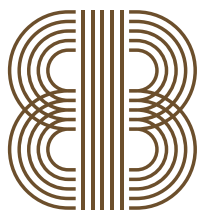


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E. BON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

怡邦行控股有限公司

(Stock Code: 599)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The Board of Directors (the “Board”) of E. Bon Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2022 (the “Period”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Unaudited Six months ended 30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
Revenue	4	233,893	251,862
Cost of sales		(138,974)	(163,873)
Gross profit		94,919	87,989
Other income	4	316	3,145
Other (losses)/gains, net	4	(2,787)	1,944
Distribution costs		(39,639)	(42,150)
Administrative expenses		(32,476)	(34,208)
Operating profit		20,333	16,720
Finance costs, net	5	(942)	(1,932)
Profit before income tax	6	19,391	14,788
Income tax expense	7	(3,919)	(3,366)
Profit for the period attributable to equity holders of the Company		15,472	11,422

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Exchange (loss)/gain on translation of financial statements of foreign operations	<u>(634)</u>	<u>135</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(634)</u>	<u>135</u>
Total comprehensive income for the period attributable to equity holders of the Company	<u><u>14,838</u></u>	<u><u>11,557</u></u>
Earnings per share (expressed in HK cents per share)		
— Basic and diluted	9 <u><u>HK2.6 cents</u></u>	<u><u>HK1.9 cents</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

		Unaudited	Audited
		30 September	31 March
		2022	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		268,891	269,162
Right-of-use assets		38,531	45,444
Deferred income tax assets		5,524	5,873
Retention and other receivables	<i>11</i>	12,627	6,003
		<u>325,573</u>	<u>326,482</u>
Current assets			
Inventories		130,104	115,420
Trade, retention and other receivables	<i>11</i>	120,979	148,649
Contract assets	<i>11</i>	2,070	4,338
Current income tax recoverable		2,673	3,136
Cash and cash equivalents		168,038	104,199
		<u>423,864</u>	<u>375,742</u>
Total assets		<u>749,437</u>	<u>702,224</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		60,060	60,060
Reserves		424,418	410,461
Total equity		<u>484,478</u>	<u>470,521</u>

		Unaudited	Audited
		30 September	31 March
		2022	2022
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Other provision	<i>12</i>	5,000	5,000
Lease liabilities		14,099	22,094
Deferred income tax liabilities		18,567	18,900
		<u>37,666</u>	<u>45,994</u>
Current liabilities			
Trade and other payables	<i>12</i>	40,484	34,386
Contract liabilities	<i>12</i>	92,214	75,337
Derivative financial liabilities	<i>13</i>	6,388	935
Lease liabilities		28,192	27,902
Borrowings		44,529	42,083
Dividend payable		6,006	–
Current income tax liabilities		9,480	5,066
		<u>227,293</u>	<u>185,709</u>
Total liabilities		<u>264,959</u>	<u>231,703</u>
Total equity and liabilities		<u>749,437</u>	<u>702,224</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

1.1 Accounting policies

Except as described below, the accounting policies applied to prepare this unaudited interim condensed consolidated financial information are consistent with those of the consolidated financial statements for the year ended 31 March 2022.

(a) New standards and amendments to standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and have been adopted by the Group for the first time for the financial year beginning on 1 April 2022:

Accounting Guideline 5	Interest Rate Benchmark Reform — Phase 2 (amendments)
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)
Amendment to HKFRS 3	Definition of a Business (amendments)
Amendment to HKAS 16	Property, Plant and Equipment (amendments)
Amendment to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments)

The adoption of the above new amendments to standards did not have any significant financial impact on these condensed consolidated interim financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) *New standards and amendments to existing standards have been published but are not yet effective and which the Group has not early adopted*

		Effective for annual periods beginning on or after
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendments)	1 January 2023
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

Management is in the process of making an assessment of the impact of the above new standards and amendments to standards but is not yet in a position to state whether they will result in substantial changes to the Group's significant accounting policies and the presentation of its financial statements.

2. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2022.

There have been no changes in the risk management controls or in any risk management policies since the year ended 31 March 2022.

4. REVENUE, OTHER INCOME, OTHER GAINS, NET AND SEGMENT INFORMATION

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Revenue		
Sale of goods	188,969	242,503
Contract revenue	44,924	9,359
	<u>233,893</u>	<u>251,862</u>
Timing of revenue recognition:		
— At a point in time	188,969	242,503
— Over time	44,924	9,359
	<u>233,893</u>	<u>251,862</u>
Other income		
Rental income	–	390
Government grants (<i>Note</i>)	35	–
Others	281	2,755
	<u>316</u>	<u>3,145</u>

Note: The subsidies of HK\$35,000 granted from The Government of Macau Special Administrative Region for local employees, business operators and freelance professionals.

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Other (losses)/gains, net		
Net foreign exchange gains		
— Forward contracts	(5,453)	(386)
— Other exchange gain, net	514	689
COVID-19 related rental concessions	<u>2,152</u>	<u>1,641</u>
	<u>(2,787)</u>	<u>1,944</u>

The executive directors of the Company (the “Executive Directors”) are the Group’s chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

The Group’s reportable operating segments are as follows:

- Architectural builders’ hardware, bathroom collections and others segment — importing, wholesale and retail of architectural builders’ hardware and bathroom collections and others
- Kitchen collection and furniture segment — designing, importing, wholesale, retail and installation of kitchen collections and furniture

The measurement policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs.

The Executive Directors assess the performance of the operating segments based on the measure of gross profit. Other operating income and expenses are not allocated to the operating segments as the information is not regularly reviewed by the Executive Directors.

Segment assets include all assets but exclude current income tax recoverable, deferred income tax assets, investment properties, cash and cash equivalents, property, plant and equipment related to the office premises of the Group and other corporate assets which are managed on central basis and are not directly attributable to the business activities of any operating segment.

Segment liabilities include all liabilities but exclude current and deferred income tax liabilities, derivative financial liabilities, dividend payable, borrowings (excluding trust receipt loans) and other corporate liabilities which are managed on central basis and are not directly attributable to the business activities of any operating segment.

	Unaudited Six months ended 30 September 2022		
	Architectural builders' hardware, bathroom collection and others <i>HK\$'000</i>	Kitchen collections and furniture <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	155,676	78,217	233,893
Reportable segment cost of sales	<u>(100,075)</u>	<u>(38,899)</u>	<u>(138,974)</u>
Reportable segment gross profit	<u>55,601</u>	<u>39,318</u>	<u>94,919</u>
Depreciation of property, plant and equipment	(3,106)	(2,764)	(5,870)
Depreciation of right-of-use assets	(5,628)	(8,885)	(14,513)
Provision for inventory obsolescence	(1,353)	(1,213)	(2,566)
Reportable segment assets	277,432	92,308	369,740
Additions to non-current segment assets during the period	1,642	1,441	3,083
Reportable segment liabilities	<u>98,893</u>	<u>85,912</u>	<u>184,805</u>

	Unaudited Six months ended 30 September 2021		
	Architectural builders' hardware, bathroom collection and others <i>HK\$'000</i>	Kitchen collections and furniture <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	210,712	41,150	251,862
Reportable segment cost of sales	<u>(141,988)</u>	<u>(21,885)</u>	<u>(163,873)</u>
Reportable segment gross profit	<u>68,724</u>	<u>19,265</u>	<u>87,989</u>
Depreciation of property, plant and equipment	(1,375)	(2,198)	(3,573)
Depreciation of right-of-use assets	(8,714)	(7,128)	(15,842)
Reversal of provision for/(provision for) inventory obsolescence	<u>1,292</u>	<u>(129)</u>	<u>1,163</u>

	Audited As at 31 March 2022		
	Architectural builders' hardware, bathroom collection and others <i>HK\$'000</i>	Kitchen collections and furniture <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	273,603	118,849	392,452
Additions to non-current segment assets during the year	4,292	1,780	6,072
Reportable segment liabilities	84,126	81,165	165,291

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the condensed consolidated financial information as follows:

	Unaudited Six months ended 30 September	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment gross profit	94,919	87,989
Group gross profit	94,919	87,989
	Unaudited As at 30 September 2022 <i>HK\$'000</i>	Audited As at 31 March 2022 <i>HK\$'000</i>
Reportable segment assets	369,740	392,452
Property, plant and equipment	196,435	196,116
Deposit and prepayment	6,527	–
Deferred income tax assets	5,524	5,873
Current income tax recoverable	2,673	3,136
Cash and cash equivalents	168,038	104,199
Other corporate assets	500	448
Group assets	749,437	702,224
Reportable segment liabilities	184,805	165,291
Borrowings	39,163	40,962
Current income tax liabilities	9,480	5,066
Derivative financial liabilities	6,388	935
Dividend payable	6,006	–
Deferred income tax liabilities	18,567	18,900
Other corporate liabilities	550	549
Group liabilities	264,959	231,703

Geographical information

	Revenue from external customers		Non-current assets (excluding financial assets and deferred income tax assets)	
	Unaudited		Unaudited	Audited
	Six months ended		As at	As at
	30 September		30 September	31 March
	2022	2021	2022	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (domicile)	226,080	248,721	306,015	312,548
PRC	7,813	3,141	1,407	2,058
Total	<u>233,893</u>	<u>251,862</u>	<u>307,422</u>	<u>314,606</u>

5. FINANCE COSTS, NET

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Finance costs		
Bank borrowings	732	749
Interest on lease liabilities	816	1,292
	<u>1,548</u>	<u>2,041</u>
Finance income		
Interest income	(606)	(109)
Finance costs, net	<u>942</u>	<u>1,932</u>

6. EXPENSES BY NATURE

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories	129,489	157,255
Depreciation of property, plant and equipment	9,166	8,564
Depreciation of right-of-use assets	14,513	15,842
Expenses relating to short-term lease	658	3,286
Provision for/(reversal of provision for) inventory obsolescence	2,566	(1,163)
Direct operating expenses arising from investment properties that generated rental income	–	56
Employee benefit expenses	30,679	30,569
Government grants (<i>Note</i>)	(2,726)	–
	<u>(2,726)</u>	<u>–</u>

Note: Wages subsidies of approximately HK\$2,726,000 were granted from the Hong Kong SAR Government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from May to July 2022.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period. The applicable tax rate of PRC subsidiaries of the Group is 25% (2021: 25%) for the period.

The charge comprises:

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
Hong Kong profits tax	3,914	3,366
PRC Corporate income tax	5	–
	3,919	3,366
Deferred taxation	–	–
Tax expense for the period	3,919	3,366

8. DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 September 2022 (2021: HK0.5 cent per share).

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
No interim dividend (2021: HK0.5 cent per share)	–	3,003

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the period of HK\$15,472,000 (six months ended 30 September 2021: HK\$11,422,000) and the 600,600,000 ordinary shares (As at 30 September 2021: 600,600,000 ordinary shares) in issue during the period. Diluted earnings per share for the period is the same as the basic earnings per share as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021.

10. CAPITAL EXPENDITURE AND DISPOSAL

During the period, the Group incurred capital expenditure of approximately HK\$3,818,000 for property, plant and equipment (six months ended 30 September 2021: HK\$2,589,000) and no disposal for the property, plant and equipment during the period (six months ended 30 September 2021: same).

11. TRADE, RETENTION, OTHER RECEIVABLES AND CONTRACT ASSETS

Details of trade, retention, other receivables and contract assets as at 30 September 2022 are listed below:

	Unaudited As at 30 September 2022 <i>HK\$'000</i>	Audited As at 31 March 2022 <i>HK\$'000</i>
Trade receivables	104,124	124,584
Less: provision for impairment of trade receivables	(859)	(859)
	103,265	123,725
Retention receivables	1,470	2,645
Less: provision for impairment of retention receivables	(288)	(288)
	104,447	126,082
Contract assets	2,076	4,344
Less: provision for impairment of contract assets	(6)	(6)
	106,517	130,420
Other receivables, deposits and prepayments	29,159	28,570
	135,676	158,990
Less: non-current portion		
Retention receivables	(317)	(272)
Deposits and prepayments	(12,310)	(5,731)
Current portion	123,049	152,987

All non-current receivables are due within five years from the end of the respective reporting dates.

The ageing analysis of trade receivables at the reporting date by invoice date is as follows:

	Unaudited As at 30 September 2022 <i>HK\$'000</i>	Audited As at 31 March 2022 <i>HK\$'000</i>
1–90 days	63,373	60,766
91–365 days	27,906	28,157
Over 365 days	12,845	35,661
	104,124	124,584

The majority of the Group's sales are with credit terms of 30 to 90 days, while some customers are granted an extended credit period of up to 120 days.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a life time expected loss allowance for all trade and retention receivables and contract assets. Information about the impairment of these receivables and the Group's exposure to credit risk is consistent with those of the consolidated financial statements for the year ended 31 March 2022, as described in those annual financial statements.

12. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Details of trade and other payables and contract liabilities as at 30 September 2022 are listed below:

	Unaudited As at 30 September 2022 <i>HK\$'000</i>	Audited As at 31 March 2022 <i>HK\$'000</i>
Trade payables	22,613	19,999
Accrued charges and other payables	17,871	14,387
Contract liabilities	92,214	75,337
Other provision	5,000	5,000
	<u>137,698</u>	<u>114,723</u>
Less: non-current portion		
Other provision	<u>(5,000)</u>	<u>(5,000)</u>
	<u><u>132,698</u></u>	<u><u>109,723</u></u>

The ageing analysis of trade payables at the reporting date by invoice date is as follows:

	Unaudited As at 30 September 2022 <i>HK\$'000</i>	Audited As at 31 March 2022 <i>HK\$'000</i>
0–90 days	15,877	13,513
91–365 days	4,531	4,346
Over 365 days	2,205	2,140
	<u>22,613</u>	<u>19,999</u>

As at 30 September 2022 and 2021, the carrying values of trade and other payables approximate their fair values.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited As at 30 September 2022 Liabilities HK\$'000	Audited As at 31 March 2022 Liabilities HK\$'000
Not qualified for hedge accounting		
Foreign exchange forward contract, at market value (<i>Note</i>)	6,388	935

Note: The notional principal amounts of the outstanding foreign exchange forward contracts as at 30 September 2022 and 31 March 2022 are as follows:

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Sell HK\$ for Euro	23,110	43,745
Sell US\$ for Euro	15,406	–

REVIEW OF OPERATIONS

BUSINESS REVIEW

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in importing, wholesale, retailing and installing architectural builders' hardware, bathroom, kitchen collections and furniture and providing interior design services, project and contract management in Hong Kong and the People's Republic of China (the "PRC").

The global economy is an increasingly gloomy and uncertain outlook as it is still struggling with the COVID-19 Pandemic and geopolitical fragmentation that has disrupted economic, financial, institutional and political stability with direct effects on global trade and cooperation. In addition, the higher-than-expected inflation, especially in the US and EU economies, has led to high-interest rate hikes, triggering tightening international financial situations. As a result, various currencies depreciated against the United States dollar (the "USD"), which has also strengthened the Hong Kong dollar (the "HKD") over the other currencies.

The US dollar (so is Hong Kong Dollar) is at its highest level since 2000, having appreciated 22% against the Japanese Yen, 15% against GBP and 13% against the Euro since the start of this year. Such a sharp strengthening of the dollar in a matter of months has sizable macroeconomic implications for almost all countries, given the dominance of the US dollar in international trade and finance.

In addition, the three major economies, the US, China, and the EU, have experienced stalled growth these years, with supply chain challenges remaining one of the key issues in these economies. Geopolitical instability and conflicts remain a top concern and the most significant risk to global growth over the next 12 months. Hong Kong government has revised the real GDP growth forecast for 2022 down to negative 3.2% after its economy contracted by 4.5% year-on-year in the third quarter of 2022.

Despite the decrease in revenue, the gross profit has increased by 7.9% compared to the last corresponding period, primarily due to the depreciation of the Euro against HKD. Moreover, with the Group's effort to lower operating costs, the Group has recorded a 21.6% growth in operating profit during this challenging period (up to September 2022). However, the contraction of GDP growth by 4.5% as compared to the earlier year and the estimated negative growth of GDP by negative 3.2% indicate consumer sentiment remains low, and there is uncertainty as we might maintain the revenue at this level. Further, if housing demand continue to decrease, these might affect our business in the coming years.

We could not control the negative impacts of the ever-changing adverse market environment, but we have managed to deal with it accordingly. Our flexibility will continue to facilitate optimal operation in the ever-changing business conditions. Therefore, we shall continue closely observing market trends, capitalising on our strengths, and adjusting our strategies accordingly.

REVENUE REVIEW

For the six months ended 30 September 2022, the Group's total revenue was HK\$233.9 million which was decreased by 7.1% as compared with the previous first half-yearly period.

Revenue by business segment

	Revenue from external customers			As a percentage of sales	
	Unaudited			($\%$)	
	30 September		Change	30 September	
	2022	2021		2022	2021
	HK\$'000	HK\$'000	($\%$)		
Architectural builders' hardware, bathroom collections and others	155,676	210,712	(26.1)	66.6	83.7
Kitchen collection and furniture	78,217	41,150	90.1	33.4	16.3
	<u>233,893</u>	<u>251,862</u>	<u>(7.1)</u>	<u>100.0</u>	<u>100.0</u>

Profitability by business segment

	Reportable segment gross profit			Gross profit margin	
	Unaudited			($\%$)	
	30 September		Change	30 September	
	2022	2021		2022	2021
	HK\$'000	HK\$'000	($\%$)		
Architectural builders' hardware, bathroom collections and others	55,601	68,724	(19.1)	35.7	32.6
Kitchen collection and furniture	39,318	19,265	104.1	50.3	46.8
	<u>94,919</u>	<u>87,989</u>	<u>7.9</u>	<u>40.6</u>	<u>34.9</u>

Revenue from the architectural builders' hardware, bathroom collections and others segment decreased by 26.1% to HK\$155.7 million as compared to the same period last year (2021: HK\$210.7 million). During the period, we supplied products for projects such as Pano Harbour, The Corniche, One Innovale and Villa Garda.

Revenue from the kitchen collection and furniture segment increased by 90.1% to HK\$78.2 million as compared to the same period last year (2021: HK\$41.2 million).

The overall turnover of the Group decreased by 7.1% to HK\$233.9 million (2021: HK\$251.9 million) and the gross profit increased by 7.9% to HK\$94.9 million (2021: HK\$88.0 million) as compared to the same period last year due to a general improvement in site progress leading to increased project deliveries.

The Group's operating profit was HK\$20.3 million (2021: HK\$16.7 million), representing an increase of 21.6% from the same period last year. Profit after tax approximated HK\$15.5 million (2021: HK\$11.4 million), which increased by 35.5% as compared to the corresponding period. The amount of administrative expenses and distribution costs recorded an decrease of 5.6% to HK\$72.1 million (2021: HK\$76.4 million) mainly as a result of the reduce in rental expenses.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continues to operate its business in Hong Kong and the PRC through the adoption of a prudent financial management policy. The current ratio and quick ratio are 1.9 (31 March 2022: 2.0) and 1.3 (31 March 2022: 1.4), respectively, while cash and cash equivalents approximated HK\$168.0 million as at 30 September 2022 (31 March 2022: HK\$104.2 million).

Inventories increased to HK\$130.1 million (31 March 2022: HK\$115.4 million). The trade, retention and other receivables decreased to HK\$133.6 million (31 March 2022: HK\$154.7 million) mainly caused by the timing difference between product deliveries and collection of receivables, while the trade and other payables increased to HK\$40.5 million (31 March 2022: HK\$34.4 million).

As at 30 September 2022 and 31 March 2022, the gearing ratio (net debt divided by total equity) of the Group is not applicable as the Group had a net cash position. The interest-bearing borrowings of the Group increased to HK\$44.5 million as at 30 September 2022 (31 March 2022: HK\$42.1 million).

Treasury Policy

Borrowings, cash and cash equivalents are primarily denominated in Hong Kong Dollars ("HK\$") and Euro ("Euro"). During the period, the Group entered into certain simple forward contracts to buy Euro for settlement of purchases. The management will continue to monitor the foreign exchange risk exposure of the Group.

Significant investments held, material acquisitions and disposals of subsidiaries and material investment or capital assets

On 1 August 2022 and 31 August 2022, the Group entered into a preliminary agreement and formal agreement respectively with an independent third party (the "Vendor"), pursuant to which, the Group agreed to purchase and the Vendor agreed to sell a property located in Hong Kong at a consideration of HK\$45,800,000. At the date of this announcement, the Group has paid deposits of 10% of the total consideration. The transaction was scheduled to complete on 30 November 2022. For further details, please refer to the announcement of the Company "Discloseable Transaction: Acquisition of the property" published on 1 August 2022.

Contingent Liabilities

We seek to manage our cash flow and capital commitments effectively to ensure that we have sufficient funds to meet our existing and future cash requirements. We have not experienced any difficulties in meeting our obligations as they become due. Assets under charge include mortgaged properties. As at 30 September 2022, performance bonds of approximately HK\$22.9 million (31 March 2022: HK\$32.5 million) have been issued by the Group to customers as security of contracts. Save for the short-term rental commitment of our retail outlets and warehouses, performance bonds for projects and the committed acquisition for a property (as disclosed under the section “Significant investments held, material acquisitions and disposals of subsidiaries and material investment or capital assets”), the Group has no other material financial commitments and contingent liabilities as at 30 September 2022.

FUTURE PROSPECTS

It is unlikely that higher inflation and energy crises caused by war, the continuation of geopolitical tensions, and the fiscal policies adopted by most central banks across major economies that tighten money supplies to curb inflation will be gone soon. The International Monetary Fund set out in its 11 October 2022 outlook, indicated that global growth would slow from 6.0% in 2021 to 3.2% in 2022 and even slower growth of 2.7% in 2023. Although the travel restriction against COVID-19 has been somewhat relaxed in many countries, high energy costs and hence travelling costs dampen the recovery of the global hospitality and tourism industry.

Due to the free travel border control policy, the global economy has returned slowly to its pre-pandemic level. China’s Zero-Covid approach fuels inflation, disrupts manufacturing and supply chains, triggers some foreign business retreats, and has led to high economic, social, and political costs in a short period. It dampens consumer spending, and the PRC government acknowledged that it was unlikely to hit its original 5.5% growth target this year.

National Health of PRC announced, on Friday, 11 November 2022, that China would ease some of its COVID-19 rules, such as the requirement of only one negative PRC test (instead of two within 48 hours before boarding and the quarantine requirement would change from “7 days centralised quarantine + 3 days home health monitoring” to “5 days centralised quarantine + 3 days home quarantine” for close contacts and inbound travellers aimed at better balancing between COVID-19 prevention and control with economic and social development.

Hong Kong’s economy has shrunk dramatically and is yet to recover from the Pandemic. However, it is inherently unstable in the face of challenges like the new coronavirus Omicron variants pandemic that may emerge from time to time; the geopolitical tensions, the rise in the unemployment rate, round after round of interest rate hikes and the slowdown of the real estate market. Recently, it has relaxed the restrictive border measures aimed at reconnecting the world after the fifth wave of the COVID-19 epidemic that hit Hong Kong in the third quarter of this year. However, shortening the quarantine period for arrivals from China and Hong Kong would not immediately benefit the Hong Kong economy; and only quarantine-free travel would.

In the meantime, Hong Kong companies and individuals must strike a balance between carrying out necessary business activities that require cross-border and/or inter-regional travelling on the one hand and the other hand, managing compliance risks, learning to adapt to changes by deploying flexible work and employment arrangements, Identifying cross-border tax, social security and legal issues in order to mitigate risks and costs. It increases administrative and management fees for running a business.

The COVID-19 Pandemic and the uncertainty of emerging ever-mutating Omicron variants in the world, heightened geopolitical tensions, elevated inflation, and continued monetary policy tightening in major economies will dampen global demand and add downside risks to asset values. In addition, the rising US interest rates increase Hong Kong's borrowing costs which would, in turn, affect the prices of property and stocks, dampening consumer sentiment.

Hong Kong Government has indicated that it would increase the land supply gradually; pledged to tackle the housing crisis with 30,000 new and temporary flats available to tenants waiting for public housing. However, it is expected that the number of residential units in the private sector will remain relatively unchanged for next year. Therefore, if the economy remains weak, further weakening of housing prices would not be ruled out as potential buyers would adopt a wait-and-see attitude. As a result, it would affect the number of units sold in the coming year.

It has posed complex challenges to the Group's operation when facing mixed uncertain factors affecting the market condition and the global and local economy business environment. Therefore, after reviewing the Group's cash flow and capital requirements for the next two years, the Board believed it needed additional funding to cope with uncertainties and serve its business purposes.

In the board meeting held on 21 October 2022; the Board had considered the pros and cons of various means of fundraising, such as debt financing or bank borrowings and placing new Shares etc.; it came to the view that further debt financing would result in an additional interest burden which was not beneficial to the Group in the current business environment. Therefore, it recommended that the Right issue was one of the best ways to raise capital without incurring additional debt from the banks at high interest rates, thus cutting the finance cost for the Group. In addition, it provides an opportunity to allow current shareholders to increase their stake in a company at a reduced price. Please refer to "EVENTS AFTER REPORTING PERIOD, Rights Issue and Change in Board Lot Size" in this announcement for more details.

Looking beyond the uncertainties, the Group would utilise the network built in the past and explore new opportunities for future development. The Group will continue to be vigilant to changes in the business environment and strive to improve the efficiency of its operations to maintain sustainability.

EVENTS AFTER REPORTING PERIOD

Rights Issue and Change in Board Lot Size

- (1) In order to strengthen its financial position, while at the same time enabling shareholders of the Company to participate in the future development of the Group, the Company proposed the rights issue on the basis of one (1) Rights Share for every four (4) existing shares held on Record Date, at the subscription price of HKD0.192 per rights share on a non-underwritten basis (the “Rights Issue”).

The Company will allot and issue 150,150,000 Rights Shares in total to the Qualifying Shareholders. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$27.5 million. The Company intends to apply the net proceeds from the proposed Rights Issue as to (i) approximately HK\$15.0 million for financing the estimated renovation costs and related expenses for setting up a new showroom and warehouse in connection with the Group’s kitchen collection and furniture business; (ii) approximately HK\$9.9 million for repayment of bank loans; and (iii) approximately HK\$2.6 million as general working capital of the Group.

In the event that (i) there is under-subscription by the Qualifying Shareholders whether under the PAL(s) and/or EAF(s); and (ii) the Underwritten Shares would not be taken up by the Underwriter or subscriber(s) procured by it eventually, the net proceeds of the Rights Issue will be utilised in proportion to the above uses;

- (2) A change in board lot size (the “Change in Board Lot Size”) for trading on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from 4,000 Existing Shares to 16,000 Shares upon the Share Consolidation becoming effective.

For details of the Rights Issue and Change in Board Lot Size, please refer to announcement of the Company “(1) Proposed Rights Issue on the Basis of One Rights Share for Every Four Existing Shares Held on Record Date and (2) Proposed Change in Board Lot Size” published on 21 October 2022 and “Delay in Despatch of Prospectus Documents and Revised Expected Timetable in Relation to (1) The Rights Issue on the Basis of One Rights Share for Every Four Existing Shares Held on Record Date; and (2) Change in Board Lot Size” published on 29 November 2022.

Save as disclosed above, there are no significant events undertaken by the Company or by the Group after 30 September 2022 and up to the date of this announcement.

SUSTAINABLE DEVELOPMENT

Sustainability is embedded in the Group’s business operations that create sustainable value with its stakeholders in economic, environmental and social dimensions. The Group has developed a dedicated sustainability policy which directs its operations towards the best practice in areas such as business growth, environmental protection, employment and labour practices, operating practices and community investment.

Environment

The Group endeavours to minimise pollution and protect the environment by conserving natural resources, reducing the use of energy and waste. We first implement business activities for which we bear responsibility and address environmental issues by integrating environment considerations in our business. We create the environmental awareness amongst our staff members and whenever possible and practical to do so. Our aim is to contribute to the sustainable future and be in harmony with the global environment.

Human Resources and Remuneration Policy

The Group believes its success, long-term growth and development depend upon the quality, performance and commitment of its staff members. The Group is committed to providing equal opportunities to our staff, matching the right people with the right job, offering them a suitable platform to develop and excel in their career, maintaining a healthy and safe workplace and encouraging work-life balance.

As at 30 September 2022, our workforce was recorded at 144 employees (31 March 2022: 147). Total staff cost during the period amounted to HK\$30.7 million (six months ended 30 September 2021: HK\$30.6 million). Competitive packages are offered to attract, retain and motivate competent individuals.

Suppliers

The Group has set out a dedicated environmental and social policy to communicate with and align our sustainability expectations (including legal compliance, anti-corruption policy, environmental protection, workplace health and safety, employment practices) on our suppliers and sub-contractors. We conduct appraisals to evaluate their sustainability performance. Factors assessed include production capacity, technical capability, quality control systems, personnel quality and sustainability performance.

Customers

The Group's objective is to become one of the leading quality suppliers of architectural builders' hardware, bathroom, kitchen collections and furniture. Our goal is to enhance the brand value of the Group by managing customers' expectation of getting products that commensurate with their lifestyles. We strive to provide quality products and services to fulfil customers' needs; and to establish the brand and reputation of our Group for customers' recognition of our ability to serve them with two fundamental qualities, "sincerity" and "quality", which would enable us to build customer loyalty, allowing us to establish strong customer relationships for future businesses.

Details of the Group's environmental and social policies are set out in the Environmental, Social and Governance Report in the Annual Report 2021/22.

COMPLIANCE OF CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2022, except for the following:

Under the code provision D.2.5, the Company should have an internal audit function. Given the current scale of operations, the Company does not have an internal audit department. The Board is directly responsible for risk management and internal control systems of the Group and the review of its effectiveness. The Board will continue to review, at least annually, this arrangement going forward in light of the evolving needs of the Group.

COMPLIANCE OF RULE 13.92 OF LISTING RULES

Pursuant to Rule 13.92 of the Listing Rules, while diversity of board members can be achieved through consideration of a number of factors, a single gender board is not considered as board diversity. Currently the Board is comprised of single gender and it will review its policy in achieving gender diversity of board members. The Board will take appropriate actions to fulfil and comply with the requirement under Rule 13.92 of the Listing Rules by appointment of at least a director of different gender on the board no later than 31 December 2024.

COMPLIANCE OF MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions 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 transactions in the Company’s securities by its directors. Employees of the Group, who are likely to possess Inside Information (as defined under the SFO) have been requested to comply with provisions no less exacting than the Model Code. Having made specific enquiry all Directors, the Directors confirmed compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its shares during the six months ended 30 September 2022. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities during the six months ended 30 September 2022.

INTERIM DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend to shareholders of the Company for the Period.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. WAN Sze Chung (Chairman), Mr. WONG Wah, Dominic and Dr. LUK Wang Kwong. The Audit Committee has reviewed, with the management, the accounting policies and practices adopted by the Group and discussed the effectiveness of auditing, risk management and internal controls, financial reporting process including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 September 2022.

PUBLICATION OF FINANCIAL INFORMATION

This result announcement is published on the websites of the Company (www.ebon.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's Interim Report 2022/23 will be despatched to the shareholders and available on the same websites in due course.

By order of the Board
E. Bon Holdings Limited
TSE Sun Fat, Henry
Chairman

Hong Kong, 29 November 2022

Website: www.ebon.com.hk

As at the date of this announcement, the Board of Directors comprises eight Directors, of which five are executive Directors, namely Mr. TSE Sun Fat, Henry, Mr. TSE Sun Wai, Albert, Mr. TSE Sun Po, Tony, Mr. TSE Hon Kit, Kevin and Mr. LAU Shiu Sun and three are independent non-executive Directors, namely Mr. WONG Wah, Dominic, Mr. WAN Sze Chung and Dr. LUK Wang Kwong.