854)	(40,974)
Administrative expenses	<u>(20,253)</u>	<u>(22,954)</u>
Operating profit/(loss)	11,284	(14,697)
Finance costs	<u>(53)</u>	<u>(56)</u>
Profit/(loss) before taxation	11,231	(14,753)
Taxation	<u>(1,056)</u>	874
Profit/(loss) for the year	<u>10,175</u>	<u>(13,879)</u>
Dividend	<u>5,000</u>	<u>NIL</u>
Basic earnings/(loss) per share	<u>5 cents</u>	<u>(7 cents)</u>





Dear Shareholders,

We are pleased to present the annual report for the year ended 31 March 2005.

The present housing policy, has provided a stable private property market, and the number of negative equity owners have been substantially reduced from a peak of around 106,000 cases worth about HK\$165 billion in June 2003 to 19,200 with an aggregate value of HK\$33 billion in December 2004. No doubt, these factors have contributed to the recent recovery of our local economy. This notable improvement in the property market has also encouraged existing property owners to spend more on the improvement of their properties, our retail sales has increased significantly and indeed making positive contribution to our Group's operation which constitutes approximately 35% of the total turnover. The Group has and will continue its effort in expanding the retail trade which not only generates healthy influx of cash on sale, it also helps to reduce surplus inventory arising from project sales.

The bouncing back of the property market since the last quarter 2004 led to the increase in and the sales of luxurious apartments by property developers due to both local demand and overseas investors who are attracted by the introduction of investor immigrants scheme. The total number of transactions registered for private residential properties in the first half of 2004 was 22% higher than that registered in the second half of 2003 and was maintaining at a high level till the first quarter of 2005. We share the view common to the property developers that gradual improvement of labour



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market condition and the growth in private consumption expenditure will help to maintain the property price despite the interest rate which is expected to be on the upward trend.

This year, we have focussed more on our retail business as the number of building projects remains relatively unchanged here in Hong Kong. We have expanded our retail shop “Sunny Pro”, which sells more high end products, in order to provide a more relaxing environment for our prestige customers. We will continue to keep close contact with our existing suppliers and will partner with new and famous designer brand names from Europe, including the new “Varena” Kitchen cabinet collections with are now available and shown in our renowned luxurious ViA shop in Star Street, Hong Kong.

Capturing from our experience in projects such as the Arch, the Legend and Canary West in the nearby districts, we look forward to play more role and participate in the building development in West Kowloon Cultural District and Conventional Centre in Tung Chung as a supplier of building materials in forthcoming years. With our wealth of experience and industry expertise, we are well positioned in capitalise on every arising opportunity.

The grand opening of Disney Land in Hong Kong which has been scheduled for September 2005 is expected to bring in an influx of foreign and mainland visitors in the last quarter of 2005, this will benefit the tourist industry here in Hong Kong. There has been a notable increase in number of renovation hotel projects, these have generated and will continue to generate further project sales in both metal hardware and bathroom accessories for our Group.

While the Closer Economic Partnership Arrangement (CEPA) has little impact to our operations, it has created an optimistic atmosphere for businesses and job market. This couple with the possible development of having Hong Kong as an offshore centre for Renminbi (“RMB”) business as well as the construction of bridges that bring in a closer link to the west of Pearl River Delta Region would strength the overall improvement in our economy.

With 60,000 strong Hong Kong manufacturing enterprises in the Pearl River Delta Region, Hong Kong can become the regional hub for bringing new technology or facilitating the technology upgrading of those products made in this region. We would explore the potential and feasibility of having our own design and brand for some of the building hardware such as digital locks or other home security system. The idea is that the design will be done in Hong Kong while the manufacturing of the products will be made in China for sale in the world market. The project can be done either by working with other Hong Kong technopreneurs or partnering with foreign suppliers.

We will continue to expand our operation in China and Macau. We have achieved a quantum leap of our sale in China from HK\$1 million to HK\$9 million this year over the last year. It is estimated that China will have 8% growth in GDP by the end of this year and will continue at this rate for the next year. We have now established further local dealerships for our products in China since last year which covers major cities from Beijing, Shanghai, Cheungdu to various towns in Guangdong. It is also expected that the approaching of the Olympic Games 2008 to be held in Beijing, and the 2010 World Expo in Shanghai may also bring in more business opportunities in China. It is expected to create a boost in the tourists and hotel industry in the region and we intend to position ourselves in various strategic locations in the region.

In addition to natural disaster in various parts of Asia; adverse effects brought by frequent changes in government policies in previous periods. We also shared the tough experience resulted from economic downturn, higher freight charges and adverse foreign exchange rates against Euro for our imported products. We have at last all ridden through the adversity while maintain our leading position in the industry. As with many other businesses, we remain conservatively optimistic in Hong Kong under the new leadership in Government who has said to commit to work with the private sector for revitalising our economy and we do not expect that there will be any major change of economic policy in Hong Kong for the next 2 years. The gradual increase in interest rate, the high oil price, the trade dispute between China and U.S. and the revaluation of RMB will cloud the future outlook of the Hong Kong economy. We will monitor our operation under these environments closely.

Together with all other members of the Board, I would like to express my gratitude to our principal customers and shareholders for their confidence and support in the group.

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

14 July 2005



## 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\$11.3 million, turning from an operating loss of HK\$14.7 million in 2004. The Group's turnover for the year ended 31 March 2005 was HK\$199 million representing an increase of 29% as compared to last year with 54% and 27% increase in sales over the last year of our retail business and property development projects respectively which is due to the active real estate market as a result of the appropriate policy on land supply and of the economic recovery. During this year, we have managed to reduce our administrative costs by 12% down to HK\$20.2 million while we have been able to maintain our effort in expanding our operations.

Despite the unfavourable foreign exchange rate for our import products, the Group was managed to improve its gross profit margin from 32% to 40% by the change in sales of product mix contributed mainly by the significant increase in our retail business which has a higher profit margin and a relatively higher rate of inventory turnover.

### Wholesales/Retails

The increasing pace of economic recovery in Hong Kong experienced since the last half of 2004 results in the increase in the volume of sales both in the wholesale and retail operations. In September 2004 and February 2005 we expanded 2 further outlets for sales of bathroom accessories and kitchenware. In our project sale operation, we have been supplying our high end products to prestige projects including the Arch, Grand Promenade etc.. The Group will also supply the high end products to projects such as the Legend, Canary West in Hong Kong and La Baie Du Noble of Macau. We are pleased to report that the turnover from China operation jumped from about HK\$1 million last year to HK\$9 million this year. We will continue to expand our China operation sagaciously.

### Financial Resources and Liquidity

The Group remains prudent in its financial management, we obtain our supplies mainly by trading on open accounts or documents against acceptance. The current ratio and quick ratio are 5.85 (2004: 5.76) and 3.82 (2004: 3.94) respectively, while the cash and bank balances amounted to HK\$29 million as at 31 March 2005 (2004: HK\$33 million). The Group's gearing ratio (the ratio of total liabilities to the sum of total liabilities and owners' equity) increases slightly to 15.3% as of 31 March 2005 (2004: 15.1%). In addition, the Group had no bank borrowing as at 31 March 2005 (2004: nil).

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.

## People

As at 31 March 2005, our workforce increased to 125 (2004: 110 employees) as a result of the expansion of our retail operations. In July 2004, We are pleased to appoint Mr. YICK Kai Chung as an executive director of the Company, Mr. YICK who 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 65 was re-designated as a non executive director. The Board would like to thank Mr. MAK for his contribution to the success of the Group and is pleased to have his continue support as non-executive director.





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In September 2004, we have appointed Mr. Wan Sze Chung, who has experience in corporate and personal training, as a member of the Board as an independent non-executive director. Mr. Wan is the Hong Kong Chapter Leader of International Coach Federation (USA).

The Board would like to thank PricewaterhouseCoopers who have been our Auditors for five years since we listed in the Stock Exchange, and for the purpose of good corporate governance, PricewaterhouseCoopers resigned at the Board's request and on 18 March 2005, Messrs. Moores Rowland Mazars were appointed as the auditors of the Group to fill this casual vacancy until the conclusion of the forthcoming annual general meeting. PricewaterhouseCoopers stated that there were no circumstances connected with their resignation which they considered should be brought to the attention to the holders of securities or creditors of the Group.

#### Future Prospects

The economic recovery of Hong Kong is expected to hold on in 2005, with the opening of Disney Theme Park in September this year and the change of the Chief Executive of Hong Kong Special Administrative Region, we share with the sentiments of most of the businessmen in Hong Kong that with the strengthened administrative leadership in the Public sector, the territory remains competitive with other cities in the region for the next few years.

The upholding of the housing policy recently introduced by the Hong Kong Government results in a gradual increase in the property price caused by the increase in demand in the next three years. We are optimistic that the market demand for our products will be on the upward trend.

We continue to expand our business in China, and Macau, we have now generated more sales in Macau and expand further our customer base includes La Baie Du Noble, meanwhile we are now working on other Macau's development projects. In China, we have secured approximately 75 local dealerships for our products since last year, and we are happy to record a large increase in our China sales resulted from the high annual growth rate of economic development in China. We remain optimistic in the continue development of China economy and the potential business that may be brought in by the 2008 Olympic games in Beijing and the 2010 World Expo in Shanghai.

#### 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 for 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 2005 are as follows:—

- a) Approximately HK\$19.56 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 million 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.







## Register office

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

## Head office and principle place of business

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

## Company secretary

IP Fu Wa, Benthony,  
ACA, CPA

## Auditors

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

## Authorised representatives

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

## Hong Kong branch share registrar and transfer office

Abacus Share Registrars Limited  
Ground Floor, BEA Harbour View Centre,  
56 Gloucester Road, Wanchai, Hong Kong

## Cayman Island principal share registrar and transfer office

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

## Legal advisers on Cayman Islands law

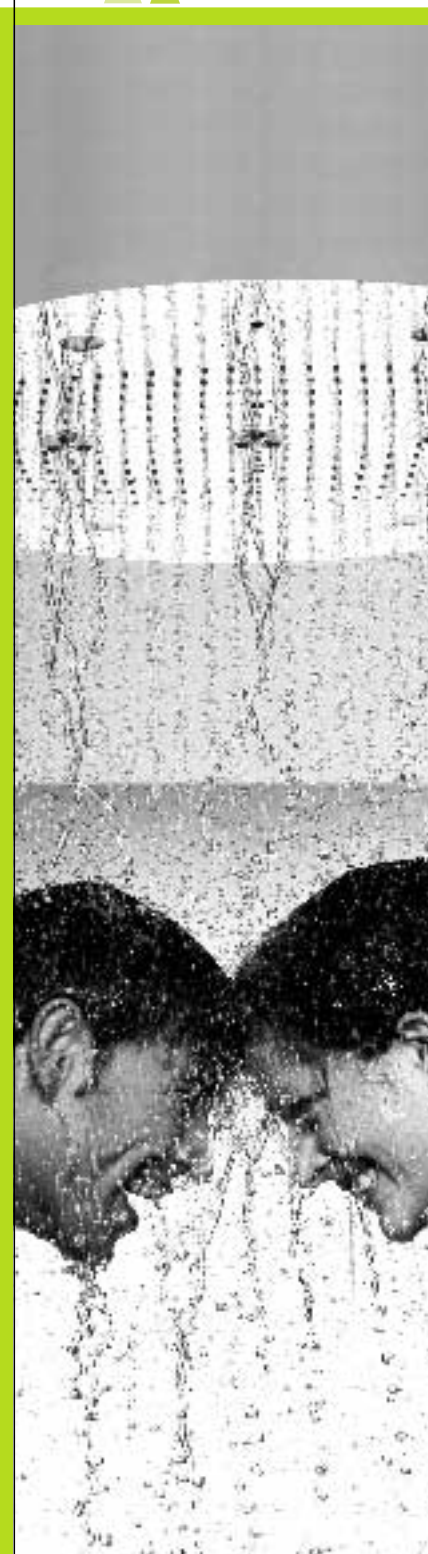
Conyers Dill & Pearman, Cayman  
Century Yard, Cricket Square  
Hutchins Drive, George Town  
Grand Cayman  
British West Indies

## 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  
Shanghai Commercial Bank Limited  
DBS Bank (Hong Kong) Limited





The directors submit their report together with the audited accounts for the year ended 31 March 2005.

#### 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 3 to the accounts.

#### Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 20.

#### 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 2005 (2004: nil) at the forthcoming annual general meeting to be held on 7 September 2005 (the "AGM"). The final dividend, if approved by the members, will be paid on 7 October, 2005 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 of 7 September 2005.

#### Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 20 to the accounts.

#### Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the accounts.

#### Share capital

Details of the share capital of the Company are set out in note 18 to the accounts.

#### Distributable reserves

Distributable reserves of the Company as at 31 March 2005 amounted to HK\$133,258,000. 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 18.

#### Purchase, sale or redemption of shares

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



## Directors

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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 (appointed on 13 July 2004)

Mr. LEUNG Kwong Kin <sup>1</sup> JP

Mr. WONG Wah, Dominic <sup>1</sup>

Mr. WAN Sze Chung (appointed on 27 September 2004)

Mr. MAK So (redesignated as non-executive director with effect from 13 July 2004)

<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 Fat, Henry, Mr. TSE Sun Po, Tony, Mr. LAU Shiu Sun and Mr. WAN Sze Chung, 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

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Each of Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony and Mr. TSE Sun Lung, Alan has entered into a service contract with the Company for a term of three years commencing on 1 March 2000 and continuing thereafter unless terminated by either party with at least three months advance notice in writing.

Each of Mr. MAK So, Mr. WONG Tin Cheung, Ricky and Mr. LAU Shiu Sun has entered into a service contract with the Company for a term of three years commencing on 24 April 2001 and 10 December 2001 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

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

## Directors' benefits from rights to acquire shares or debentures

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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 (the "Stock Exchange") amended the Listing Rules governing share option schemes. The new requirements have come into effect from 1 September 2001 and render some of the provisions of the existing Share Option Scheme no longer applicable.

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

## Directors' interests in shares and underlying shares

As at 31 March 2005, the interests of the directors and executive in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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, to be notified to the Company and the Stock Exchange were as follows:

### *Long position in shares and underlying shares*

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

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

### *Long position in shares of associated corporations*

#### (i) BHGL

Director	Number of ordinary shares held				
	Personal interest	Family interest	Corporate interest	Other interest	Total
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. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.



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

Long position in shares of associated corporations (cont'd)

(ii) Negotiator Consultants Limited ("NCL")

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

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

Save as disclosed above, none of the directors or their associates had, as at 31 March 2005, 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.

Biographical details of directors and senior management

*Executive directors*

Mr. TSE Sun Fat, Henry, aged 48, 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 46, 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.



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

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##### *Executive directors (cont'd)*

Mr. TSE Sun Lung, Alan, aged 38, 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 62, joined the Group in 1979. Mr. WONG was appointed as an executive director of the Company on 24 April 2001, and is also a director of two subsidiaries of the Company and is responsible for the operation of the Group in project management. He has over 25 years of experience in selling building materials and was a civil servant before joining the Group.

Mr. LAU Shiu Sun, aged 38, 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 46, joined the Group in 1979 and is a director of two subsidiaries of the Company. Mr. YICK has over 25 years of experience in building materials industry and is responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support.

##### *Non-executive directors*

Mr. LEUNG Kwong Kin, J.P., aged 58, 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 Chartered Management Institute and the International Institute of Management.

Mr. WONG Wah, Dominic, aged 56, 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 & Yau-matei 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 65, joined the Group in 1993. Mr. MAK was responsible for co-ordinating the sales and marketing activities of the Group. He has over 34 years of experience in the building materials industry. Prior to joining the Group, Mr. MAK worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 27 years. Mr. MAK was redesignated to be a non-executive director with effect from 13 July 2004.



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

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

Mr. WAN Sze Chung, aged 32, 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 a 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 45, 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 48, 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 51, 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 49, 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 56, 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 31, 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 2005, 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
BHGL	140,000,000
Tse Brothers Assets Management Limited ( <i>Note 4</i> )	140,000,000
Messrs. Kelvin K W Cheung & Chu Hei Chun ( <i>Note 4</i> )	140,000,000

*Note 4:* BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by Messrs. Kelvin K W Cheung & Chu Hei Chun (who are the trustee of the Tse's Family Trust). Tse Brothers Assets Management Limited and Messrs. Kelvin K W Cheung & Chu Hei Chun are respectively taken to be interested in these shares under Section 336 of the SFO.

### Management contracts

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

### Major customers and suppliers

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

Purchases	
The largest supplier	10%
Five largest suppliers combined	40%
Sales	
The largest customer	6%
Five largest customers combined	15%

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

### Audit committee

An audit committee, comprising non-executive director Mr. MAK So and two independent non-executive directors namely Mr. LEUNG Kwong Kin J.P., Mr. WONG Wah, Dominic.

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

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

### 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\$883,130 have been dealt with in the profit and loss account of the Group for the year ended 31 March 2005.





#### Connected transactions

The related party transaction as disclosed in note 24 to the accounts for the year ended 31 March 2005 in respect of rental expenses of approximately HK\$2,500,000 paid to Negotiator Consultants Limited ("NCL") also constitutes a connected party transaction. NCL is a fellow subsidiary of 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 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.

#### Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of the Stock Exchange.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Code of Conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors of the Company, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

#### 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 not less than 25% of the Company's issued shares as required under the Listing Rules.

#### Auditors

During the year, the auditors, PricewaterhouseCoopers resigned and Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, were appointed auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Moores Rowland Mazars.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'TSE Sun Fat', written over a light blue background.

**TSE Sun Fat, Henry**

*Chairman*

Hong Kong, 14 July 2005



	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Results</b>					
Profit/(Loss) attributable to shareholders	<u>10,175</u>	<u>(13,879)</u>	<u>(21,146)</u>	<u>1,682</u>	<u>15,534</u>
<b>Assets and liabilities</b>					
Total assets	<u>156,854</u>	144,595	153,231	171,755	218,096
Total liabilities	<u>(24,006)</u>	<u>(21,884)</u>	<u>(16,719)</u>	<u>(14,104)</u>	<u>(60,082)</u>
Shareholders' funds	<u>132,848</u>	<u>122,711</u>	<u>136,512</u>	<u>157,651</u>	<u>158,014</u>

The results, assets and liabilities of the Group for each of the five years ended 31 March 2005 have been prepared on a consolidated basis.



## Moore's 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 accounts on pages 20 to 46 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### Respective responsibilities of directors and auditors

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

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

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We conducted our audit in accordance with Statements of Auditing Standards 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

#### Opinion

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In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 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.

### Moore's Rowland Mazars

*Chartered Accountants*

*Certified Public Accountants*

Hong Kong, 14 July 2005

# Consolidated Profit and Loss Account



# 20

For the year ended 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	3	199,090	153,897
Cost of sales		<u>(117,871)</u>	<u>(104,930)</u>
Gross profit		81,219	48,967
Other revenues	3	172	264
Selling and distribution expenses		<u>(49,854)</u>	<u>(40,974)</u>
Administrative expenses		<u>(20,253)</u>	<u>(22,954)</u>
Operating profit/(loss)	4	11,284	(14,697)
Finance costs	5	<u>(53)</u>	<u>(56)</u>
Profit/(Loss) before taxation		11,231	(14,753)
Taxation	6(a)	<u>(1,056)</u>	<u>874</u>
Profit/(Loss) for the year	7	<u><u>10,175</u></u>	<u><u>(13,879)</u></u>
Dividend	8	<u><u>5,000</u></u>	<u><u>–</u></u>
Basic earnings/(loss) per share	9	<u><u>5 cents</u></u>	<u><u>(7 cents)</u></u>

# Consolidated Balance Sheet



# 21

Annual Report 2005 // www.ebon.com.hk

As at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Fixed assets	12	25,983	27,138
Deferred tax assets	6(b)	2,271	3,184
		<u>28,254</u>	<u>30,322</u>
<b>Current assets</b>			
Inventories	15	44,628	36,177
Trade receivables, other receivables, deposits and prepayments	16	54,507	45,164
Bank balances and cash		29,465	32,932
		<u>128,600</u>	<u>114,273</u>
<b>Current liabilities</b>			
Trade payables, accruals and deposits received	17	15,731	13,693
Bills payable		5,525	5,304
Current portion of finance lease liabilities	19	262	246
Tax payable		457	595
		<u>21,975</u>	<u>19,838</u>
<b>Net current assets</b>		<u>106,625</u>	<u>94,435</u>
<b>Total assets less current liabilities</b>		<u><u>134,879</u></u>	<u><u>124,757</u></u>
<b>Financed by:</b>			
Share capital	18	20,000	20,000
Reserves	20	112,848	102,711
<b>Shareholders' funds</b>		<u>132,848</u>	<u>122,711</u>
<b>Non-current liabilities</b>			
Non-current portion of finance lease liabilities	19	199	388
Deferred tax liabilities	6(b)	1,832	1,658
		<u>134,879</u>	<u>124,757</u>

Tse Sun Po, Tony  
Director

Tse Sun Lung, Alan  
Director



As at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	13	90,917	90,917
Deferred tax assets	6(b)	–	146
		<u>90,917</u>	<u>91,063</u>
<b>Current assets</b>			
Amounts due from subsidiaries	14	65,483	63,226
Amount due from ultimate holding company	14	4	4
Prepayments		96	26
Bank balances and cash		75	42
		<u>65,658</u>	<u>63,298</u>
<b>Current liabilities</b>			
Accounts payables		36	20
Amounts due to subsidiaries	14	3,281	1,863
		<u>3,317</u>	<u>1,883</u>
<b>Net current assets</b>		<u>62,341</u>	<u>61,415</u>
<b>Total assets less current liabilities</b>		<u><u>153,258</u></u>	<u><u>152,478</u></u>
<b>Financed by:</b>			
Share capital	18	20,000	20,000
Reserves	20	133,258	132,478
		<u>153,258</u>	<u>152,478</u>

**Tse Sun Po, Tony**  
Director

**Tse Sun Lung, Alan**  
Director

# Consolidated Statement of Changes in Equity



# 23

Annual Report 2005 // [www.ebon.com.hk](http://www.ebon.com.hk)

*For the year ended 31 March 2005*

	Total equity	
	2005	2004
	HK\$'000	HK\$'000
Balance brought forward	122,711	136,512
Exchange difference	(38)	78
Profit (Loss) for the year	10,175	(13,879)
	<hr/>	<hr/>
Balance carried forward	<u>132,848</u>	<u>122,711</u>

# Consolidated Cash Flow Statement



# 24

For the year ended 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Operating Activities</b>			
Net cash inflow/(outflow) generated from operations	21(a)	917	(4,684)
Hong Kong profit tax paid		(171)	(135)
Net cash inflow/(outflow) from operating activities		<u>746</u>	<u>(4,819)</u>
<b>Investing Activities</b>			
Interest received		172	264
Interest on bank borrowings		(17)	(21)
Interest element of finance leases		(36)	(35)
Purchase of property, plant and equipment		(4,230)	(2,829)
Proceeds on disposal of property, plant and equipment		152	–
Net cash (outflow) from investing activities		<u>(3,959)</u>	<u>(2,621)</u>
Net cash (outflow) before financing		<u>(3,213)</u>	<u>(7,440)</u>
<b>Financing Activities</b>			
Repayment of capital element of finance leases	21(b)	(254)	(246)
Net cash (outflow) from financing		<u>(254)</u>	<u>(246)</u>
Decrease in cash and cash equivalents		(3,467)	(7,686)
Cash and cash equivalents at the beginning of the year		<u>32,932</u>	<u>40,618</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash		<u><u>29,465</u></u>	<u><u>32,932</u></u>





## 1. Statement of compliance

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these HKFRSs but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

A summary of the principal accounting policies adopted by the Group is set out below.

## 2. Principal accounting policies

### (a) 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.

### (b) Consolidation

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

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

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

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

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

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

### (ii) Translation of foreign currencies

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

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.



## 2. Principal accounting policies (cont'd)

### (c) Fixed assets

#### (i) Leasehold land and buildings

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

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

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

#### (ii) Other fixed assets

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

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

### (d) Assets under leases

#### (i) Finance leases

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

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

#### (ii) Operating leases

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

### (e) Inventories

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

### (f) Accounts receivable

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

### (g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.



## 2. Principal accounting policies (cont'd)

### (h) Provisions

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

### (i) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Pension obligations

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

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

### (j) Contingent liabilities and contingent assets

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

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

### (k) Deferred taxation

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.

### (l) Revenue recognition

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

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



2. Principal accounting policies (cont'd)

(m) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(n) *Segment reporting*

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

Segment assets consist primarily of fixed assets, inventories and receivables and mainly exclude operating cash. Segment liabilities comprise operating liabilities and exclude certain corporate borrowings. Capital expenditure comprises additions to fixed assets (note 12).

3. Revenues and turnover

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

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Turnover – sales of goods	<b>199,090</b>	153,897
Other revenue		
Interest income	<b>172</b>	264
Total revenues	<b><u>199,262</u></b>	<b><u>154,161</u></b>

*Primary reporting format – business segments*

The Group is organised in Hong Kong into two main business segments:

Wholesale – importing and wholesale of architectural builders hardware and bathroom collections to dealers, traditional hardware stores, contractors and property developers.

Retail – sale of architectural builders hardware and bathroom collections through the Group's retail outlets.



3. Revenues and turnover (cont'd)

Primary reporting format – business segments (cont'd)

	Group	
	2005 HK\$'000	2004 HK\$'000
Segment results		
Turnover		
Wholesale	173,743	136,491
Retail	63,692	41,356
Inter-segment elimination	(38,345)	(23,950)
Total turnover	199,090	153,897
Cost of goods sold		
Wholesale	116,822	102,431
Retail	39,394	26,449
Inter-segment elimination	(38,345)	(23,950)
Total cost of goods sold	117,871	104,930
Gross profit		
Wholesale	56,921	34,060
Retail	24,298	14,907
Total gross profit	81,219	48,967
Other costs, net of other revenues and other income		
Wholesale	(47,508)	(43,767)
Retail	(22,427)	(19,897)
Total other costs, net of other revenues and other income	(69,935)	(63,664)
Segment operating profit/(loss)		
Wholesale	9,413	(9,707)
Retail	1,871	(4,990)
Total operating profit/(loss)	11,284	(14,697)
Finance costs	(53)	(56)
Total operating profit/(loss) after finance cost	11,231	(14,753)
Taxation		
Wholesale	(321)	(298)
Retail	(735)	1,172
Total taxation	(1,056)	874
Profit/(Loss) for the year	<u>10,175</u>	<u>(13,879)</u>



3. Revenues and turnover (cont'd)

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Capital expenditure		
Wholesale	639	354
Retail	3,672	2,475
Total capital expenditure	<u>4,311</u>	<u>2,829</u>
Depreciation charged to profit and loss account		
Wholesale	2,319	1,904
Retail	3,005	2,828
Total depreciation charged to the profit and loss account	<u>5,324</u>	<u>4,732</u>
Segment assets		
Wholesale	200,633	146,592
Retail	100,322	52,679
Unallocated	30,746	32,932
Inter-segment elimination	(174,847)	(87,608)
Total assets	<u>156,854</u>	144,595
Segment liabilities		
Wholesale	105,720	61,036
Retail	93,133	48,456
Unallocated	–	–
Inter-segment elimination	(174,847)	(87,608)
Total liabilities	<u>24,006</u>	21,884
	<u>132,848</u>	<u>122,711</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.



4. Operating profit/(loss)

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration		
– current year	450	600
– under provision in last year	1	32
Depreciation of owned fixed assets	5,317	4,483
Depreciation of fixed assets held under finance leases	7	249
Legal and professional fee	1,066	1,348
(Gain)/Loss on disposal of fixed assets	(10)	722
Net exchange losses/(gains)	38	(837)
Payments under operating leases for leasehold land and buildings	14,845	15,626
Provision for doubtful debts	2,026	1,047
Write-back of provision for doubtful debts	(466)	(466)
(Write-back of provision)/Provision for slow-moving inventories, included in cost of sales	(2,217)	6,190
Staff costs, including directors' emoluments ( <i>note 11</i> )	<u>26,120</u>	<u>27,055</u>

5. Finance costs

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank borrowings	17	21
Interest element of finance leases	<u>36</u>	<u>35</u>
	<u>53</u>	<u>56</u>



6. Taxation

(a) Hong Kong profits tax is calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

	Group	
	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
– current year	336	–
– over (under) provision in previous year	(367)	19
Deferred taxation ( <i>note 6(b)</i> )	1,087	(893)
	<u>1,056</u>	<u>(874)</u>

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

Deferred tax liabilities	Group					
	Accelerated tax depreciation		Revaluation of properties		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	–	–	1,658	1,527	1,658	1,527
Charged/(credited) to profit and loss account	189	–	(14)	131	174	131
At the end of the year	<u>189</u>	<u>–</u>	<u>1,643</u>	<u>1,658</u>	<u>1,832</u>	<u>1,658</u>





6. Taxation (cont'd)

(b) (cont'd):

Deferred tax assets	Group					
	Tax losses		Others		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	2,399	1,695	785	465	3,184	2,160
(Charged)/credited to profit and loss account	(1,132)	704	219	320	(913)	1,024
At the end of the year	<u>1,267</u>	<u>2,399</u>	<u>1,004</u>	<u>785</u>	<u>2,271</u>	<u>3,184</u>

Deferred tax assets	Company	
	Tax losses	
	2005 HK\$'000	2004 HK\$'000
At beginning of the year	146	146
(Charged) to profit and loss account	(146)	—
At the end of the year	<u>—</u>	<u>146</u>

The Group has not recognised deferred tax assets in respect of tax losses carried forward of HK\$18,059,000 (2004: HK\$29,091,000). The tax losses do not expire under the current legislation.



6. Taxation (cont'd)

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

	2005 HK\$'000	2004 HK\$'000
Profit (Loss) before taxation	11,231	(14,753)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	1,967	(2,582)
(Over)/Under provision in prior years	(367)	19
Income not subject to taxation	(91)	(46)
Expenses not deductible for taxation purpose	8	10
Utilisation of prior years unrecognised tax losses	(1,031)	–
Unrecognised temporary differences	495	–
Unrecognised tax losses	86	1,809
Differential tax rate on the profit of a PRC subsidiary	(11)	(25)
Increase in opening net deferred tax assets resulting from an increase in tax rate	–	(59)
Taxation charged/(credited) to profit and loss account	<u>1,056</u>	<u>(874)</u>

7. Profit for the year

Included in the profit for the year is a profit of HK\$780,000 (2004: HK\$184,000) which is dealt with in the accounts of the Company.



8. Dividend

	2005 HK\$'000	2004 HK\$'000
Proposed final dividend of HK2.5 cents (2004: nil) per share ( <i>note</i> )	5,000	–
	<u>5,000</u>	<u>–</u>

*Note:* A final dividend in respect of 2005 of HK2.5 cents (2004: nil) per share amounting to approximately HK\$5,000,000 (2004: nil) 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.

9. Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit for the year of HK\$10,175,000 (2004: loss of HK\$13,879,000) and on the outstanding number of 200,000,000 shares in issue (2004: 200,000,000 shares) during the year.

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

10. Staff costs

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	25,237	25,894
Pension costs – defined contribution plans	883	1,161
	<u>26,120</u>	<u>27,055</u>



11. Directors' and senior management's emoluments

(a) Directors' remuneration

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Fees (i)	215	240
Other emoluments		
– Basic salaries and allowances	6,084	6,616
– Retirement scheme contributions	76	82
	<u>6,375</u>	<u>6,938</u>

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

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
HK\$Nil – HK\$1,000,000	6 <sup>1</sup>	6 <sup>1</sup>
HK\$1,000,001 – HK\$1,500,000	4	–
HK\$1,500,001 – HK\$2,000,000	–	3
	<u>        </u>	<u>        </u>

<sup>1</sup> These include the three independent non-executive directors.

No director waived or agreed to waive their emoluments in respect of the years ended 31 March 2005 and 2004.



11. Directors' and senior management's emoluments

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: two) individual during the year are as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Basic salaries and allowances	1,157	2,880
Retirement scheme contributions	12	24
	<u>1,169</u>	<u>2,904</u>

The emoluments fell within the following bands:

**Emolument bands**

	<b>Number of individuals</b>	
	<b>2005</b>	2004
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>2</u>



12. Fixed Assets

	Group					Total
	Land and buildings under long leases in Hong Kong	Land and buildings under long leases in the PRC <i>(Note (b))</i>	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation						
At 1 April 2004	14,000	1,773	20,512	14,730	2,913	53,928
Additions	–	–	4,042	197	72	4,311
Disposals	–	–	(4,789)	(1,477)	(1,312)	(7,578)
<b>At 31 March 2005</b>	<b>14,000</b>	<b>1,773</b>	<b>19,765</b>	<b>13,450</b>	<b>1,673</b>	<b>50,661</b>
Accumulated depreciation						
At 1 April 2004	782	48	12,951	11,144	1,865	26,790
Charge for the year	195	36	2,913	1,877	303	5,324
Reclassification	–	–	1,395	(1,395)	–	–
Disposals	–	–	(4,789)	(1,477)	(1,170)	(7,436)
<b>At 31 March 2005</b>	<b>977</b>	<b>84</b>	<b>12,470</b>	<b>10,149</b>	<b>998</b>	<b>24,678</b>
Net book value						
<b>At 31 March 2005</b>	<b>13,023</b>	<b>1,689</b>	<b>7,295</b>	<b>3,301</b>	<b>675</b>	<b>25,983</b>
At 31 March 2004	13,218	1,725	7,561	3,586	1,048	27,183
The analysis of the cost or valuation of the above assets at 31 March 2005 is as follows:						
At cost	–	1,773	19,765	13,450	1,673	36,661
At 2000 professional valuation <i>(note a)</i>	14,000	–	–	–	–	14,000
	<b>14,000</b>	<b>1,773</b>	<b>19,765</b>	<b>13,450</b>	<b>1,673</b>	<b>50,661</b>

- (a) The leasehold land and buildings were revalued by Vigers Hong Kong Limited, an independent firm of professional valuers, at 31 January 2000 on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve in shareholders' equity (Note 20). The directors are of the opinion that there was no material change in the carrying value of the assets since the date of the previous valuation. The carrying amount of the property would have been approximately HK\$3,631,000 (2004: HK\$3,717,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (b) The directors have reviewed the carrying value of the properties in the PRC as at 31 March 2005 and are of the opinion that there was no material difference between the cost of the property acquired by the Group during the year and the carrying value of the asset as at 31 March 2005.
- (c) At 31 March 2005, the cost less accumulated depreciation of fixed assets held by the Group under finance leases amounted to approximately HK\$571,000 (2004: HK\$747,000).



**13. Investment in Subsidiaries**

	<b>Company</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Unlisted shares/investments, at cost	<b>90,917</b>	90,917

Particulars of the subsidiaries as at 31 March 2005 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 %
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 %



13. 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:-</b>				
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	Importing and sale of architectural builders hardware in mainland China	100 %
Bonlex Properties Limited	Hong Kong	9,998 ordinary shares of HK\$1 each	Property holding in mainland China	98 %

14. Amounts due from/(to) Subsidiaries and Ultimate Holding Company

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



15. Inventories

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Inventories	74,007	67,773
Less: Provision for slow-moving inventories	<u>(29,379)</u>	<u>(31,596)</u>
	<b><u>44,628</u></b>	<b><u>36,177</u></b>

At 31 March 2005, the carrying amount of inventories that are carried at net realisable value amounted to HK\$5,258,000 (2004: HK\$5,620,000).

16. Trade Receivables, Other Receivables, Deposits and Prepayments

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

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	23,730	11,293
31-60 days	3,855	6,821
61-90 days	3,195	3,142
Over 90 days	<u>25,745</u>	<u>26,001</u>
	<b>56,525</b>	47,257
Provision for doubtful debts	<u>(11,582)</u>	<u>(12,332)</u>
	<b><u>44,943</u></b>	<b><u>34,925</u></b>

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



17. Trade Payables, Accruals and Deposits Received

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	4,134	6,289
31-60 days	3,658	3,294
61-90 days	1,015	866
Over 90 days	2,110	355
	10,917	10,804
	10,917	10,804

18. Share Capital

	Group	
	2005	2004
	HK\$'000	HK\$'000
<i>Authorised</i>		
1,000,000,000 ordinary shares at HK\$0.1	100,000	100,000
<i>Issued and fully paid</i>		
200,000,000 ordinary share at HK\$0.1	20,000	20,000



19. Non-current Liabilities

Obligations under finance leases:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amount payable:				
Within one year	300	280	262	246
In the second to fifth years inclusive	235	443	199	388
	<u>535</u>	<u>723</u>	<u>461</u>	<u>634</u>
Future finance charges	(74)	(89)	–	–
	<u>461</u>	<u>634</u>	<u>461</u>	<u>634</u>
Present value of lease obligations	<u><u>461</u></u>	<u><u>634</u></u>	<u><u>461</u></u>	<u><u>634</u></u>

20. Reserves

(a) Group

	Share premium	Revaluation reserve	Merger reserve	Capital reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	41,261	8,355	6,979	2,896	(36)	57,057	116,512
Exchange difference	–	–	–	–	78	–	78
Loss for the year	–	–	–	–	–	(13,879)	(13,879)
	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>42</u>	<u>43,178</u>	<u>102,711</u>
At 31 March 2004	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>42</u>	<u>43,178</u>	<u>102,711</u>
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
	<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 31 March 2005	<u><u>41,261</u></u>	<u><u>8,355</u></u>	<u><u>6,979</u></u>	<u><u>2,896</u></u>	<u><u>4</u></u>	<u><u>53,353</u></u>	<u><u>112,848</u></u>



20. Reserves (cont'd)

(b) Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2003	130,078	2,216	132,294
Profit for the year	—	184	184
	<u>130,078</u>	<u>2,400</u>	<u>132,478</u>
At 31 March 2004	130,078	2,400	132,478
Profit for the year	—	780	780
	<u>130,078</u>	<u>3,180</u>	<u>133,258</u>
At 31 March 2005	130,078	3,180	133,258

21. Notes to Cash Flow Statement

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

	2005 HK\$'000	2004 HK\$'000
Operating profit/(loss)	11,284	(14,697)
Interest income	(172)	(264)
Depreciation of owned fixed assets	5,068	4,483
Depreciation of fixed assets held under finance leases	256	249
(Gain)/Loss on disposal of fixed assets	(10)	722
	<u>16,426</u>	<u>(9,507)</u>
Operating profit/(loss) before working capital changes	16,426	(9,507)
(Increase)/Decrease in inventories	(8,450)	7,001
(Increase) in trade receivables, other receivables, deposits and prepayments	(9,280)	(7,652)
Increase in trade payables, accruals and deposits received and bills payable	2,260	5,396
Effect on foreign exchange rate changes, net	(39)	78
	<u>917</u>	<u>(4,684)</u>
Net cash inflow/(outflow) from operating activities	917	(4,684)



21. Notes to Cash Flow Statement (cont'd)

(b) Analysis of changes in financing during the year

	Obligations under finance leases	
	2005 HK\$'000	2004 HK\$'000
Balance brought forward	634	880
Repayment of capital element of finance leases	(254)	(246)
Balance carried forward	<u>380</u>	<u>634</u>

(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\$80,000. No finance leases were entered into by the Group last year.

22. 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 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 the 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 2005, the Company had guarantees given to certain banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$18,200,000 (2004: HK\$17,000,000).

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31 March 2005 and up to the date of the approval of these accounts.



23. Commitments

Commitments under operating leases

As at 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Not later than one year	15,662	15,240
Later than one year and not later than five years	8,170	11,142
	<u>23,832</u>	<u>26,382</u>

The Company did not have any capital or operating lease commitments at 31 March 2005 (2004: Nil).

24. 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 have beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Rental expense paid to NCL	<u>2,500</u>	<u>2,500</u>

25. Ultimate Holding Company

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

26. Approval of Accounts

The accounts were approved by the board of directors on 14 July 2005.