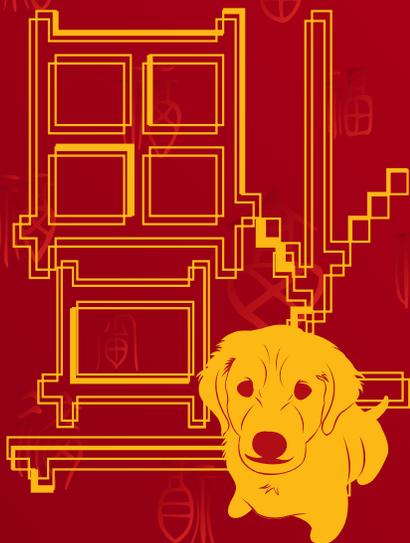


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2005
 INTERIM REPORT



E. BON

stock code 599

www.ebon.com.hk

Mission Statement

“Sincerity & Quality” rewards loyalty

What we do

is

what you expect us to do

Besides

Quality Products

we concern more on

Quality Services

We are not striving for increasing sales, enhancing profit,
pursuing for growth or gaining market share.

We are beating the competition.

Our mission is fulfilling customers' need.

Our goal and achievement is built on the continuous enhancement of

Customer Value



E. BON

The directors of E.Bon Holdings Limited (the “Company”) present the interim report and unaudited condensed results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005 are as follows:

Interim Dividend

The Board of Directors has resolved to recommend the payment of an interim dividend of HK 1 cent per share in respect of the six months ended 30 September 2005 (interim dividend for six months ended 30 September 2004: nil). The dividend will be paid on 10 January 2006 for members whose names appear on the principal or branch register of the Company in Grand Cayman or Hong Kong respectively (collectively the “Register of Members”) as at the close of business of 7 December 2005.

Closure of Register of Members

The Company’s Register of Members will be closed from 1 December 2005 (Thursday) to 7 December 2005 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 30 November 2005 (Wednesday).

Review of Operations

For the past six months ended 30 September 2005, the Group’s unaudited accounts show that consolidated turnover was HK\$99.0 million (six months ended 30 September 2004: HK\$95.5 million) and consolidated profit after taxation was HK\$4.16 million (six months ended 30 September 2004: HK\$3.44 million). As mentioned in our annual report of 2005, we have been able to participate in supplying quality materials for a number of prestige residential projects, including One Silver Sea, Centerstage, Mount Beacon, Metro Town and Manhattan Hill as Hong Kong economy has been visibly and steadily recovered since late 2004. Meanwhile, the sales to projects in China and Macau have been moving steadily in the positive direction, the Group has now established approximately 80 outlets for sales or showrooms for its products in order to expand its presence and business into Mainland China. The group has conducted the business in China discreetly and circumspectly.

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The Group's workforce consists of 120 devoted employees all of whom are vital to our operation. In addition, during this period, the Company formed a remuneration committee comprises mainly Non-executive Directors chaired by Mr. Wong Wah, Dominic one of our Independent Non-Executive Directors to advise the Board on the Group's remuneration policy.

Financial Position

The Group records profit after tax during the period and its overall financial position is sound. The unfavourable exchange rate of Hong Kong Dollars against other foreign currencies such as Euro and Japanese Yen, continues to have an impact on gross margin as we have not been able to transfer such increase to our customers, however we have managed to maintain our profit margin to 36.5% (30 September 2004: 38.7%) contributed by our wholesale and retail operations when recording a 20.9% increase in operating profit via improvement in operating efficiency, the Group holds approximately HK\$36.2 million in cash deposit and has no bank borrowings (31 March 2005: nil). The Group strengthens further its current ratio, which is calculated based on current assets over current liabilities, to 5.94 at 30 September 2005 (31 March 2005: 5.85). During the period, the Group has no significant exposure to foreign currency fluctuation and no assets of the Group were held under charge. Moreover, the Group has no material capital commitment as at 30 September 2005.

Future Prospects

We share the optimistic view expressed by major developers in Hong Kong that the sales of high-end apartments continues to be on the upward trend, the adverse effects of increase in interest rates and the oil price are expected to be temporary as suggested by the leading economists but the impact on Hong Kong Economy due to the potential but foreseeable pandemic of an avian flu would be unpredictable and would vary much dependent on the scale of the infected areas on the global level. Subject to these observations, we still expect our sales to residential projects continue to grow towards the remaining half of this financial year. In October 2005, in addition to our existing showrooms, we have, for the first time, set up our new showroom in the central business district of Hong Kong – Central for ease of access to customers who look for our prestigious branded products. During the period, we noted that the developers in Hong Kong have upgraded their newly developed residential developments which fitted with quality bathroom and kitchen fittings and all our sales indicators suggest that we should be cautiously optimistic about the outlook of the economy of Hong Kong.

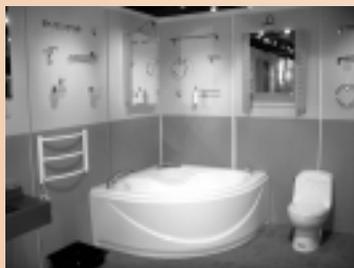
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Purchase, Sales or Redemption of Shares

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

Directors' Interest in shares and underlying shares

As at 30 September 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:



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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 (Note 1)	–	–	–	140,000,000
Mr. TSE Sun Po, Tony (Note 1)	–	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 is an object 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	Personal interest	Number of ordinary shares held			Other interest	Total
		Family interest	Corporate interest			
Mr. TSE Sun Fat, Henry (Note 2)	–	–	–	30,491	30,491	
Mr. TSE Sun Po, Tony (Note 2)	–	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 is 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

Director	Personal interest	Number of ordinary shares held			Total
		Family Interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (Note 3)	–	–	–	1	1
Mr. TSE Sun Po, Tony (Note 3)	–	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 30 September 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 period 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.

Directors' Benefits from Rights to Acquire Shares or Debentures

Under the terms of the Company's share option scheme adopted on 22 March 2000, which was made in accordance with the Listing Rules governing share option schemes at that time, the Board of Directors of the Company might, 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 period 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.

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Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO of shows that as at 30 September 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.

Name of Shareholder	Number of Shares
BHGL	140,000,000
Tse Brothers Assets Management Limited (Note 4)	140,000,000
Messrs. Kelvin K W Cheung & Chu Hei Chun (Note 4)	140,000,000

Note 4: BHGL is held as to approximately 60.98% 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 trustees 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.

Compliance with the Model Code for Directors' Dealing in Securities

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of the directors, all directors have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2005.

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Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, with the exception of the following deviation:

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

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adapted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2005.

Remuneration Committee

To comply with the Code, a remuneration committee was established on 29 September 2005 with specific written terms of reference which deal clearly with its authority and duties. The members of the remuneration committee comprises 4 members, of which two independent non-executive directors, namely Mr. Wong Wah and Mr. Leung Kwong Kin JP., one non-executive director, namely Mr. Mak So and one executive director, namely Mr. Tse Sun Lung Alan.

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CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

		Unaudited Six months ended 30 September	
		2005	2004
	Note	HK\$'000	HK\$'000
Turnover	2	99,012	95,589
Cost of sales		(62,836)	(58,583)
Gross profit		36,176	37,006
Other revenue	2	199	97
Selling and distribution expenses		(17,211)	(15,394)
Administrative expenses		(14,985)	(18,220)
Operating profit	3	4,179	3,489
Finance costs	4	(19)	(17)
Profit before taxation		4,160	3,472
Taxation	5(a)	–	(33)
Profit attributable to shareholders		4,160	3,439
Dividend	7	2,000	Nil
Basic profit per share	6	HK 2 cents	HK 2 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2005

		Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000
Fixed assets	8	32,886	25,983
Deferred tax assets	5(b)	2,271	2,271
Current assets			
Inventories		45,637	44,628
Trade receivables, other receivables, deposits and prepayments	9	50,207	54,507
Cash and bank balances		36,226	29,465
		<u>132,070</u>	<u>128,600</u>
Current liabilities			
Trade payables, accruals and deposits received	10	15,277	15,731
Bills payable		6,253	5,525
Current portion of obligations under finance leases	11	262	262
Tax payable		420	457
		<u>22,212</u>	<u>21,975</u>
Net current assets		<u>109,858</u>	<u>106,625</u>
Total assets less current liabilities		<u>145,015</u>	<u>134,879</u>
Financed by:			
Share capital	12	20,000	20,000
Reserves		122,021	112,848
Shareholders' funds		142,021	132,848
Non-current liabilities	11	2,994	2,031
		<u>145,015</u>	<u>134,879</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share capital HK\$'000	Share premium HK\$'000	Revaluation Reserve HK\$'000	Unaudited Merger reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2004	20,000	41,261	8,355	6,979	2,896	42	43,178	122,711
Profit for the period	-	-	-	-	-	-	3,439	3,439
At 30 September 2004	<u>20,000</u>	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>42</u>	<u>46,617</u>	<u>126,150</u>
At 1 April 2005	20,000	41,261	8,355	6,979	2,896	4	53,353	132,848
Surplus on revaluation of fixed assets	-	-	5,013	-	-	-	-	5,013
Profit for the period	-	-	-	-	-	-	4,160	4,160
At 30 September 2005	<u>20,000</u>	<u>41,261</u>	<u>13,368</u>	<u>6,979</u>	<u>2,896</u>	<u>4</u>	<u>57,513</u>	<u>142,021</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Net cash inflow/(outflow) from operating activities	9,160	(3,682)
Net cash outflow from investing activities	(2,300)	(1,883)
Net cash outflow from financing activities	(99)	(123)
Increase/(decrease) in cash and cash equivalents	6,761	(5,688)
Cash and cash equivalents at 1 April	<u>29,465</u>	<u>32,932</u>
Cash and cash equivalents at 30 September	<u>36,226</u>	<u>27,244</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited interim consolidated accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosable provisions of Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited.

These condensed interim accounts should be read in conjunction with the 2005 annual accounts.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS”). Hong Kong Accounting Standard (HKAS’s) and interpretations (hereinafter collectively referred to as “new HKFRS’s”) issued by HKICPA that effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group’s results of operations and financial position. The accounting policies used in the condensed financial accounts are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2005, except as set out below:-

Owner-occupied Leasehold Interest in Land

In previous periods, owner occupied leasehold land and building were included in property, plant and equipment and measured using the revaluation model, in the current period, the Group has applied HKAS 17 “Leases” Under HKAS 17, the land and building elements of a lease of land and building are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between land and building elements can be made reliably the leasehold interest in land are reclassified to lease prepayments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The change in accounting policy has been applied over the lease term on a straight-line basis. Where the allocation between land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

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2. Turnover, revenue and segment information

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

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Turnover – sales of goods	99,012	95,589
Other revenue		
Interest income	199	97
Total revenues	<u>99,211</u>	<u>95,686</u>

Primary reporting format – business segments

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

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

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	Unaudited	
	Six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Segment results		
Turnover		
Wholesale	90,205	88,453
Retail	35,227	29,396
Inter-segment elimination	(26,420)	(22,260)
Total turnover	99,012	95,589
Cost of goods sold		
Wholesale	62,581	57,780
Retail	26,675	23,063
Inter-segment elimination	(26,420)	(22,260)
Total cost of goods sold	62,836	58,583
Gross profit		
Wholesale	27,624	30,763
Retail	8,552	6,243
Total gross profit	36,176	37,006
Other costs, net of other revenues and other income		
Wholesale	(25,192)	(28,670)
Retail	(6,805)	(4,847)
Total other costs, net of other revenues and other income	(31,997)	(33,517)
Segment operating profit		
Wholesale	2,432	2,093
Retail	1,747	1,396
Total operating profit	4,179	3,489
Finance costs	(19)	(17)
Total operating profit after finance cost	4,160	3,472
Taxation	–	(33)
Profit attributable to shareholders	4,160	3,439

Secondary reporting format – geographical segments

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

3. Operating profit

Six months ended 30 September	
2005	2004
HK\$'000	HK\$'000

Operating profit is stated after charging the following:

Depreciation:

Owned fixed assets	2,347	2,141
Leased fixed assets	133	125
Net exchange loss	196	72
Payments under operating leases for leasehold land and buildings	8,940	8,211
Provision for slow-moving inventories, included in cost of inventories	2,010	904
Staff costs, including directors' emoluments	<u>12,345</u>	<u>13,393</u>

4. Finance costs

Six months ended 30 September	
2005	2004
HK\$'000	HK\$'000

Interest on bank borrowings	–	–
Interest element of finance leases	<u>19</u>	<u>17</u>
	<u>19</u>	<u>17</u>

5. Taxation

(a) Hong Kong profits tax have not been provided as the Group's estimated assessable profit for the period is wholly absorbed by available tax losses brought forward from previous years (six months ended 30 September 2004: NIL).

Six months ended 30 September	
2005	2004
HK\$'000	HK\$'000

Hong Kong profits tax		
– under provision in previous year	–	33
Deferred taxation (Note 5(b))	<u>–</u>	<u>–</u>
Taxation	<u>–</u>	<u>33</u>

(b) Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (year ended 31 March 2005: 17.5%).

The movement on the deferred tax liabilities/(assets) account is as follows:

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
At beginning of period/year	(439)	(1,526)
Deferred taxation credited to profit and loss account	–	1,087
Deferred taxation credited to revaluation reserve	1,063	–
	<u>624</u>	<u>(439)</u>
At the end of the period/year	<u>624</u>	<u>(439)</u>
Represented by:		
Deferred tax assets	(2,271)	(2,271)
Deferred tax liabilities	2,895	1,832
	<u>624</u>	<u>(439)</u>

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$4,160,000 (six months ended 30 September 2004: profit of HK\$3,439,000) and 200,000,000 shares (30 September 2004: 200,000,000 shares) in issue during the period. Diluted earnings per share for the periods was not disclosed as there were no dilutive potential ordinary shares.

7. Dividend

The Board of Directors has resolved to recommend the payment of an interim dividend of HK1 cent (six months ended 30 September 2004: Nil) per share for the six months ended 30 September 2005.

8. Capital expenditure

	Fixed assets HK\$'000
Net book amount as at 1 April 2005	25,983
Additions	3,307
Surplus on revaluation	6,076
Depreciation	<u>(2,480)</u>
Net book amount as at 30 September 2005	<u>32,886</u>

The Group's leasehold land and building were revalued by A.G. Wilkinson & Associates, an independent firm of valuer, at 30 September 2005 on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve.

9. Trade receivables, other receivables, deposits and prepayments

Included in the balance are trade receivables, net of provision, and their aging analysis is as follows:

	0 – 30 days HK\$'000	31 – 60 days HK\$'000	61 – 90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
Balance at 30 September 2005	<u>10,612</u>	<u>7,488</u>	<u>4,281</u>	<u>14,015</u>	<u>36,396</u>
Balance at 31 March 2005	<u>23,730</u>	<u>3,855</u>	<u>3,195</u>	<u>14,163</u>	<u>44,943</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.

10. Trade payables, accruals and deposits received

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

	0 – 30 days HK\$'000	31 – 60 days HK\$'000	61 – 90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
Balance at 30 September 2005	<u>6,192</u>	<u>3,231</u>	<u>933</u>	<u>301</u>	<u>10,657</u>
Balance at 31 March 2005	<u>4,134</u>	<u>3,658</u>	<u>1,015</u>	<u>2,110</u>	<u>10,917</u>

11. Non-current liabilities

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Obligations under finance leases	361	461
Current portion	<u>(262)</u>	<u>(262)</u>
	99	199
Deferred tax liabilities (Note 5(b))	<u>2,895</u>	<u>1,832</u>
	<u>2,994</u>	<u>2,031</u>

At 30 September 2005, the Group's obligations under finance leases were repayable as follows:

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Within one year	262	262
In the second year to fifth year inclusive	99	199
	<u>361</u>	<u>461</u>

12. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1 April 2004 and 30 September 2005	<u>1,000,000,000</u>	<u>100,000</u>
	Issued and fully paid ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1 April 2004 and 30 September 2005	<u>200,000,000</u>	<u>20,000</u>

13. Contingent liabilities

- (a) In August 2001, a subsidiary of the Company ("the Subsidiary") sued one of its customers (the "Customer") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered. In September 2001, the Customer 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 Customer and the Subsidiary. The proceedings are still in the pleadings stage and the directors of the Subsidiary, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against the Customer 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 30 September 2005, the Group had indemnities in respect of performance bonds amounting to approximately HK\$716,000 (31 March 2005: Nil) given to certain customers in respect of commitments for the supply of goods to such customers.

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 30 September 2005 and up to the date of the approval of these condensed interim accounts.

14. Commitments

Commitments under operating leases

At 30 September 2005, the Group had total future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
No later than one year	15,937	15,662
Later than one year and not later than five years	19,948	8,170
	<u>35,885</u>	<u>23,382</u>

15. Related party transactions

During the period, the Group paid rental expenses of HK\$1,234,800 (six months ended 30 September 2004: HK\$1,234,800) to Negotiator Consultants Limited (“NCL”), a company in which Mr Tse Sun Fat, Henry, Mr Tse Sun Po, Tony, Mr Tse Sun Lung and Mr Wong Tin Cheung, Ricky, have beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL.

16. Ultimate holding company

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

On behalf of the Board

TSE, Sun Fat, Henry

Chairman

Hong Kong, 15 November 2005

website: www.ebon.com.hk