

Financial Highlights

	2001	2000
Turnover (HK\$'000)	281,564	294,128
Profit attributable to shareholders (HK\$'000)	15,205	42,736
Basic earnings per share (HK cents)	8	31
Proposed final dividend per share (HK cents)	1	1
Net asset value (HK\$'000)	159,283	90,917
	Year ended 31st March	
	2001	2000
	HK\$'000	HK\$'000
Turnover	281,564	294,128
Cost of sales	(174,103)	(177,310)
Gross profit	107,461	116,818
Other revenues	3,791	2,120
Selling and distribution expenses	(52,090)	(41,349)
Administrative expenses	(37,410)	(24,043)
Operating profit	21,752	53,546
Finance costs	(2,726)	(2,897)
Profit before taxation	19,026	50,649
Taxation	(3,821)	(7,913)
Profit attributable to shareholders	<u>15,205</u>	<u>42,736</u>
Dividends	<u>8,000</u>	<u>71,683</u>
Basic earnings per share	<u>8 cents</u>	<u>31 cents</u>



“ The first year of millennium brought with it challenge in our business. The sluggish economy in Hong Kong has resulted in and remained as a single challenge for all businesses in Hong Kong. ”





Dear Shareholders,

We would like to present the annual report for the year ended 31st March, 2001.

We all have witnessed the slow downturn of the global economy in the second quarter of 2000 after what appeared to be a phenomenal growth in the 90's with economy built and led by the technology industry in the world.

The first quarter of the year 2001 appeared to be heading for a bright prospects for the future with 2.3% growth in GDP for Hong Kong as published by the Hong Kong SAR Government. However, the increased pessimism for the US economy creates the uncertainty which resulted in the dimming the global economic environment in the months that follow. The forecast of GDP growth for 2001 as a whole was lowered further, as announced by the Hong Kong SAR Government to just 1% in real terms in August this year.

The external economic environment is dimmed further by the further downturn in the US economy after September 11 event which will, no doubt, retard any further growth in Hong Kong and in most of the other East Asian economies. The consumer confidence and the consumer spending was dampened by concern over deterioration in the external economic environment for the months to come and the slump in global demand for consumer goods resulted in an almost across-the-

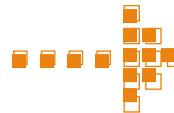
board fall-off in Hong Kong exports and re-exports. Hong Kong tourism would also be greatly affected.

It is well documented that approximately 200,000 units have been considered as negative assets, which are owned by the hard hit middle class of Hong Kong, whose hard work has contributed a lot to the growth of the Hong Kong economy in the past decade. They were the driving force for the building sectors as they tended to move to a larger and better apartment, after achieving a good financial gain, leaving their previous smaller units for those who we coined the "first time home buyers".

This would not happen until the predicament of the negative asset home owners have been eased and they have regained confidence on the property market and also have financial power to do so. This may take years to come.

The confusing housing policy in Hong Kong in the past few years added further uncertainty and confusing signal to the property market and the sales market for residential property continued to be slack during most of the year 2001 albeit there is an ample supply of new flats coming on the local market offering a greater variety of price discounts, cash rebates, top-up loans, mortgage subsidies and preferential mortgage rates coupled with the local interest rate cuts.





Our business has always been concentrated in the supply of the sanitary wares, ironmongery and the associated products for building projects and our turnover will inevitably follow the business trend of the local building industry.

According to the statistics provided by the Government, expenditure on building and construction registered only a marginal growth, at 0.1% in real terms in the second quarter of 2001 over a year earlier, following a 1.2% decline in the first quarter. In the public sector, activity remained relatively unchanged in overall terms for this year, but it is expected that there would be a sharp decline in output from the Public Housing Programme following the Government's recent announcement on the cutback on the sale of the public housing after the sluggish sale of the private building sector.

During the past financial year, our Group has managed to maintain the turnover despite the economic uncertainty.

While our business base and strength has always been strong in Hong Kong, we must look into other markets and opportunities as we have noted that the business environment in Hong Kong has changed dramatically since 1997 and the business has been conducted differently. The mutual trust among the business partners and other companies have been doubted and questioned

largely due to the difficult financial environment in local market. We recognise that it is necessary to review the strategic direction of all our operating units on a regular and frequent basis.

We have introduced a set of strategies by restructuring the Hong Kong operation as announced in June this year in order to streamline our operation and to identify other business opportunities which will create share value for our shareholders. The economy in Mainland China has been relatively better out performed in this region together with the entry of Mainland China into WTO, Mainland China has always been our focal point for the expansion of our business.

In addition to the business which we are currently carrying on, we will build distribution networks in Mainland China, Hong Kong and other countries in Asian region, which would form the basis of our new strategic direction by acting as an exclusive distribution agent for the world quality building hardwares manufacturers and suppliers. A separate wholly owned subsidiary will be formed for the purpose of carrying out business as an exclusive distribution agent for each brand of products. As before, we will only distribute products which we believe originated from the brand owners and/or their licensed manufacturers and will continue to provide warranty and quality after sale services to the products distributed by us.

Our largest source of revenue and profits is the building project business, with new strategic directions, we would capitalise opportunity to develop our retail operation and our distribution business in Hong Kong and to reach a bigger market beyond Hong Kong. Our goal is to be the market leader for the distribution of the quality buildings hardwares supplier in Hong Kong and gradually expand into Mainland China and other market in the region. We will invest in resources that will maintain the supply of the quality of our products and services to the building industry and to succeed in a rapidly changing business environment.

We, in the business community, have been well aware of the difficult economic environment in the years ahead, no company would be immune from the financial impact due to the downturn of the global economy. Some conservative financial analysts considered that we are now at the brink of the economic recession despite 8 successive interest rates cut accumulated to a total of 3.5% up to now since the beginning of 2001 by the Federal Reserve Board of U.S.A. We must accept the new challenge ahead of us. We will formulate and restructure our business in order to cope with the situations as they arise and will be better prepared ourselves in order to capitalise any



business opportunity when we have the recovery of the economy.

As reflected on our achievements in the difficult business operating environment during the past year, I want to thank our management and staff for their exceptional efforts and our principals, customers and shareholders for their confidence and for their continuing support.

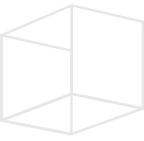
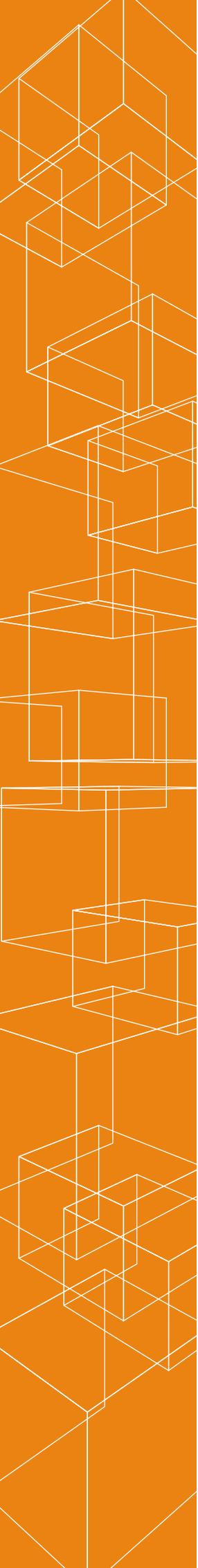


TSE Sun Fat, Henry

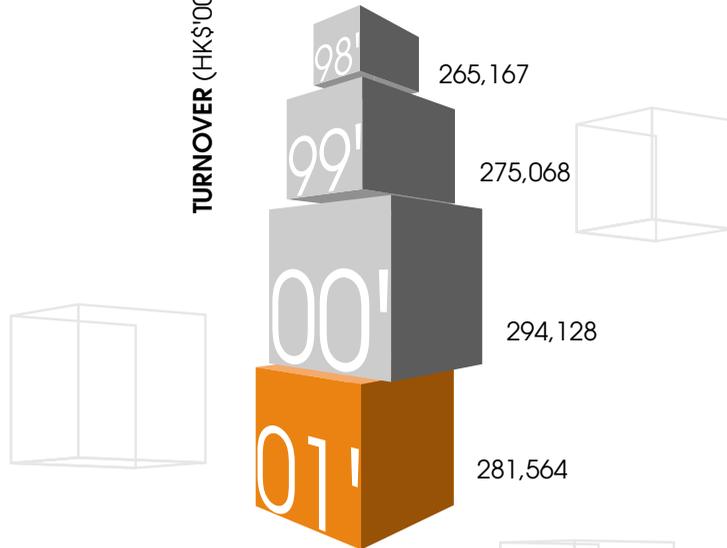
Chairman

3rd October 2001

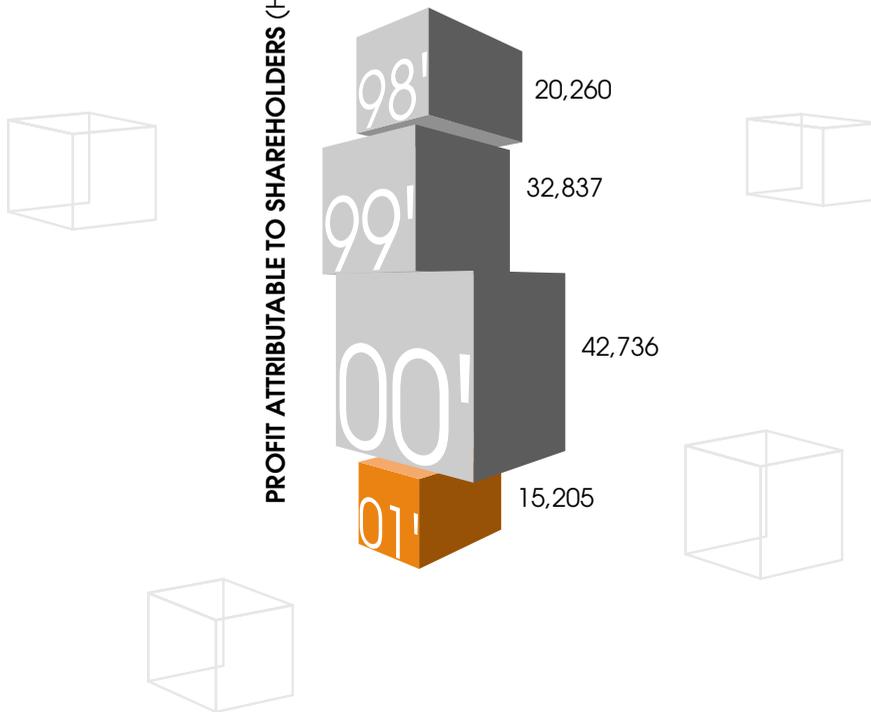




TURNOVER (HK\$'000)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK\$'000)



Management Discussion and Analysis





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

Results of Operations

The Group's turnover for the year ended 31st March 2001 was HK\$281,564,000, representing a decrease of 4.3% as compared to last year, the decrease was mainly due to the decrease of sales of our products to property development projects (6% decrease in sales over last year) which was highly affected by the slowdown of the property market and overall economic environment during the year.

year, which involved additional HK\$1,300,000 of rental expenses.

- Increase by 105%, compared to last year in promotion and marketing expenses through enhancement of advertisement in various media, increase in printing of promotion materials and supplying promotion light boxes to local distributors.
- Increase of staff costs of HK\$8,436,000 over last year including discretionary bonuses to certain directors and staff.

It is noted that the profit after tax attributable to shareholders has dropped by 64.4% to HK\$15,205,000.



The gross profit margin decreased by 1.5% compared with last year mainly due to the provision for slow moving inventories in the sum of HK\$4,857,000 made during the year.

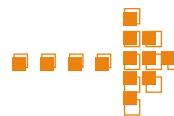
There is an increase of selling and administrative expenses by approximately 36.9%, the increase was contributed by several factors including:

- Rental payment for the total sum of HK\$2,736,000 for the leasing of office and major warehouses and also for the 2 new retail outlets which were set up during the

With regard to the case referred to in the company's announcements dated 27th April 2001 and 7th June 2001, the directors advise that there has been no further development on that case and the directors are of the view that the case will have no material impact on the group's operations.

Sales to Property Development Projects

During the year, the supply of architectural builders hardware and bathroom collection to property development projects in Hong Kong was still the



main stream of principal business of the Group, representing over 68% of turnover, the downturn of the property market has affected the sales of the aforesaid products to the property development sector for the year 2000 which has dropped approximately 6%.



The confusing Housing Policy in Hong Kong in recent years, has affected the confidence of the potential buyers who would adopt the wait and see policy while those who own the negative asset would not have any financial resource and confidence to enter into the property market now, together with the slowdown of global economy and the increasing unemployment rate, all contribute to the sluggish sale of the property and most of the development projects were inevitably delayed in response to the demand situation. As at 31st March 2001, the Group has outstanding sales contracts of approximately HK\$57 million for supplying products to the property development projects.

At this stage, no sign of recovery in local property market could have been noted.



Wholesales and Retails

The sales from wholesaling business represented approximately 16% of total turnover, the major customers include dealers, traditional hardware stores and department stores. The sales from wholesaling dropped by 6.2% for the year ended 31st March 2001, which is also affected by the unfavourable economic environment.

In response to the new difficult business environment, with the housing and building industry get the hardest hit, we have formulated a new

strategic direction as mentioned in the Chairman's Statement. Upon entering into a sole and exclusive agency and distribution agreement, a wholly owned subsidiary, Bonco Ironmongery Limited, was established in May 2001 exclusively for the distribution of all Bonco products and products bearing the mark "Bonco" for the Territory of Mainland China, Hong Kong SAR and Macau SAR. We will continue to form a separate wholly owned subsidiary for the purpose of distributing hardwares for any particular brand products which the Company has been granted a sole and exclusive distributing rights.

In addition, expanding the retail network is one of the major strategic plans of the Group, two H2O (Pro) retail outlets have been set up during the year and some existing retails shop have been refurbished, the sales from retailing therefore increased by 22.9%. However, the initial set up cost incurred and the increase of refurbishing costs and overhead were not totally absorbed by the increase of retail sales during the year, the management expects that the profitability from such expansion will be reflected when those retail outlets have established their image and become well known to customers.

Financial Resources and Liquidity

To facilitate a swift response to investment opportunities, a significant level of liquidity is retained. The current ratio and quick ratio were 3.56 and 2.86 respectively as at 31st March 2001, both marked an increase compared to last year. As at 31st March 2001, the Group had cash and bank balance of HK\$65 million.





As a result of decrease of bank borrowings during the year, the gearing ratio was 27.68% as at 31st March 2001, which is calculated on the basis of the Group's total bank borrowings over shareholders' funds.

As the Group's borrowings and cash balances are primarily denominated in Hong Kong Dollars, the Group has no significant exposure to foreign currency fluctuations. In addition, the Group adopts hedging policies to minimize unfavourable exchange risk.

As 31st March 2001, the Group had capital commitments contracted but not provided for in respect of the purchase of computer software amounting to HK\$900,000.

In August 2001, a subsidiary of the Company 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 (the "Counter-claim") on that subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between the Defendant and that subsidiary. The proceedings are still in an early 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.

As at 31st March 2001, the Group had indemnities in respect of performance bonds amounting to approximately HK\$2,926,000 given to certain customers in respect of commitments for the supply of goods to such customers.

Apart from the above, the Group had no material contingent liabilities as at 31st March 2001.

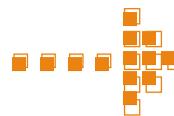
People

As part of group restructuring, Mr Wong Tin Cheung, Ricky and Mr Mak So have been appointed as executive directors in April 2001, both of them have been members of senior management of the Group and they have substantial experiences in the trading of building materials.

In June 2001, Mr Wong Wah, Dominic was appointed as a non-executive director of the Company, and regrettably Dr Chan Nai Keung, Kenneth has subsequently retired as a non-executive director of the Company. The management sincerely thanks Dr Chan for his support and contribution to the Group in the past year and welcome Mr Wong to join the Company.

During the year, there was no significant turnover of employees within the Group, it has employed 134 employees at 31st March, 2001. Remuneration packages are reviewed annually with reference to the prevailing market employment practices and legislation. The management believes that the employees who have the experience to cope with the various challenges are the major assets of the Group.





Group Structure

As part of the new initiatives to the restructuring of our Group's business in response to the difficult business environment, we have been looking for the business opportunities in Mainland China. A wholly owned subsidiary, Shanghai Tech Pro International Trading Co., Ltd., has been established in Shanghai which is the first and an important step to expand the Group's operations in Mainland China.

Furthermore, the Group has streamlined its business by differentiating its product lines into 4 individual subsidiaries by the end of May 2001, the new structure will assist the Group to identify new business opportunity.

Future Prospects

It is undeniable that the sluggish economy with recovery not yet in sight in Hong Kong would affect the performance of the most of the reputable and good managed companies in Hong Kong for the years to come and our company would not be an exception. The Group has been taking steady and pragmatic approach to maintain its market position despite the current difficult business environment and would strike its best effort to provide high quality products and services to the market places. The management has confidence that this approach and attitude will help us ride through this unprecedented difficult period which we are all facing.

With the obligation of joining the World Trade Organisation and also of Beijing Olympic Games 2008 imposed on Mainland China, there is no doubt

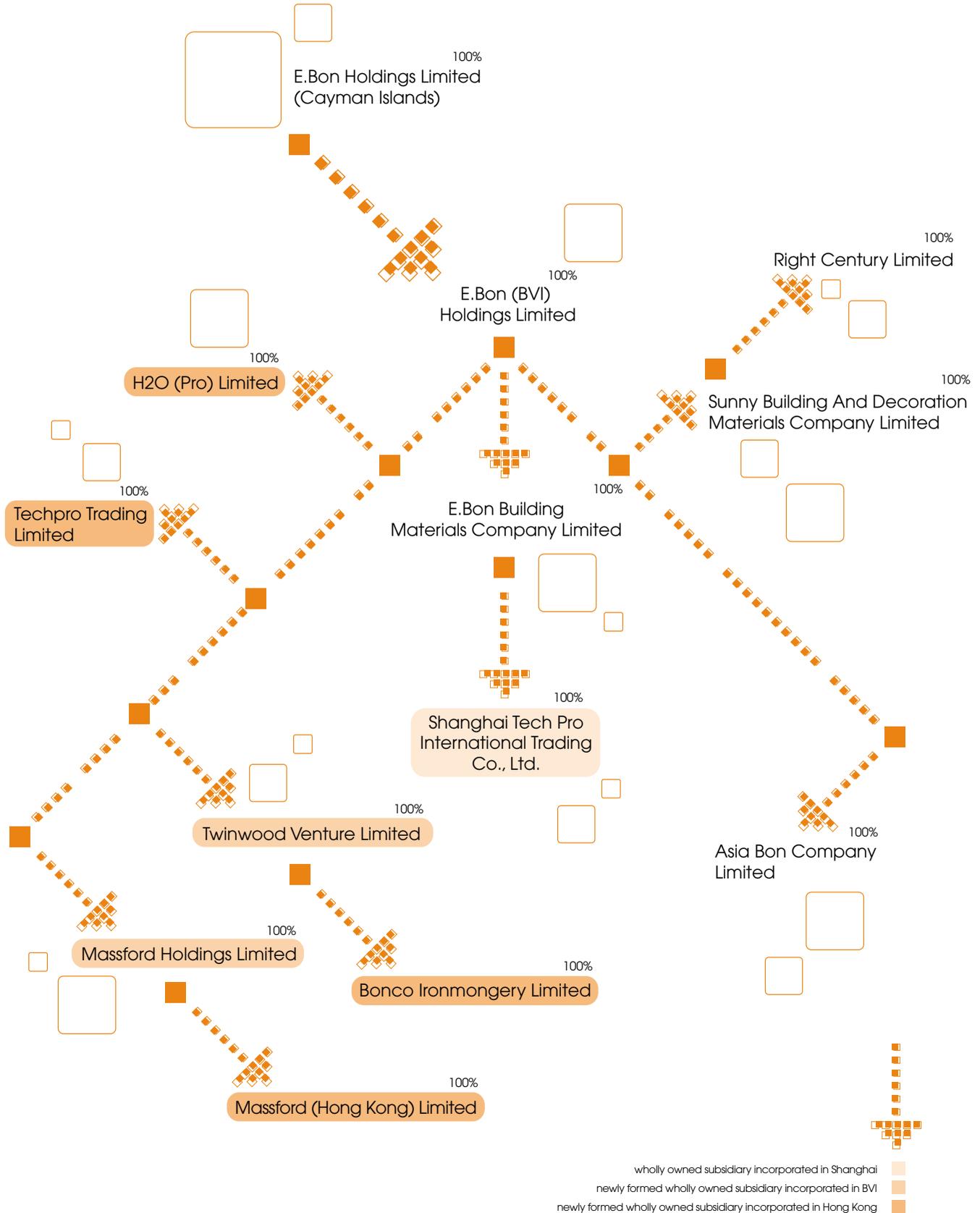
that large numbers of construction and infrastructure projects will be launched in the coming years in Mainland China. In the meantime, the emerge of the middle class in China generates the higher demand for quality products in order to meet with the expectation of higher life style commensurate to their image. The demand for high quality living environment and public facilities create a tremendous market opportunity in Mainland China. The Group will expand the business network in Mainland China.

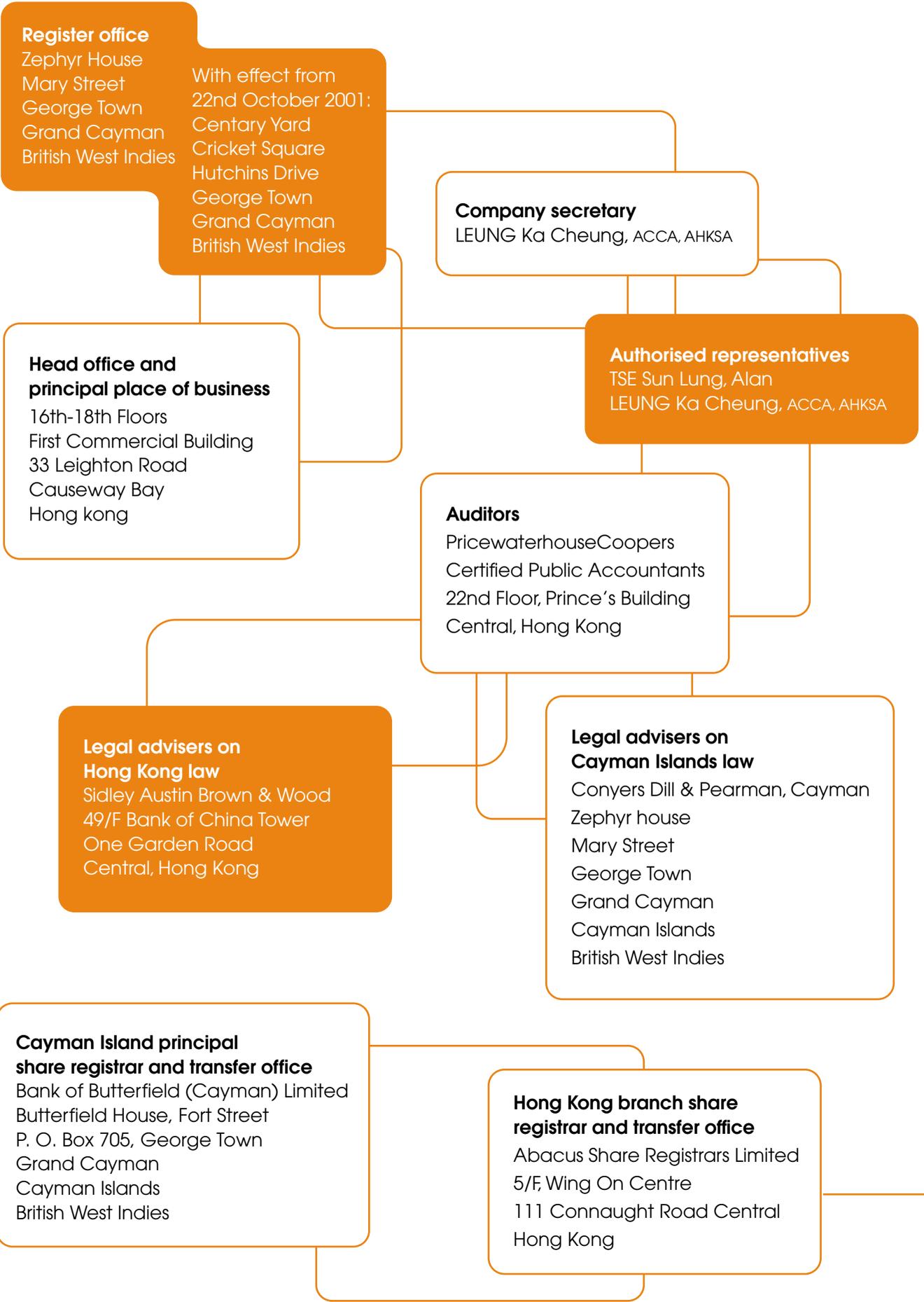
Use of Proceeds from the public offering

The Company raised approximately HK\$62 million ("Net Proceed") from the new issue and placing of shares in early April 2000. During the year, the application of the net proceed by the Group is in compliance with the intended use of proceeds set out on the Company's prospectus dated 28th March 2000, details of utilization up to 31st March 2001 are as follows:

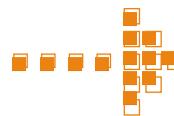
- (a) Approximately HK\$6.69 million was used for expansion of retail network, it mainly represents cost for establishment of 2 new retail outlets during the year;
- (b) Approximately HK\$2.13 million was used to enhance existing computer system and software application;
- (c) Approximately HK\$2.87 million was used for securing new distributorships; and
- (d) The remaining balance has been placed with banks in Hong Kong as short-term deposits for working capital.

Group Chart





Company homepage
<http://www.ebon.com.hk>



The directors submit their report together with the audited accounts for the year ended 31st March 2001.

Principal activities and geographical analysis of operations

The principal activities of the Company is investment holding. Its subsidiaries are principally engaged in the importing and sale of architectural builders hardware and bathroom collection 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 for the year are set out in the consolidated profit and loss account on page 30.

The directors declared an interim dividend of HK\$0.03 per share, totalling HK\$6,000,000 which was paid on 5th January 2001.

The directors recommend the payment of a final dividend of HK\$0.01 per share, totalling HK\$2,000,000.

Reserves

Details of the movements in the reserves during the year are set out in note 18 to the accounts.

Fixed assets

Details of the movements in fixed assets during the year are set out in note 11 to the accounts.

Share capital

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

Distributable reserves

Distributable reserves of the Company as at 31st March 2001 amounted to HK\$134,813,000. Under Section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution shall be paid to shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.



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 28.

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.

Purchase, sale or redemption of shares

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

Directors

The directors during the year and up to the date of this report were:

Mr TSE Sun Fat, Henry

Mr TSE Sun Po, Tony

Mr TSE Sun Lung, Alan

Mr LEE Chi Wah, Rhodes

Mr LEUNG Ka Cheung

Mr MAK So (appointed on 24th April 2001)

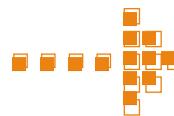
Mr WONG Tin Cheung, Ricky (appointed on 24th April 2001)

Mr LEUNG Kwong Kin *

Mr WONG Wah, Dominic * (appointed on 19th June 2001)

Dr CHAN Nai Keong, Kenneth * (resigned on 22nd June 2001)

* 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. Mak So, Mr. Wong Tin Cheung, Ricky, Mr. Wong Wah, Dominic and Mr. Leung Ka Cheung shall retire at the forthcoming annual general meeting in accordance with Article 86 (3) and 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of Mr TSE Sun Fat, Henry, Mr TSE Sun Po, Tony, Mr TSE Sun Lung, Alan, Mr LEE Chi Wah, Rhodes and Mr LEUNG Ka Cheung has entered into a service contract with the Company for a term of three years commencing on 1st March 2000, and will continue thereafter unless terminated by either party by three months prior written notice expiring not earlier than 28th February 2003 to the other party.

Save as disclosed herein, none of the directors of the Company has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors' interests in contracts

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

Directors' benefits from rights to acquire shares or debentures

Under the terms of the Company's share option scheme adopted on 22nd March 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. No options have been granted to the directors since its adoption.

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

Directors' interests in equity securities

At 31st March 2001, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Interests in shares of the Company

Director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr TSE Sun Fat, Henry (<i>Note 1</i>)	-	-	-	140,000,000
Mr TSE Sun Po, Tony (<i>Note 2</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 interests of Mr TSE Sun Fat, Henry are 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 ("Listing Rules").

Note 2: 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). 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.



Interests in shares of associated corporations

(i) BHGL

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr TSE Sun Fat, Henry (<i>Note 3</i>)	-	-	-	30,491	30,491
Mr TSE Sun Po, Tony (<i>Note 4</i>)	-	30,491	-	30,491	30,491
Mr TSE Sun Lung, Alan	3,025	-	-	-	3,025
Mr LEE Chi Wah, Rhodes	965	-	-	-	965
Mr LEUNG Ka Cheung	1,020	-	-	-	1,020

Note 3: 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 interests of Mr TSE Sun Fat, Henry are accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules.

Note 4: These shares are held 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). The spouse and other family members of Mr Tse Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

(ii) Negotiator Consultants Limited ("NCL")

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr TSE Sun Fat, Henry (<i>Note 5</i>)	-	-	-	1	1
Mr TSE Sun Po, Tony (<i>Note 6</i>)	-	1	-	1	1

Note 5: Such share is held by BHGL. 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 Listing Rules.

Note 6: Such share is held by BHGL. 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). 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.



Biographical details of directors and senior management

Executive Directors

Mr TSE Sun Fat, Henry, aged 44, was a founding member of the Group and the Chairman of the Company. Mr TSE has over 23 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.

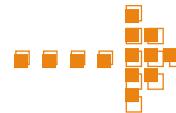
Mr TSE Sun Po, Tony, aged 42, is the Managing Director of the Company and joined the Group in 1979. Mr TSE has over 23 years of experience in the trading of building materials and is responsible for retail business of the Group. Mr TSE also assists in strategic planning and management of the Group. He is a brother of Mr TSE Sun Fat, Henry, the Chairman of the Group.

Mr LEE Chi Wah, Rhodes, aged 38, is the Deputy Managing Director of the Company. He joined the Group in 1982. Mr LEE has over 19 years of

experience in the trading of building materials and is responsible for project sales and marketing of products distributed by the Group.

Mr TSE Sun Lung, Alan, aged 34, is an Executive Director of the Company. He joined the Group in 1990 and is now responsible for project sales and 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 LEUNG Ka Cheung, aged 40, is the Finance Director and Company Secretary of the Company and is responsible for accounting and finance related activities. Mr LEUNG joined the Group in 1984. Mr LEUNG obtained a master's degree of business administration from International Management Centre, United Kingdom. He is also a member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, the Association of International Accountants and the Chartered Institute of Marketing.



Mr MAK So, aged 61, joined the Group in 1993. Mr MAK was appointed as an Executive Director of the Company on 24th April 2001 and is responsible for co-ordinating sale and marketing activities of the Group and has over 33 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 26 years.

Mr WONG Tin Cheung, Ricky, aged 58, joined the Group in 1979. Mr WONG was appointed as an Executive Director of the Company on 24th April 2001 and is also a director of two subsidiaries of the Company and is responsible for the operation of the Group in project management. He has over 21 years of experience in selling building materials and was a civil servant before joining the Group.

Non-executive Directors

Mr LEUNG Kwong Kin, aged 54, joined the Group in January 2000. Mr LEUNG is a senior director of Wong Lam Leung & Kwok C.P.A. Ltd.. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Association of International Accountants. Mr LEUNG is also a member of the Macau Society of Certified Practising Accountants,

the Society of Chinese Accountants & Auditors, the Taxation Institute of Hong Kong, the Institute of Management and the International Institute of Management.

Mr. Wong Wah, Dominic, aged 52. Mr. Wong was appointed as an independent non-executive director on 19 June 2001. He graduated from the Chinese University of Hong Kong in 1972 with an Honours Bachelor's Degree of Social Science in Economics. He was appointed director & general manager of Hongkong Ferry (Holdings) Ltd., formerly The Hongkong & Yaumatei Ferry Co., Ltd. until late 1989. He has been actively involved in China trade and the garment industry over the past few years.

Dr CHAN Nai Keong, Kenneth, C.B.E., J.P., aged 69, joined the Group in January 2000. He holds a first class honours diploma in civil engineering from the Loughborough College, UK and a honorary degree of doctor of technology from the Loughborough University, UK. He joined the Public Works Department of Hong Kong Government in 1952 and held the position of the Secretary for Lands and Works during 1983-1986. He is presently a consultant of Parsons Brinckerhoff (Asia) Limited, a consulting engineering company based in Hong



Kong. He has served as an Official Member of the Legislative Council. Dr CHAN is a fellow of the Royal Academy of Engineering, The Institution of Civil Engineers, The Institution of Structural Engineers, The Hong Kong Academy of Engineering Sciences and The Hong Kong Institution of Engineer. Dr CHAN resigned as an independent non-executive director of the Company on 22nd June 2001.

Senior management

Mr TSE Sun Ming, Almond, aged 41, is a director of three subsidiaries of the Company and a founding member of the Group. Mr TSE has over 23 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.

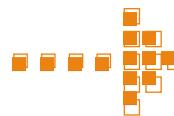
Mr AU Lai Chuen, Hercules, aged 44, joined the Group in 1982 and is a director of two subsidiaries of the Company. Mr AU has over 23 years of experience in the building materials industry and is responsible for project related sales and marketing activities.

Mr YICK Kai Chung, aged 42, joined the Group in 1979 and is a director of two subsidiaries of the Company. Mr YICK has over 23 years of experience in building materials industry and is responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support.

Mr CHAN Sau Lam aged 46, joined the Group in 1979. Mr CHAN is a sales director of the Group and is responsible for co-ordinating sales related to the market in the People's Republic of China. He has over 21 years of experience in selling building materials.

Mr LO Wai Man, aged 47, joined the Group in 1979. Mr LO is a technical director and is responsible for overseeing provision of technical support for bathroom collection. He has over 21 years of experience in selling building materials and is a licensed plumber.

Mr SHUM Lup Chi, aged 45, joined the Group in 1982. Mr SHUM is the office manager and is responsible for office internal control and cost analysis. He had worked for various solicitor firms for 6 years before joining the Group.



Mr NG Sheung Yiu, aged 39, joined the Group in 1984. Mr NG is the chief designer for the corporate brochure and retail shops of the Group and responsible for all kinds of graphic design and assisting in the interior design of the Group's retail outlets.

Mr MA Sze Ho, aged 40, joined the Group in 1979. Mr MA is a sales director in charge of major wholesales accounts. He has over 21 years experience in selling building materials.

Mr LAU Shiu Sun, Terence, aged 33, joined the Group in 1994. Mr LAU is a sales manager of the Group and is responsible for project sales. He graduated from Hong Kong Baptist University (formerly Baptist College) with a bachelor of science degree in 1992.

Mr CHAN Chiu Keung, aged 53, 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 25 years of experience in retail business.

Mr CHANG Kai Chuen, aged 27, joined the Group in 1991. Mr CHANG is a sales manager of the Group and is responsible for project sales.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st March 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of Shareholder	Number of Shares
BHGL	140,000,000
Tse Brothers Assets Management Limited (Note 7)	140,000,000
HSBC Holdings plc (Note 8)	140,000,000
HSBC Finance (Netherlands) (Note 8)	140,000,000
HSBC Holdings B.V. (Note 8)	140,000,000
HSBC Investment Bank Holdings B.V. (Note 8)	140,000,000
HSBC International Trustee Limited (Note 8)	140,000,000

Note 7: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited. Tse Brothers Assets Management Limited is accordingly taken to be interested in these shares under Section 8(2) of the SDI Ordinance.

Note 8: 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 HSBC International Trustee Limited (which is the trustee of the Tse's Family Trust). HSBC International

Trustee Limited is accordingly taken to be interested in these shares under Section 8(2) of the SDI Ordinance. The shares in which HSBC International Trustee Limited is interested formed part of the shares in which HSBC Investment Bank Holdings B.V. is interested formed part of the shares in which HSBC Holdings B.V. is interested; the shares in which HSBC Investment Bank Holdings B.V. is interested; the shares in which HSBC Holdings B.V. is interested are the shares in which HSBC Finance (Netherlands) is interested and the shares in which HSBC Finance (Netherlands) is interested formed part of the shares in which HSBC Holdings plc is interested.

Information pursuant to Practice Note 19 of the Listing Rules

At 31st March 2001, as a condition of general banking facilities granted to the Group by two of its principal bankers, the major beneficial shareholders of BHGL (being The Tse Brothers Unit Trust and The Tse's Family Trust) are required to maintain not less than 35% of their beneficial shareholding in the Company.

Save as disclosed above, the directors of the Company are not aware of any circumstances which would give rise to any disclosure obligations under Practice Note 19 of the Listing Rules as at 31st March 2001.

Management contracts

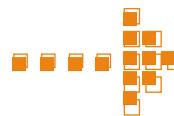
No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

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

Sales	
The largest customer	8%
Five largest customers combined	25%
Purchases	
The largest supplier	14%
Five largest suppliers combined	42%

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 customers or suppliers noted above.



Audit committee

An audit committee, comprising two independent non-executive directors, namely Dr CHAN Nai Keong, Kenneth and Mr LEUNG Kwong Kin, was established on 22nd March 2000. Mr WONG Wah, Dominic has joined and Dr CHAN Nai Keong, Kenneth has ceased as an audit committee member since their respective appointment and resignation dates as independent non-executive director respectively.

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

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

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice as set out in the Listing Rules since the date of listing of the Company's shares on the Stock Exchange.

Pension scheme arrangements

Prior to 1st December 2000, the Group operated a defined contribution retirement scheme (the "Scheme") for its employees. The scheme assets are held under a provident fund managed by an independent administrator. Under the Scheme, the employees are required to contribute 5% of their monthly salaries, while the employer's contributions are calculated at a range of 5 to 10% of the individual employee's monthly payroll. The employees are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. The forfeited contributions are to be used to reduce the employer's contributions.

With effect from 1st December 2000, the mandatory provident fund scheme (the "MPF Scheme") was made compulsory as enforced by the Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administered by independent trustees. The employer and the employee have to contribute in total an amount equal to 10% of the relevant

income of the employee to the MPF Scheme. Contributions from the employer are 100% vested in the 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.

Employees joining after 1st December 2000 will contribute under the MPF Scheme while employees under the Scheme have an option to join the MPF Scheme.

The aggregate employer's contributions under the above schemes, net of forfeited contribution of approximately HK\$235,000, under the Scheme, have been dealt with in the profit and loss account of the Group for the year ended 31st March 2001 amounted to approximately HK\$2,160,000. As at 31st March 2001, there were no forfeited contributions available to offset future employer's contributions to the schemes.

Connected transaction

The related party transaction for the year ended 31st March 2001 as disclosed in note 24 to the accounts in respect of rental expenses of approximately HK\$2,736,000 paid to NCL also constitutes a connected transaction. NCL is a fellow subsidiary of the Company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan, Mr. LEE Chi Wah, Rhodes, Mr. LEUNG

Ka Cheung and Mr. WONG Tin Cheung, Ricky have beneficial interests. The Stock Exchange has granted conditional waivers to the Company from strict compliance with Chapter 14 of the Listing Rules. In the opinion of the directors including the independent non-executive directors of the Company, the transaction was conducted in the ordinary course of the business of the Group and in accordance with the terms of agreements.

Post balance sheet date event

Details of the post balance sheet date event are set out in note 21(a) to the accounts.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



TSE Sun Fat, Henry

Chairman

Hong Kong, 3rd October 2001



		Restated			
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Profit attributable to shareholders	15,205	42,736	32,837	20,260	13,554
Assets and liabilities					
Total assets	217,781	169,677	180,182	172,565	130,043
Total liabilities	(58,498)	(78,760)	(72,353)	(97,573)	(75,298)
Shareholders' funds	159,283	90,917	107,829	74,992	54,745

The results, assets and liabilities of the Group for each of the three years ended 31st March 1999 and the results for the year ended 31st March 2000 have been prepared on the basis of merger accounting as if the group structure, which became effective in March 2000, had been in existence throughout the four years then ended.

The results, assets and liabilities of the Group for the year ended 31st March 2001 and the assets and liabilities as at 31st March 2000 have been prepared on a consolidated basis.



羅兵咸永道會計師事務所

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
E.BON HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

We have audited the accounts on pages 30 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

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

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2001 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3rd October 2001

Consolidated Profit and Loss Account

For the year ended 31st March 2001

		2001	2000
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	281,564	294,128
Cost of sales		(174,103)	(177,310)
Gross profit		107,461	116,818
Other revenues	3	3,791	2,120
Selling and distribution expenses		(52,090)	(41,349)
Administrative expenses		(37,410)	(24,043)
Operating profit	4	21,752	53,546
Finance costs	5	(2,726)	(2,897)
Profit before taxation		19,026	50,649
Taxation	6(a)	(3,821)	(7,913)
Profit attributable to shareholders	7	15,205	42,736
Dividends	8	8,000	71,683
Basic earnings per share	9	8 cents	31 cents

Consolidated Balance Sheet



As at 31st March 2001

		2001	Restated 2000
	<i>Note</i>	HK\$'000	HK\$'000
Fixed assets	11	25,487	22,772
Current assets			
Inventories	14	37,865	23,021
Trade receivables, other receivables, deposits and prepayments	15	86,208	114,492
Tax recoverable		2,794	-
Pledged deposits	23	-	5,615
Cash and bank balances		65,427	3,777
		<u>192,294</u>	<u>146,905</u>
Current liabilities			
Trade payables, accruals and deposits received	16	12,541	11,624
Bills payable		1,480	5,040
Trust receipt loans	23	34,077	40,115
Current portion of non-current liabilities	19	5,924	7,359
Taxation payable		-	3,278
		<u>54,022</u>	<u>67,416</u>
Net current assets		<u>138,272</u>	<u>79,489</u>
Total assets less current liabilities		<u>163,759</u>	<u>102,261</u>
Financed by:			
Share capital	17	20,000	100
Reserves		137,283	88,817
Proposed dividend		2,000	2,000
	18(a)	<u>139,283</u>	<u>90,817</u>
Shareholders' funds		159,283	90,917
Non-current liabilities	19	4,476	11,344
		<u>163,759</u>	<u>102,261</u>

TSE Sun Fat, Henry
Director

TSE Sun Lung, Alan
Director

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

As at 31st March 2001



		2001	Restated 2000
	<i>Note</i>	HK\$'000	HK\$'000
Investments in subsidiaries	12	90,917	90,917
Current assets			
Amounts due from subsidiaries	13	64,092	-
Bank balances		54	1
		64,146	1
Current liabilities			
Amount due to a subsidiary	13	(250)	(1)
Net current assets		63,896	-
Total assets less current liabilities		154,813	90,917
Financed by:			
Share capital	17	20,000	100
Reserves		132,813	88,817
Proposed dividend		2,000	2,000
	18(b)	134,813	90,817
Shareholders' funds		154,813	90,917

TSE Sun Fat, Henry
Director

TSE Sun Lung, Alan
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2001

	<i>Note</i>	2001 HK\$'000	2000 HK\$'000
Net cash inflow from operating activities	20(a)	31,646	28,942
Returns on investments and servicing of finance			
Interest received		3,791	698
Interest on bank borrowings		(2,689)	(2,853)
Interest element of finance leases		(37)	(44)
Dividends paid		(8,000)	(69,683)
Net cash outflow from returns on investments and servicing of finance		(6,935)	(71,882)
Taxation			
Hong Kong profits tax paid		(9,912)	(7,802)
Investing activities			
Purchase of fixed assets		(5,358)	(3,762)
Proceeds from disposal of fixed assets		85	48,714
Decrease/(increase) in pledged fixed deposits		5,615	(1,222)
Net cash inflow from investing activities		342	43,730
Net cash inflow/(outflow) before financing		15,141	(7,012)
Financing	20(b)		
Net proceeds from issue of shares		61,161	-
Bank loans repaid		(8,365)	(1,412)
Repayment of capital element of finance leases		(249)	(242)
Net trust receipt loans (repaid)/raised		(6,038)	8,372
Net cash inflow from financing		46,509	6,718
Increase/(decrease) in cash and cash equivalents		61,650	(294)
Cash and cash equivalents brought forward		3,777	4,071
Cash and cash equivalents carried forward		65,427	3,777

Cash and cash equivalents represent cash and bank balances at the respective year end dates.

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March 2001

		2001	2000
	Note	HK\$'000	HK\$'000
Surplus on revaluation of leasehold land and buildings	18(a)	-	9,947
Profit attributable to shareholders		15,205	42,736
Total recognised gains		15,205	52,683



2 Principal accounting policies (cont'd)

(a) Consolidation (cont'd)

- (ii) Subsidiaries are companies in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the boards of directors. In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

(b) 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.
- (iii) Management fee income is recognised when the services are rendered.

(c) Deferred taxation

Deferred taxation is 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 is expected to be payable or recoverable in the foreseeable future.

(d) Fixed assets

- (i) *Leasehold land and buildings*

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

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

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

2 Principal accounting policies (cont'd)

(d) Fixed assets (cont'd)

(ii) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. 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 on the straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

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

(iii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. Expected future cash flows have not been discounted in determining the recoverable amount. The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

(iv) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(v) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

2 Principal accounting policies (cont'd)

(j) Translation of foreign currencies

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

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary, the related accumulated exchange difference is recognised in the profit and loss account as part of the gain or loss on disposal.

3 Revenues and turnover

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover - Sale of goods	281,564	294,128
Other revenues		
Interest income	3,791	698
Management fee income	-	215
Others (<i>note (i)</i>)	-	1,207
	<u>3,791</u>	<u>2,120</u>
Total revenues	<u><u>285,355</u></u>	<u><u>296,248</u></u>

- (i) This represented an amount received from a supplier as compensation to the Group in respect of that supplier's failure to fulfil its obligations under a sales contract with the Group.

- (b) All of the turnover and operating profit of the Group for the year are contributed by the importing and sale of architectural builders hardware and bathroom collection.

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



4 Operating profit

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Auditors' remuneration	892	480
Cost of inventories sold	174,103	177,310
Depreciation of owned fixed assets	2,706	2,408
Depreciation of fixed assets held under finance leases	70	151
Loss on disposal of fixed assets	112	58
Net exchange gains	(1,270)	(1,109)
Payments under operating leases for leasehold land and buildings	10,180	7,399
Provision for doubtful debts	4,401	734
Provision for slow-moving inventories/(write-back of provision), included in cost of inventories sold above	4,857	(1,236)
Staff costs, including directors' emoluments (note 10)	47,334	38,898
	<u>47,334</u>	<u>38,898</u>

5 Finance costs

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank borrowings	2,689	2,853
Interest element of finance leases	37	44
	<u>2,726</u>	<u>2,897</u>

6 Taxation

(a) Hong Kong profits tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits for the year.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
- current year	3,602	7,993
- under/(over)provision in previous year	238	(80)
Deferred taxation (note 6(b))	(19)	-
	<u>3,821</u>	<u>7,913</u>

6 Taxation (cont'd)

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Brought forward	411	411
Transfer from profit and loss account (<i>note 6(a)</i>)	19	-
	<hr/>	<hr/>
Carried forward	<u>392</u>	<u>411</u>

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

7 Profit attributable to shareholders

Included in the profit attributable to shareholders is a profit of HK\$10,735,000 (2000: Nil) which is dealt with in the accounts of the Company.

8 Dividends

	2001	2000
	HK\$'000	HK\$'000
Dividends paid by certain subsidiaries to their then shareholders prior to the Reorganisation (<i>note 8(a)</i>)	-	69,683
2001 interim, paid, of HK\$0.03 (2000: Nil) per share	6,000	-
2001 final dividend, proposed, of HK\$0.01 (2000: HK\$0.01) per share (<i>note 8(b)</i>)	2,000	2,000
	<hr/>	<hr/>
	<u>8,000</u>	<u>71,683</u>

(a) The dividend rates and the number of shares ranking for the dividends mentioned above are not presented as such information is not considered meaningful for the purpose of these consolidated accounts.

(b) On 3rd October 2001, the directors recommend the payment of a final dividend for the year ended 31st March 2001 of HK\$0.01 per share, totally HK\$2,000,000. As a result of the adoption of SSAP 9 (revised), this proposed dividend is not reflected as a dividend payable in the accounts for the year and will be reflected as an appropriation of retained earnings for the year ending 31st March 2002.

9 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,205,000 (2000: HK\$42,736,000) and on the weighted average number of 198,849,000 shares in issue (2000: 140,000,000 shares deemed to be in issue) during the year. In determining the number of shares deemed to be in issue for the year ended 31st March 2000, the 1,000,000 shares issued before the capitalisation issue and the capitalisation issue of 139,000,000 shares made to Bache Hill Group Limited immediately following the initial public offering of the Company's shares which took place in early April 2000, were deemed to have been in issue on 1st April 1999.

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



10 Directors' and senior management's emoluments

(a) Directors' remuneration

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

	2001 HK\$'000	2000 HK\$'000
Fees (i)	240	20
Other emoluments		
– Basic salaries and allowances	7,172	6,177
– Discretionary bonuses (ii)	2,989	–
– Retirement scheme contributions	594	309
	10,995	6,506
	10,995	6,506

(i) Fees paid to the two independent non-executive directors during the year

(ii) The discretionary bonuses were paid to certain executive directors who have service contracts with the Company.

The emoluments of the directors fell within the following bands:

<i>Emoluments bands</i>	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	* 2	* 4
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	1	3
HK\$2,000,001 – HK\$2,500,000	3	–
HK\$2,500,001 – HK\$3,000,000	1	–
	1	3
	1	3

* Included the two independent non-executive directors.

No director waived or agreed to waive their emoluments in respect of the years ended 31st March 2001 and 2000.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2000: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: two) individuals during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries and allowances	3,258	3,263
Discretionary bonuses	818	–
Retirement scheme contributions	180	173
	4,256	3,436
	4,256	3,436

10 Directors' and senior management's emoluments (cont'd)

(b) Five highest paid individuals (cont'd)

The emoluments fell within the following bands:

<i>Emoluments bands</i>	Number of individuals	
	2001	2000
HK\$1,500,001 – HK\$2,000,000	-	2
HK\$2,000,001 – HK\$2,500,000	2	-
	2	2

11 Fixed assets

	Group				
	Land and buildings under long leases in Hong Kong	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost or valuation					
At 1st April 2000	14,000	10,184	9,606	1,590	35,380
Additions	-	3,590	1,511	587	5,688
Disposals	-	-	-	(709)	(709)
At 31st March 2001	14,000	13,774	11,117	1,468	40,359
Accumulated depreciation					
At 1st April 2000	-	4,916	6,447	1,245	12,608
Charge for the year	195	1,403	939	239	2,776
Disposals	-	-	-	(512)	(512)
At 31st March 2001	195	6,319	7,386	972	14,872
Net book value					
At 31st March 2001	13,805	7,455	3,731	496	25,487
At 31st March 2000	14,000	5,268	3,159	345	22,772

The analysis of the cost or valuation of the above assets at 31st March 2001 is as follows:

At cost	-	13,774	11,117	1,468	26,359
At 2000 professional valuation (note a)	14,000	-	-	-	14,000
	14,000	13,774	11,117	1,468	40,359



11 Fixed assets (cont'd)

- (a) The leasehold land and buildings were revalued by Vigers Hong Kong Limited, an independent firm of professional valuers at 31st January 2000 on the basis of open market value. The revaluation of the Group's leasehold land and buildings does not constitute a timing difference for tax purposes.
- (b) The carrying amount of the property would have been approximately HK\$3,969,000 (2000: HK\$4,053,000) had they been stated at cost less accumulated depreciation.
- (c) At 31st March 2001, the cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to approximately HK\$349,000 (2000: HK\$755,000) and HK\$70,000 (2000: HK\$639,000) respectively.

12 Investments in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	90,917	90,917

The following is a list of the subsidiaries as at 31st March 2001:

Name	Country/place incorporation or establishment	Issued and fully paid up share capital/ registered capital	Principal activities and place of operation	Percentage interest held
<i>Shares held directly:-</i>				
E. Bon (BVI) Holdings Limited	British Virgin Islands	50,000 ordinary shares of US\$1 each	Investment holding in Hong Kong	100
<i>Shares held indirectly:</i>				
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 collection in Hong Kong	100
Right Century Limited	Hong Kong	2 ordinary shares of HK\$1 each	Retail of bathroom accessories and decoration materials in Hong Kong	100

12 Investments in subsidiaries (cont'd)

Name	Country/place incorporation or establishment	Issued and fully paid up share capital/ registered capital	Principal activities and place of operation	Percentage interest held
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 collection in Hong Kong	100
Shanghai Tech Pro International Trading Co., Ltd.	People's Republic of China ("PRC")	US\$300,000	Importing and sale of architectural builders hardware and bathroom collections in PRC	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 collection in Hong Kong	100

The Company has the following additional subsidiaries subsequent to the balance sheet date:

Shares held indirectly:-

Massford Holdings Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100
Techpro Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100
Massford (Hong Kong) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Supplying architectural builders hardware and bathroom collection for property development in Hong Kong	100
Bonco Ironmongery Limited (formerly known as Ranco Limited)	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100



13 Amounts due from/(to) subsidiaries

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

14 Inventories

	Group	
	2001 HK\$'000	2000 HK\$'000
Inventories	73,562	53,861
Less: Provision for slow-moving inventories	(35,697)	(30,840)
	<u>37,865</u>	<u>23,021</u>

15 Trade receivables, other receivables, deposits and prepayments

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Below 30 days	22,149	34,126
30-60 days	16,793	21,700
61-90 days	7,465	14,644
Over 90 days	37,306	27,838
	<u>83,713</u>	<u>98,308</u>
Provision of doubtful debts	(11,089)	(6,688)
	<u>72,624</u>	<u>91,620</u>

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

16 Trade payables, accruals and deposits received

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Below 30 days	3,337	3,281
30-60 days	2,545	2,572
61-90 days	155	2,751
Over 90 days	3,375	222
	<u>9,412</u>	<u>8,826</u>

17 Share capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 7th January 2000 (date of incorporation)	3,800,000	380
Increase in authorised capital (<i>note (b)(i)</i>)	996,200,000	99,620
	<hr/>	<hr/>
At 31st March 2000 and 31st March 2001	<u>1,000,000,000</u>	<u>100,000</u>
	<hr/>	<hr/>
	Issued and fully paid ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 7th January 2000 (date of incorporation)	1	–
Issue of shares (<i>note (b)(ii)</i>)	999,999	100
	<hr/>	<hr/>
At 31st March 2000	1,000,000	100
New issue of shares to the public (<i>note (c)</i>)	60,000,000	6,000
Capitalisation issue (<i>note (d)</i>)	139,000,000	13,900
	<hr/>	<hr/>
At 31st March 2001	<u>200,000,000</u>	<u>20,000</u>
	<hr/>	<hr/>

- (a) The Company was incorporated on 7th January 2000 with an authorised capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each of which one share was allotted and issued at par to the subscriber on the date of incorporation.
- (b) In preparation for a listing of the Company's shares on the Main Board of the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 22nd March 2000:
- (i) The authorised share capital of the Company was increased to HK\$100,000,000 by the creation of an additional 996,200,000 shares of HK\$0.1 each.
- (ii) As consideration for the acquisition by the Company of the entire issued capital of E. Bon (BVI) Holdings Limited ("E. Bon BVI"), an aggregate of 999,999 shares of HK\$0.1 each, credited as fully paid, were issued and allotted to BHGL, the then shareholder of E. Bon BVI.
- (c) In April 2000, 60,000,000 shares of HK\$0.1 each were issued to the public at a premium of HK\$1.10 per share for cash totalling HK\$72,000,000 (the "New Issue"). The excess of the issue price over the par value of the shares issued has been credited to the share premium account of the Company.
- (d) Immediately after the New issue, 139,000,000 shares of HK\$0.1 each were issued, allotted at par and fully paid to BHGL by way of the capitalisation of a sum of HK\$13,900,000 out of the credit of the share premium account of the Company created as a result of the New issue.
- (e) Pursuant to a share option scheme approved on 22nd March 2000, the executive directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10% of the shares in issue from time to time (excluding shares which have been allotted and issued pursuant to the Share Option Scheme). No share option was granted by the Company during the year.



18 Reserves

(a) Group

	Share premium	Revaluation reserve	Merger reserve	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 1999	-	3,292	-	2,896	94,650	100,838
Profit attributable to shareholders	-	-	-	-	42,736	42,736
Dividends paid by certain subsidiaries to their then shareholders prior to the Reorganisation	-	-	-	-	(69,683)	(69,683)
Surplus on merger	-	-	6,979	-	-	6,979
Surplus on revaluation of leasehold land and buildings	-	9,947	-	-	-	9,947
Release of revaluation reserve to the retained earnings upon disposal of leasehold land and buildings	-	(3,292)	-	-	3,292	-
Reserves	-	9,947	6,979	2,896	68,995	88,817
Proposed dividend	-	-	-	-	2,000	2,000
At 31st March 2000	-	9,947	6,979	2,896	70,995	90,817
At 1st April 2000 as previously reported	-	9,947	6,979	2,896	68,995	88,817
Prior year adjustment on adopting SSAP 9 (revised)	-	-	-	-	2,000	2,000
At 1st April 2000 as restated	-	9,947	6,979	2,896	70,995	90,817
Issue of shares	66,000	-	-	-	-	66,000
Capitalisation of new issue	(13,900)	-	-	-	-	(13,900)
Issuing expenses	(10,839)	-	-	-	-	(10,839)
Profit attributable to shareholders	-	-	-	-	15,205	15,205
2000 final dividend paid	-	-	-	-	(2,000)	(2,000)
2001 interim dividend paid	-	-	-	-	(6,000)	(6,000)
Reserves	41,261	9,947	6,979	2,896	76,200	137,283
Proposed dividend	-	-	-	-	2,000	2,000
At 31st March 2001	41,261	9,947	6,979	2,896	78,200	139,283

18 Reserves (cont'd)

(b) Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 1999	-	-	-
Issue of shares pursuant to the Reorganisation (note (i))	90,817	-	90,817
Reserves	88,817	-	88,817
Proposed dividend	2,000	-	2,000
Balance at 31st March 2000	90,817	-	90,817
Issue of shares	66,000	-	66,000
Capitalisation issue	(13,900)	-	(13,900)
Issuing expenses	(10,839)	-	(10,839)
Profit for the year	-	10,735	10,735
2000 final dividend paid	(2,000)	-	(2,000)
2001 interim dividend paid	-	(6,000)	(6,000)
Reserves	130,078	2,735	132,813
Proposed dividend	-	2,000	2,000
At 31st March 2001	130,078	4,735	134,813

- (i) The balance represented the difference between the consolidated net worth of E. Bon (BVI) Holdings Limited at the date on which its shares were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition pursuant to the Reorganisation in March 2000.

19 Non-current liabilities

	Group	
	2001 HK\$'000	2000 HK\$'000
Obligations under finance leases	244	163
Bank loans	9,764	18,129
	10,008	18,292
Less: amounts payable within one year shown under current liabilities	(5,924)	(7,359)
	4,084	10,933
Deferred taxation (note 6(b))	392	411
	4,476	11,344

19 Non-current liabilities (cont'd)

Long-term borrowings are repayable as follows:

	Group					
	Obligations under finance leases		Bank loans		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
On demand or						
within one year	82	163	5,842	7,196	5,924	7,359
In the second year	83	-	1,553	3,060	1,636	3,060
In the third to fifth years	79	-	2,369	7,873	2,448	7,873
	<u>244</u>	<u>163</u>	<u>9,764</u>	<u>18,129</u>	<u>10,008</u>	<u>18,292</u>
Current portion of long-term borrowings	(82)	(163)	(5,842)	(7,196)	(5,924)	(7,359)
	<u>162</u>	<u>-</u>	<u>3,922</u>	<u>10,933</u>	<u>4,084</u>	<u>10,933</u>

20 Notes to cash flow statement**(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2001 HK\$'000	2000 HK\$'000
Operating profit	21,752	53,546
Interest income	(3,791)	(698)
Depreciation of owned fixed assets	2,706	2,408
Depreciation of fixed assets held under finance leases	70	151
Loss on disposal of fixed assets	112	58
Increase in inventories	(14,844)	(7,810)
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	28,284	(18,385)
Decrease in trade payables, accruals and deposits received and bills payable	(2,643)	(328)
Net cash inflow from operating activities	<u>31,646</u>	<u>28,942</u>

20 Notes to cash flow statement (cont'd)

(b) Analysis of changes in financing during the year

	Share capital including premium		Obligations under finance leases		Bank loans		Trust receipt loans	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	100	-	163	405	18,129	19,541	40,115	31,743
Issue of ordinary shares	72,000	100	-	-	-	-	-	-
Issuing expenses	(10,839)	-	-	-	-	-	-	-
Bank loans repaid	-	-	-	-	(8,365)	(1,412)	-	-
Repayment of capital element of finance leases	-	-	(249)	(242)	-	-	-	-
Inception of finance leases	-	-	330	-	-	-	-	-
Net trust receipt loans (repaid)/raised	-	-	-	-	-	-	(6,038)	8,372
Balance carried forward	<u>61,261</u>	<u>100</u>	<u>244</u>	<u>163</u>	<u>9,764</u>	<u>18,129</u>	<u>34,077</u>	<u>40,115</u>

(c) Major non-cash transactions

During the year, the Group entered into finance leases arrangements in respect of assets with a total capital value at the inception of the leases of HK\$330,000 (2000: Nil).

21 Contingent liabilities

- (a) In August 2001, a subsidiary of the Company 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 (the "Counter-claim") on that subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between the Defendant and that subsidiary. The proceedings are still in an early pleading stage and the directors of the Company, on the basis of independent legal advice obtained, consider the subsidiary has a good arguable case against 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.
- (b) As at 31st March 2001, the Group had indemnities in respect of performance bonds amounting to approximately HK\$2,926,000 (2000: HK\$2,253,000) given to certain customers in respect of commitments for the supply of goods to such customers.
- (c) As at 31st March 2001, the Company had guarantees given to banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$67 million.

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31st March 2001 and up to the date of the approval of the accounts.



22 Commitments

(a) Capital commitments

As at 31st March 2001, the Company had capital commitment contracted but not provided for in respect of property, plant and equipment amounting to HK\$900,000 (2000: Nil).

(b) Commitments under operating leases

As at 31st March 2001, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	–	972
In the second to fifth years inclusive	11,094	7,556
	<u>11,094</u>	<u>8,528</u>

23 Pledge of assets

The banking facilities prior to the listing of the Company's shares on the Main board of Stock Exchange on 12th April 2000 were secured by charges on the leasehold land and buildings and certain time deposits held by the Group, personal guarantees given by certain directors and corporate guarantees given by a subsidiary of the Company and Negotiator Consultants Limited ("NCL"), a fellow subsidiary of the Company. Following the listing of the Company's shares on the Main Board of the Stock Exchange, the charges and guarantees mentioned above have been replaced by a corporate guarantee given by the Company.

24 Related party transactions

Save as disclosed in note 23 to the accounts, during the year, the Group undertook the following material transactions with NCL in the normal course of business at terms mutually agreed between the Group and NCL:

		Group	
	Note	2001 HK\$'000	2000 HK\$'000
Rental expense paid to NCL		2,736	84
Sale proceeds of leasehold land and buildings to NCL	(a)	–	48,704
		<u>2,736</u>	<u>48,788</u>

(a) The leasehold land and buildings were sold by the Group to NCL at the net book value on the date of disposal.

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 3rd October 2001.



NOTICE IS HEREBY GIVEN that the Annual General Meeting of E. Bon Holdings Limited (“the Company”) will be held at Plaza IV, Lower Lobby, 238 Jaffe Road, Century Hong Kong Hotel, Wanchai, Hong Kong on Tuesday, the 30th day of October 2001 at 9:00 a.m. for the following purposes:-

1. To receive and consider the audited consolidated financial statements, the report of the directors and the report of auditors for the year ended 31st March 2001;
2. To declare a final dividend;
3. To re-elect Directors and authorize the Board to fix the Directors’ remuneration;
4. To re-appoint Auditors and to authorize the Directors to fix their remuneration;
5. As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:-

“THAT:

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company (“Shares”) on The Stock Exchange of Hong Kong Limited be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the Shares to be repurchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:-

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

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

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

“THAT:

(a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“Shares”) or securities convertible into Shares and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power during or after the end of the Relevant Period;

(c) the aggregate nominal amount of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approvals in paragraphs (a) and (b) of this Resolution, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company as at the date of this Resolution carrying a right to subscribe for or purchase Shares or otherwise convertible into shares; or (iii) the exercise of the subscription rights under the share option schemes of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly;



- (d) for the purpose of this Resolution:-
 - "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of :
 - (i) the conclusion of the next annual general meeting of the Company following the passing of this Resolution;
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the articles of association of the Company to be held."
 - "Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

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

"**THAT** subject to the passing of Ordinary Resolutions numbered 5 and 6 above, the general mandate granted to the Directors pursuant to Ordinary Resolution numbered 6 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution numbered 5, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

By Order of the Board
Leung Ka Cheung
Secretary

Hong Kong, 3rd October 2001

Registered office:-
Zephyr House
Mary Street
George Town
Grand Cayman
Cayman Islands
British West Indies

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

Notes:

- (a) The Register of Members will be closed from Wednesday, 24 October 2001 to Tuesday, 30th October 2001 (both days inclusive), during which period no transfer of shares can be registered.
- (b) All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Tuesday, 23rd October 2001.
- (c) A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.
- (d) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's branch registrars in Hong Kong, Abacus Share Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the Meeting.
- (e) An explanatory statement containing further details regarding Resolutions numbered 5 to 7 above will be sent to shareholders together with the 2001 Annual Report.