

**E. BON HOLDINGS LIMITED**  
(Incorporated in the Cayman Islands with limited liability)  
**怡邦行控股有限公司**  
(Stock Code: 599)

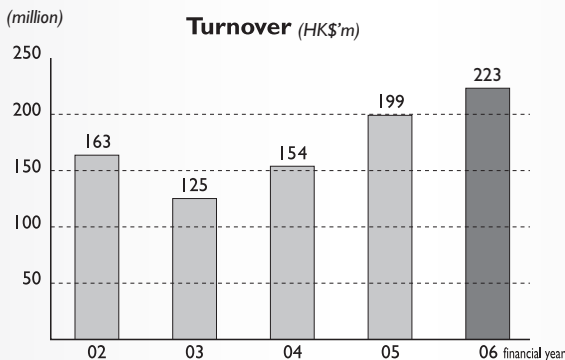
## **ANNOUNCEMENT OF ANNUAL RESULTS**

*For the year ended 31 March 2006*

### **FINANCIAL HIGHLIGHTS**

**For the year ended 31 March 2006**

- Turnover increased 17.8% to HK\$223 million
- Net profit 12.3% increase to HK\$12 million
- Earnings per share HK6 cents
- Dividend for the year (Interim & Proposed) HK3.5 cents
- Contracts awarded approximately HK\$105 million



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### **RESULTS**

The Board of Directors of E. Bon Holdings Limited (the "Company") announces that the audited annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2006 are as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2006 HK\$'000	2005 HK\$'000
Turnover	2	223,466	199,090
Cost of sales		<u>(138,668)</u>	<u>(117,871)</u>
Gross profit		84,798	81,219
Other revenues		389	172
Selling and distribution expenses		(52,506)	(49,854)
Administrative expenses		(21,224)	(20,253)
Finance costs		<u>(100)</u>	<u>(53)</u>
Profit before taxation	3	11,357	11,231
Taxation	4	<u>628</u>	<u>(1,056)</u>
Profit for the year		<u>11,985</u>	<u>10,175</u>
Dividend	5	<u>7,000</u>	<u>5,000</u>
Basic earnings per share	6	<u>6 cents</u>	<u>5 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	2006 HK\$'000	2005 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	31,741	25,983
Deferred tax assets	3,792	2,271
	<u>35,533</u>	<u>28,254</u>
<b>Current assets</b>		
Inventories	60,276	44,628
Trade receivables, other receivables, deposits and prepayments	64,237	54,507
Bank balances and cash	36,371	29,465
	<u>160,884</u>	<u>128,600</u>
<b>Current liabilities</b>		
Trade payables, accruals and deposits received	33,134	15,731
Bills payable	15,671	5,525
Interest bearing borrowing	1,052	–
Current portion of finance lease liabilities	159	262
Tax payable	721	457
	<u>50,737</u>	<u>21,975</u>
<b>Net current assets</b>	<u>110,147</u>	<u>106,625</u>
<b>Total assets less current liabilities</b>	<u>145,680</u>	<u>134,879</u>
<b>Non-current liabilities</b>		
Non-current portion of finance lease liabilities	39	199
Deferred tax liabilities	2,878	1,832
	<u>2,917</u>	<u>2,031</u>
<b>Net assets</b>	<u>142,763</u>	<u>132,848</u>
Financed by:		
Share capital	20,000	20,000
Reserves	122,763	112,848
<b>Shareholders' funds</b>	<u>142,763</u>	<u>132,848</u>

Notes:

### I. Basis of preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings under long lease in Hong Kong. The financial statements also comply with applicable disclosures provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new and revised HKFRS which are effective for accounting periods beginning on or after 1 January 2005. In this year, the Group adopted all the new/revised HKFRS pertinent to its operations, which are effective for accounting period beginning on or after 1 January 2005. The adoption of these HKFRS mainly affects the presentation and disclosures of certain items in financial statements and has no significant financial effects on the current period and prior period presented.

## 2. Turnover

The Group is 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.

	2006 HK\$'000	2005 HK\$'000
<b>Segment results</b>		
Turnover		
Wholesale	195,529	173,743
Retail	65,154	63,692
Inter-segment elimination	(37,217)	(38,345)
Total turnover	<u>223,466</u>	<u>199,090</u>
Segment operating profit		
Wholesale	11,434	9,413
Retail	23	1,871
Total operating profit	<u>11,457</u>	<u>11,284</u>

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

## 3. Operating profit

Operating profit is stated after depreciation of fixed assets of HK\$4,749,000 (2005: HK\$5,324,000), staff costs, including directors' remunerations of HK\$27,771,000 (2005: HK\$26,120,000).

## 4. Taxation

Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year.

	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax		
– current year	1,001	336
– (over)/under provision in previous year	(108)	(367)
Deferred taxation	(1,521)	1,087
	<u>(628)</u>	<u>1,056</u>

## 5. Dividend

The Board has resolved to recommend a final dividend of HK2.5 cents (2005: HK2.5 cents) per ordinary share for the year ended 31 March 2006.

## 6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the year of HK\$11,985,000 (2005: profit HK\$10,175,000) and on the outstanding number of 200,000,000 shares in issue (2005: 200,000,000 shares) during the year.

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

## DIVIDEND

The Board has resolved to recommended a final dividend of HK2.5 cents (2005: HK2.5 cents) per ordinary share for the year ended 31 March 2006 at the forthcoming annual general meeting to be held on 30 August 2006 (the "AGM"). The final dividend, if approved by the members, will be paid on 9 October 2006 to members whose name appear on the principal or branch register of members of the Company in Cayman Islands or Hong Kong respectively (collectively the "Register of Members") as at the close of business on 30 August 2006.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's Register of Members will be closed from Thursday, 24 August 2006 to Wednesday, 30 August 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 23 August 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **Results of Operations**

We are pleased to announce an operating profit of HK\$11.4 million (2005: HK\$11.3 million), while the profit after tax amounts to HK\$11.98 million (2005: HK\$10.17 million) a 18% increase in profit, with the Group turnover amounted to HK\$223.5 million (2005: HK\$199.1 million) represents an increase of 12.3% from last year. We have been able to capture the opportunities in the upsurge of sales of luxurious apartments from major property developers in Hong Kong. As a result, the increase in proportion of project sales, results in a slight adjustment to our overall gross profit to 38% (2005: 40%). The improvement in sales volume has also caused the increase in selling and distribution costs by 5% to HK\$52.5 million (2005: HK\$49.9 million) while the continue weakening of US dollars against EURO and the interest rates increased this year presents a challenge to our attempt to keep the operating expenses at optimal level, the administrative expenses increased slightly by 5% from HK\$20.2 million to HK\$21.2 million.

### **Wholesales/Retails**

As the pace of economic recovery in Hong Kong gathers momentum, we note an increase in both our wholesale and retail operations, during the year, we opened our very first showroom in Central, while improved and enlarged our sales floors in Wan Chai by designated an area for upmarket spas for health conscious customers. However, the rental expenses for our outlets & showrooms increased significantly when compare with the previous years, in particular for the leases signed in 2003 during the SARS epidemics which were due for renewal during the year. As a result, an overall increase of 10% in expenses for our retail operations.

Meanwhile, the Group has firmly established itself as a major supplier of quality bathroom, kitchen collections and other hardware for luxurious apartments, and have been contracted to supply these products for prestige apartments and commercial buildings such as Grand Waterfront, The Great Hill, Union Square Package 6, Enterprise Square Phase 5, Nina Towers I & II. As at 31 March 2006, the contracts in hand amounted to HK\$105 million. During the year, we have also made progress in expanding in Macau and Mainland China operations, featuring projects such as Nova Taipa Gardens (Macau), and Pazhou Shangri La Hotel (Mainland China), while we remain cautious in expanding in these areas.

### **Financial Resources and Liquidity**

The Group continues to be prudent in its financial management, owing to the expansion in business, the current ratio and quick ratio are 3.17 (2005: 5.85) and 1.98 (2005: 3.82) respectively, while the cash and bank balances amounted to HK\$36 million as at 31 March 2006 (2005: HK\$29 million). The Group gearing ratio (the ratio of total liabilities to the sum of total liabilities and owners' equity) increase to 27.3% as of 31 March 2006 (2005: 15.3%) The bank borrowing of the Group amount to merely HK\$1 million.

## People

As at 31 March 2006, our workforce counted to 135 (2005: 125) due to our further expansion in retail trade and additional showrooms. Among them, there are 51 employees who grow together with us and served the Group for more than 10 years.

## FUTURE PROSPECTS

During the year, we noted the increase in the number of businesses in China going public and get listed in Hong Kong, couple with the introduction of Qualified Domestic Institutional Investors programme and the further expansion of business connections from the Pearl River delta to other provinces in the neighbourhood are likely to give further boost to our sales of quality products.

In our opinion, this will result in an increase in the pace of economic development in Hong Kong, and we believe that concept of luxurious living will continue in the territory. We intend to place ourselves in strategic position to capture the growth in this market, and continue to expand our sales in Kitchen collection in both wholesale and retail market while we plan to expand further into luxurious living room furniture.

Meanwhile, the growth in our sales in Macau and China continue, we have established 71 local dealership in China and obtaining significant increase in project sales in Macau while looking forward to our further participation in the supply of building materials in hotels projects in the region.

## CONTINGENT LIABILITY

- (a) In August 2001, a subsidiary of the Company (“the Subsidiary”) sued one of its customers (“the Defendant”) for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered to the Defendant. In September 2001, the Defendant filed a counter-claim in a sum of approximately HK\$6,148,000 against the Subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between the Defendant and the Subsidiary. The case is now in the stage where the parties’ expert reports are to be exchanged 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 debt due or the amount of the counter-claim has been made in the financial statements of the Group.
- (b) As at 31 March 2006, the Company had guarantees given to certain banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$60,000,000 (2005: HK\$30,200,000).

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31 March 2006 and up to the date of the approval of these financial statements.

## CORPORATE GOVERNANCE

E. Bon Holdings Limited is committed to achieving high standard of corporate governance that properly protect and promote the interests of its shareholders.

The monitoring and assessment of certain governance matters are allocated to three committees: Audit Committee, Remuneration Committee and Board Committee which operate under defined terms of reference and are required to report to the full board on a regular basis.

Full details of the Corporate Governance Report are set out in the Annual Report 2006 of the Company.

## 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 year ended 31 March 2006, 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 of service. 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Group 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 year ended 31 March 2006.

## **REVIEW OF ANNUAL RESULTS**

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 audited annual accounts for the year ended 31 March 2006.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is published on the websites of the Company ([www.ebon.com.hk](http://www.ebon.com.hk)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The Company's Annual Report 2006 will be dispatched to the shareholders and available on the same websites in due course.

## **BOARD OF DIRECTORS**

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

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

Hong Kong, 14 June 2006

"Please also refer to the published version of this announcement in The Standard."