

Plundering like fire [火]



Swift as the wind [风]

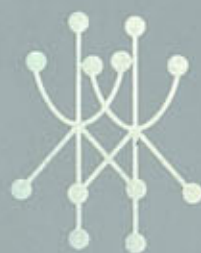
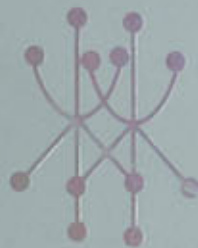


Steady as the mountains [山]



BON

Steady as the forest [林]

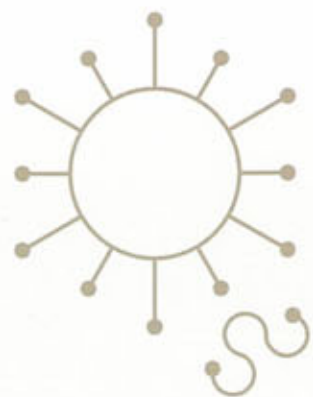


二〇〇〇年年報

ANNUAL REPORT

怡和行



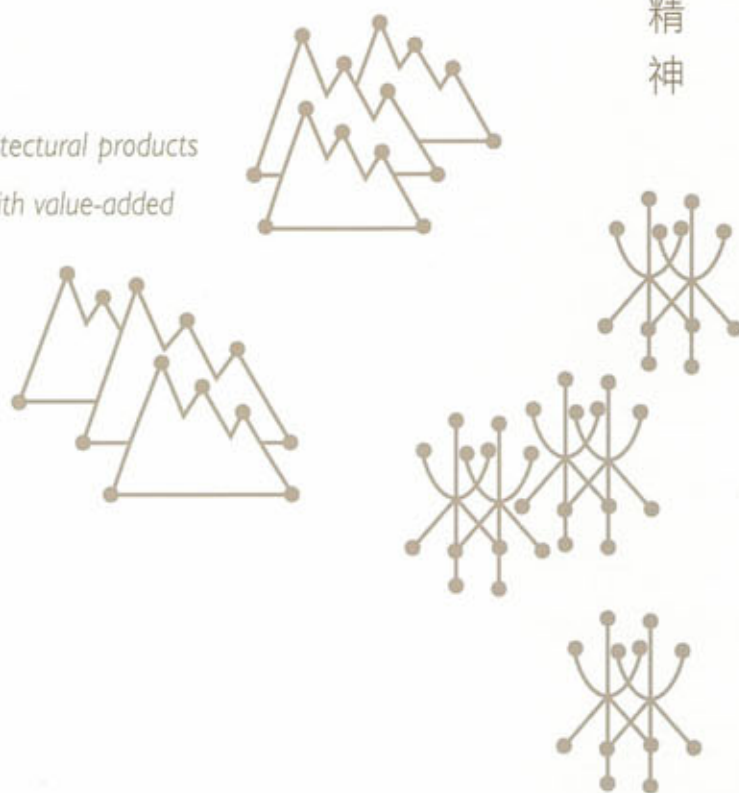


Mission of E.BON

怡邦行精神

"To be a leading supply of branded architectural products and sanitaryware ("building materials") with value-added quality customer service in striving growth and profitability."

提供優質品牌建材及衛浴設備，
配以誠懇客戶服務，以求業務及盈利
能力不斷增長。



Attitudes towards our mission

- Customer service is our first priority. 顧客至上
- Continuous enhancement of customer value. 迎合顧客需求
- Continuous improvement the quality and effectiveness of our products and services. 改善產品及服務質素
- Strive for innovation and welcome change. 不斷求進
- Plan our work, and work our plan. 實踐計劃
- Operate based on professional standards. 專業態度
- Possess both technical and conceptual competence. 改良技術
- Expand our thinking and grow revenue. 拓展思想空間
- Collaborating closely and form a cohesive team. 協調合作



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FINANCIAL HIGHLIGHTS

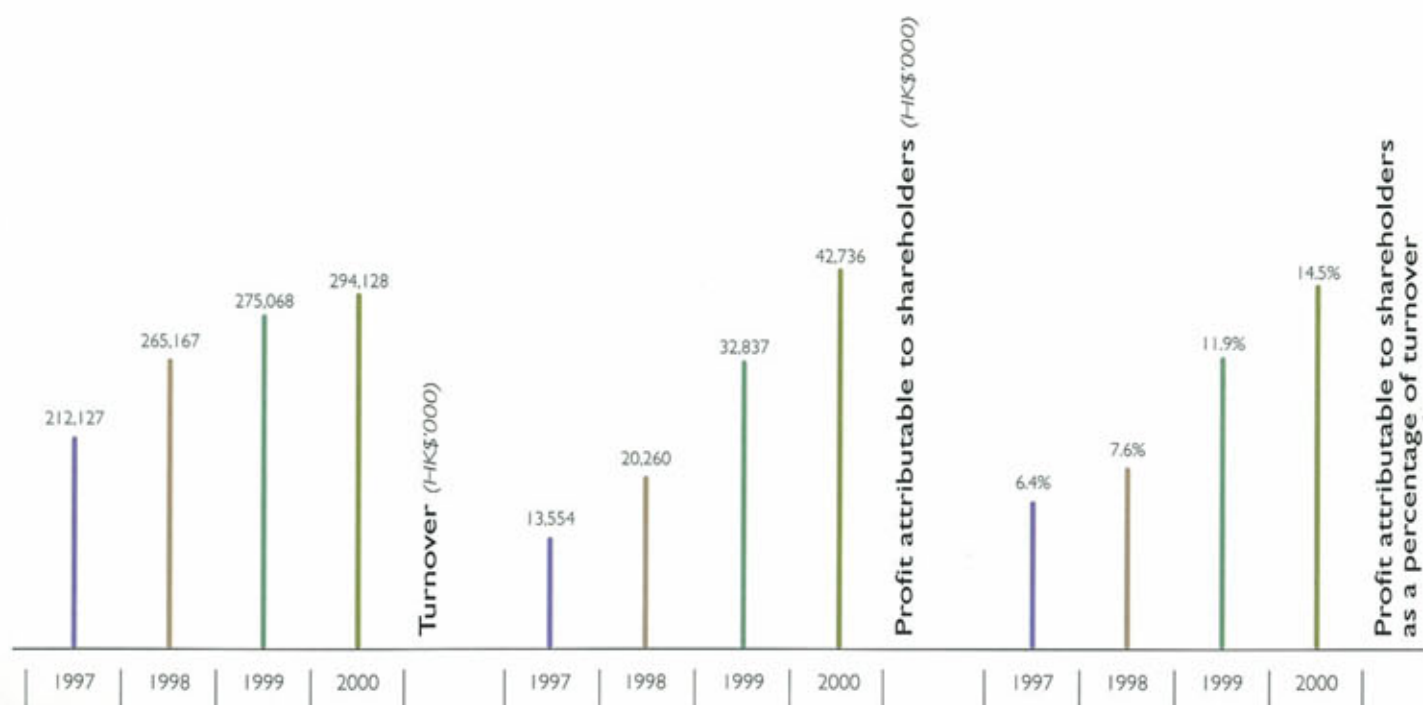
For the year ended 31st March

	2000	1999
Turnover (HK\$'000)	294,128	275,068
Profit attributable to shareholders (HK\$'000)	42,736	32,837
Basic earnings per share (HK cents)	31	23
Proposed final dividend per share (HK cents)	1	-
Net asset value (HK\$'000)	88,917*	107,829

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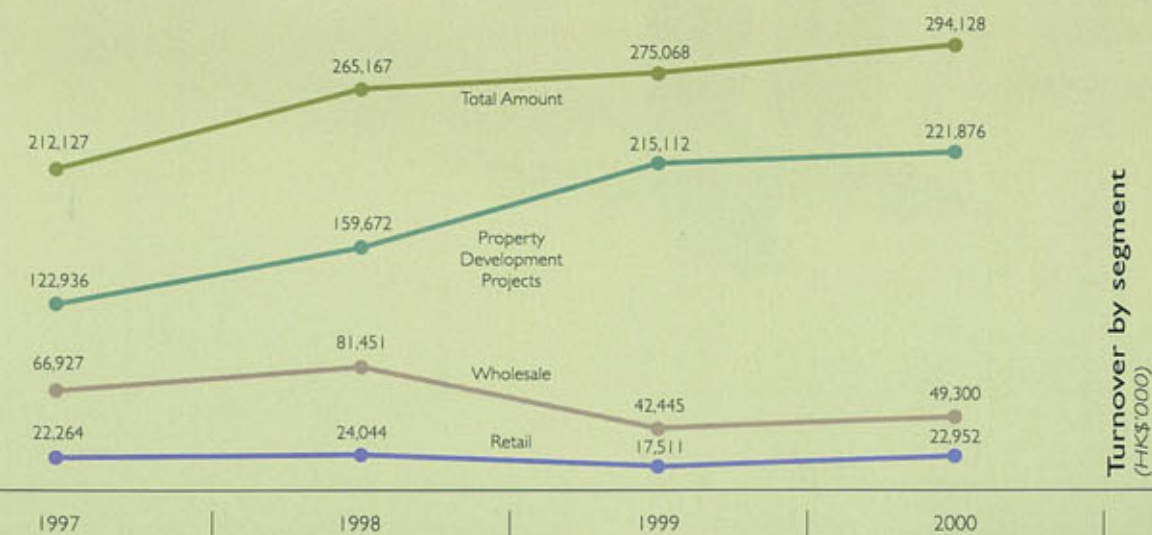
E.BON HOLDINGS LIMITED

* The decrease in the net asset value for the year ended 31st March 2000 was mainly attributable to the distribution in cash of retained earnings by means of a special dividend, totalling HK\$69,683,000, to previous shareholders prior to the reorganisation of the Group.



	Year ended 31st March	
	2000	1999
	HK\$'000	HK\$'000
Turnover	294,128	275,068
Cost of sales	(177,310)	(171,147)
Gross profit	116,818	103,921
Other revenues	2,120	760
Selling and distribution expenses	(41,349)	(38,626)
Administrative expenses	(24,043)	(22,562)
Operating profit	53,546	43,493
Finance costs	(2,897)	(5,009)
Profit before taxation	50,649	38,484
Taxation	(7,913)	(5,647)
Profit attributable to shareholders	42,736	32,837
Dividends	71,683	-
Basic earnings per share	31 cents	23 cents

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林 CHAIRMAN'S STATEMENT

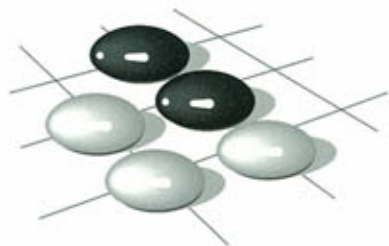
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Despite a competitive market environment, the Group has strived to sustain strong growth and has maintained a leading position in the industry

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E. BON HOLDINGS LIMITED



TSE Sun Fat, Henry
Chairman of E. Bon Holdings Limited

To all Shareholders,

On behalf of the Board of Directors (the "Board") of E. Bon Holdings Limited (the "Company") and its subsidiaries (together the "Group"), I am delighted to present to the shareholders our first annual report for the year ended 31st March 2000.

Financial results

Despite a competitive market environment, the Group has strived to sustain strong growth and has maintained a leading position in the industry in distributing Architectural Builders Hardware and Bathroom Collection.

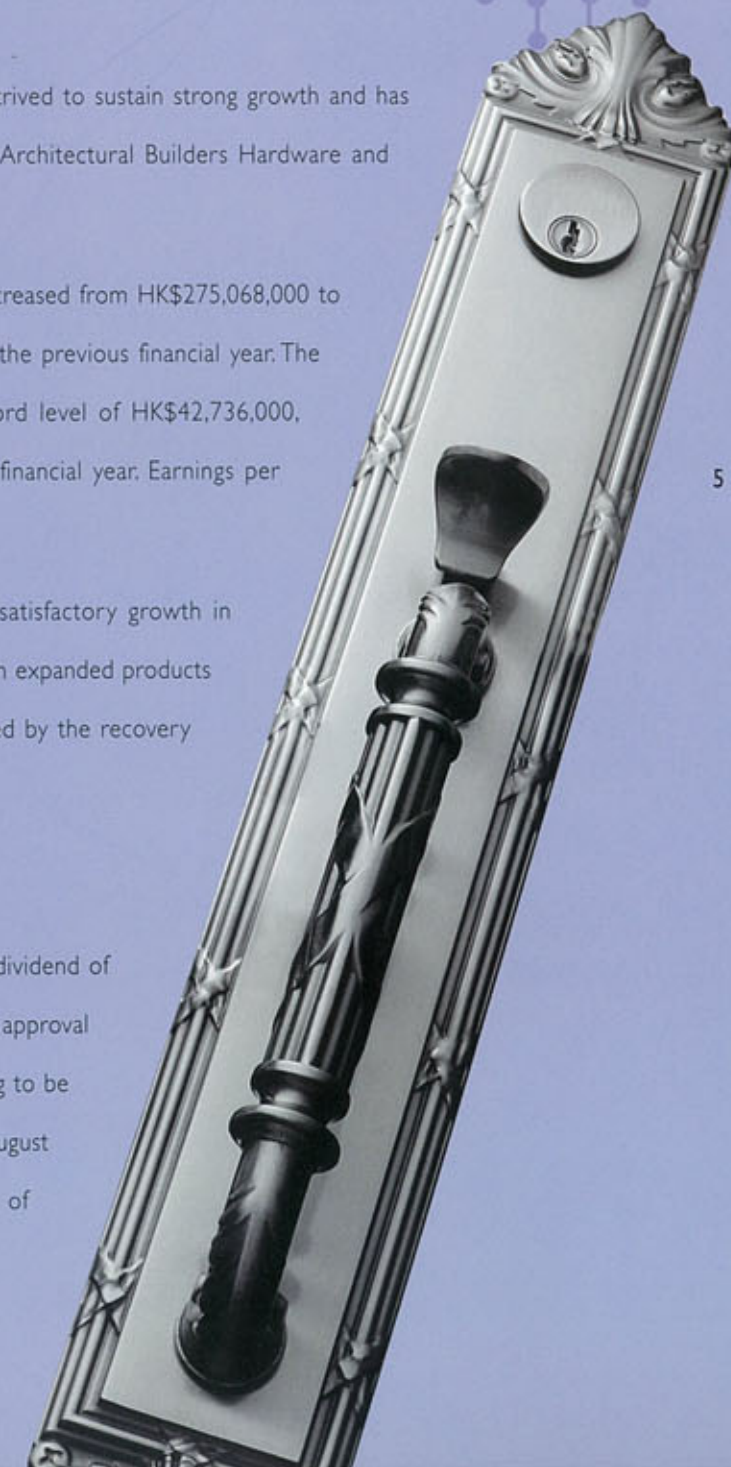
The turnover of the Group for the year under review has increased from HK\$275,068,000 to HK\$294,128,000, an increase of about 6.9%, compared with the previous financial year. The net profit attributable to shareholders also reached a record level of HK\$42,736,000, showing an increase of 30.1% compared with the previous financial year. Earnings per share was HK\$0.31.

The sound operating performance was attributable to the satisfactory growth in sales volume of bathroom collection products achieved through expanded products and aggressive marketing efforts. The increased turnover, aided by the recovery of the property market, has ensured stable margins.

Final dividend

The Board has recommended the payment in cash of a final dividend of HK\$0.01 per share. The final dividend, which is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 10th August 2000, will be payable on or about 11th August 2000 to shareholders whose names appear on the Register of Members of the Company on 10th August 2000.

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Application of proceeds from the public offering

In early April 2000, the Company issued 60 million new ordinary shares at a price of HK\$1.20 per share to the public. The Group received net proceeds of approximately HK\$62 million. Up to the date of this annual report, the net proceeds have been applied as follows:

- (a) approximately HK\$0.4 million as part payment for expansion of retail network of the Group by setting up a new outlet;
- (b) approximately HK\$1.1 million to enhance existing computer systems and software application to support the development of e-commerce;
- (c) approximately HK\$0.4 million for securing new distributorships; and
- (d) the balance as additional working capital of the Group which has been placed with banks in Hong Kong as short-term deposits.

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E BON HOLDINGS LIMITED

Business review

Passing through a period of drastic fluctuation and recession in the Asia-Pacific region, the property market has gradually recovered and shown signs of improvement due to government measures implemented to stabilize property prices in Hong Kong.

The principal activities of the Group is the importing and sale of a wide range of Architectural Builders Hardware and Bathroom Collection which are supplied for installation in property developments in Hong Kong and the PRC, and sold to wholesale and retail customers. The Group is based in Hong Kong and is an authorised distributor for over 30 major brands to more than 200 customers including property developers, contractors and wholesalers.



Sunny (Hong Kong)



Sunny (Kowloon)



Bath Showcase Specialty (Hong Kong)



Finishing Touch (Hong Kong)

For the year under review, the Group continued to maintain its leading position in the industry. For property development project and wholesale business, the Group has successfully maintained steady growth during the past years. The turnover of these segments includes the sale of products for private residential, public housing and hotel, contributing to approximately 92% of total turnover. As a mean for product exposure in local market, the Group operates four retail outlets in Hong Kong in the densely populated areas. These outlets not only contribute the turnover of the Group, but also serve as showrooms for customers from both wholesale and property development projects.

Future plans and prospects

Amid an improving economic condition, the Group believes its success pivots on its commitment in sales and marketing, and an effective management team who has insight to identify new products to meet customers' ever-changing demands.

The Group has established a sound track record which was attributable to the reputation of distributing quality and wide range of products, the provision of timely delivery with technical support, and the long established relationships with suppliers and customers. With our wealth of experience and industry expertise, the Group are well positioned to capitalise on every arising opportunity.



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C H A I R M A N ' S S T A T E M E N T (cont'd)

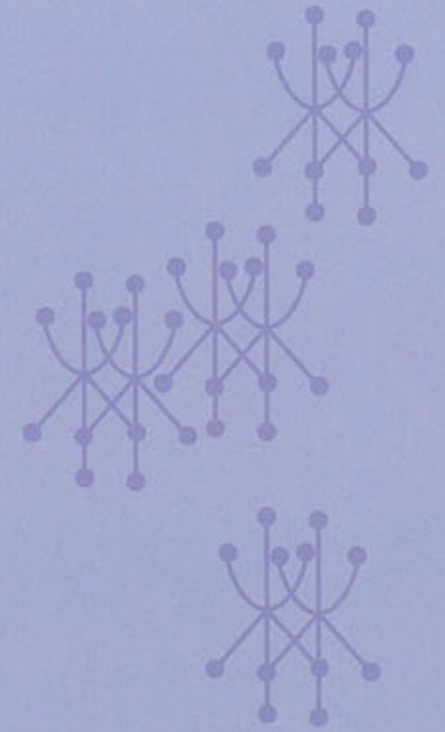
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To further develop the Group's retail business and expand our products exposure in the market, the Group is setting up a new retail outlet which is expected to commence operation by late 2000. In addition, the Group will continue to keep close contact with its existing suppliers and will partner with new and famous brand names from Europe, including the "FRANKE" Group, a renowned manufacturer of famous kitchen systems in Europe. Utilizing the proceeds from the new issue of shares, the Group will maintain healthy financials and be able to upgrade the software system to integrate with e-commerce business, keeping up with evolving technology.

Backed by our profound business operation in Hong Kong, the Group is planning, to a greater extent, to move into the PRC market. Plan is underway in establishing a direct investment in the free trade zone in Shanghai, paving the way to a wider product distribution channel and exposure in the local market and neighbouring provinces. Meanwhile, the Group will follow the persistent policy of being cautious and stringent in the selection of projects and customers so that the associated risk is kept at a low level.

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E BON HOLDINGS LIMITED



The year 2000 is a milestone in our history as the Company was successfully listed in mid April. It is no doubt that the Group will face keen competition. However, in the absence of unforeseen factors, the management is confident to achieve satisfactory performance. With the implementation of a continual plan for housing supply adopted by the Government of the HKSAR and the improvement in the PRC property market, enhanced by its imminent entry to the World Trade Organisation, it is anticipated that there are more opportunities in the years to come.

Gratitude

On behalf of the Board, I wish to extend our gratitude to all the shareholders, customers and suppliers for their continual trust and support, as well as to all staff members of the Group for their endless efforts and contributions to the achievements of the Group.

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E Bon Holdings Limited IPO Investor Presentation

TSE Sun Fat, Henry
Chairman

Hong Kong, 10th July 2000

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MANAGEMENT DISCUSSION AND ANALYSIS

Industry overview

Aided by the HKSAR Government's implementation of measures to stabilize property prices, the successive cuts in interest rates and the resumption of land sales for property development projects since April 1999, the Hong Kong property market has picked up again.

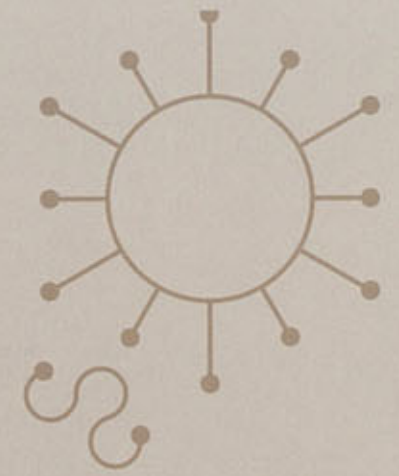
The Group's major products categories are Architectural Builders Hardware and Bathroom Collection, contributing 58% and 29% of the Group's turnover respectively. The Group stays abreast of evolving changes in the industry it is operating, ensuring its quality products are always up-to-date and fit to needs. The Group is planning and undertaking discussions and negotiations to expand its product categories to include kitchen systems, which will strengthen the Group's marketing capabilities. The Group strongly believes that its earnest commitment to adjusting product mix will make it stand out at the forefront of the industry.

Client base

Since 1979, the Group has become one of the leading wholesalers of Architectural Builders Hardware and Bathroom Collection in Hong Kong which provide sophisticated products. Acting as the exclusive distributor for many major brand products, the Group has commanded a stable and diverse client base, of which the wholesale customers include dealers, traditional hardware stores and department stores. Principal customers in the segment of property development projects include property developers and contractors and that the growing number of construction projects, including renovation and urban renewal plans, will generate more income to the Group.

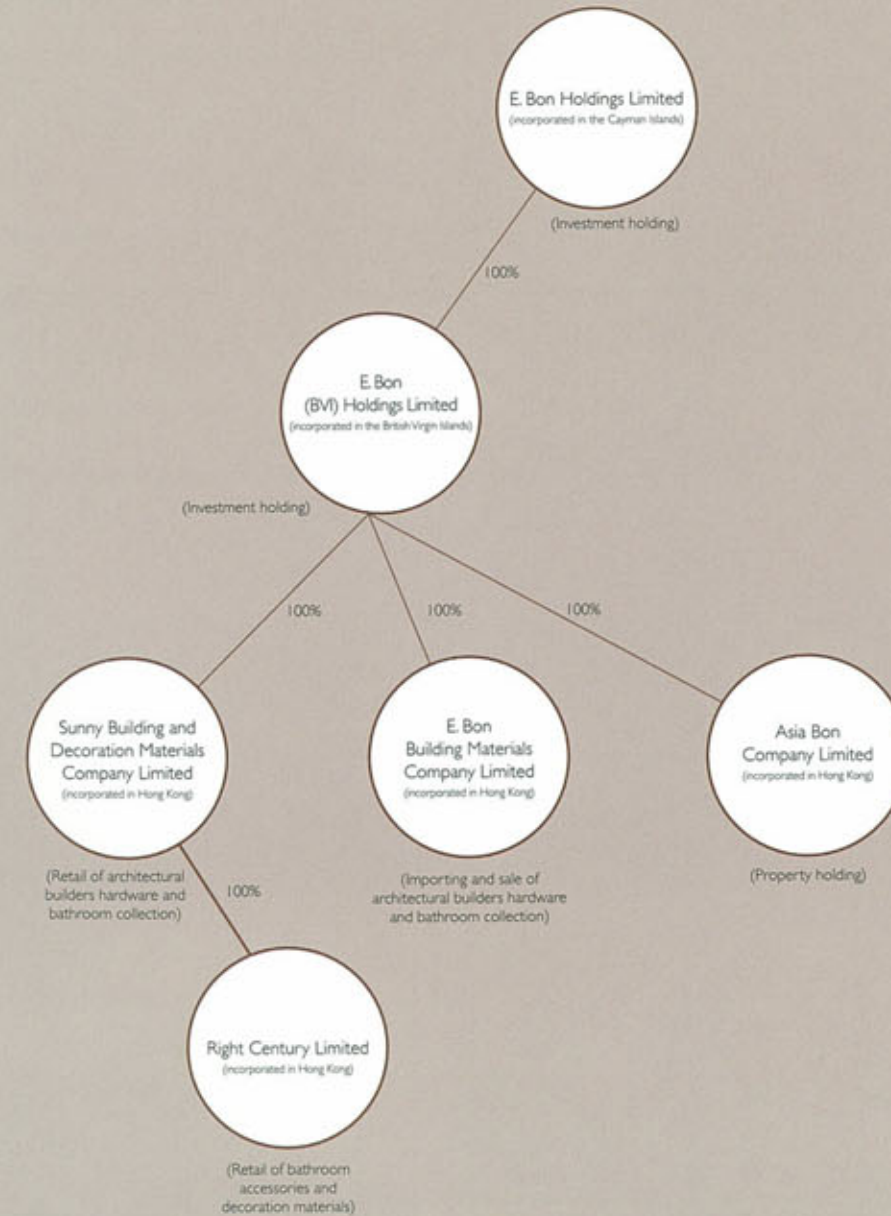


Corporate Office



Group structure

Pursuant to the Reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group in mid March 2000. Under the existing structure with clearly defined business activities, the Group is capable in allocating and utilizing both human and financial resources efficiently and effectively among each of the group companies.



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Sales and marketing

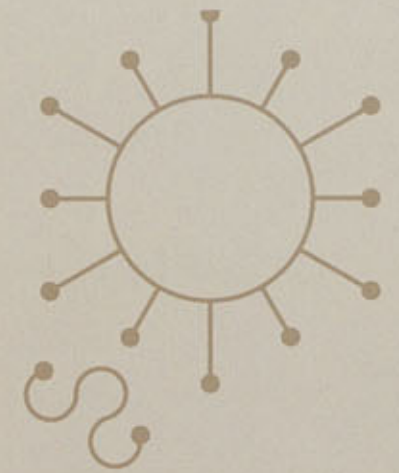
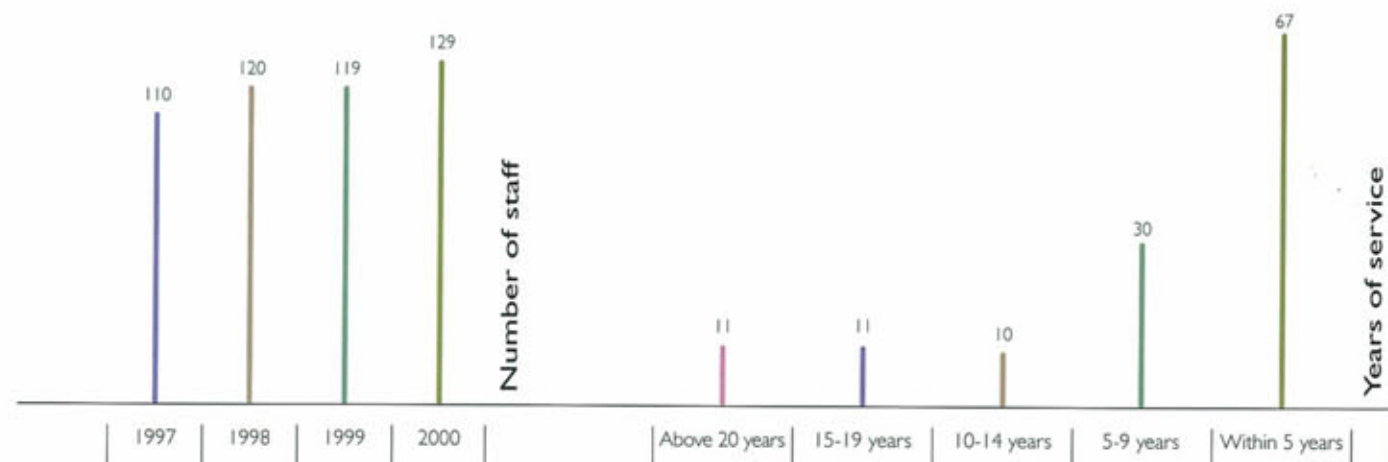
Amid Hong Kong's recovering property market, the Group was awarded large projects, including private residentials, public housing from the Hong Kong Housing Authority, commercial properties and hotels. The Group understands the renewed needs of the property markets and will take steps to ensure customer needs are met. The Group will continue to implement aggressive marketing strategies for promoting its wide range of products, to expand its retail network and marketing team and continue to maintain current distributorships and secure new ones for well-known brands and new products.

People

In order to cope with the expanding business operation and ensuring our customers are provided with quality services, the Group had strengthened its staff and management team, and maintained stable number of people employed during the past few years. Having a team of loyal and experienced staff who have years of service in the industry and the Group, and a team of new members who can bring in new and innovative ideas to enable the Group to meet the changing market, it is strongly believed that the Group can face challenge of competitors and stand front in the industry.

Financial position

As at 31st March 2000, the total assets of the Group were HK\$169,677,000, 5.8% dropped from HK\$180,182,000 in previous year mainly as a result of the distribution of retained earnings by means of special dividends to previous shareholders prior to the reorganisation of the Group.



The Group's major financial indicators and ratios have improved as compared with the previous year. The operating margin was 39.7% as compared with 37.8% in last financial year. For the year under review, the Group continued to maintain a healthy working capital and cash position to meet its daily operation requirement. The current ratio improved from 2.07 to 2.12. The gearing ratio increased slightly from 30.1% to 37.6% as compared with the previous year due to the expansion of business operation and bank loans serving as the major source of the Group's trade finance. However, the Group had an interest coverage of 18.5 times for the year under review, reflecting the Group's strong ability to service its borrowings.



Finishing Touch (Hong Kong)



Warehouse



Warehouse

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MAJOR PROJECTS IN 1999 TO 2000

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Private Residential

Laguna Verde, Phase 4
Monte Vista
Villa D'Arte

Dragon View
Grace Court
Nerine Cove

Horizon Crest
J.C. Place

Bay View Park
Greenfields
Regent Ville
Springdale Villas

127 Repulse Bay Road
Castello

Le Sommet
Royal Peninsula
Scenic View
TMTL Area 5B Site B Tuen Mun
Grand Horizontal
16-22 Ming Yuen, West Street, HK
Mount Haven

Chelsea Court
Mountain Court
Serenada Cove

KIL 11063 King's Park Rise
N.T.S. T.T.L. 435 Ma On Shan
The Waterfront
IL 590, 78-80 Robinson Rd, HK
Residential Development at Sham Tseung
FSST Lot No183 Fanling Sheung Shui NT (Phase 1A)

Developers

Cheung Kong (Holdings) Ltd.

China Overseas Land & Investment Ltd.

Emperor Group

Sino Land Co. Ltd.

Sun Hung Kai Properties Ltd.

Wheelock Properties Ltd.
Wharf Ltd.

Henderson Land Development Co. Ltd.
Hang Lung Project Management Ltd.
USI Property
Nan Fung Development Ltd.
Kerry Properties Ltd.
Asia Standard International Group Ltd.



Serenada Cove

Private Residential

Island Harbourview

The Belcher's

Villa Esplanada Phases 3

Public Housing

Lai Chi Kok Phase 2
Shatin Area 14B Phase 1-4
Tin Shui Wai Area 102 Phase 1-4
Tsz Oi Estate Phase 4
Tuen Mun S2 Phase 2 & 3
PSPS Aldrich Bay
PSPS Choi Hung Road

Commercial

6 Knutsford Terrace TST
135 Bonham Strand, HK

Cheung Kong Centre
Beijing Oriental Plaza

Ind/Off Bldg on NKIL 4755, 4756, 777 Lai Chi Kok
Hok Un Phase 3
Beijing Kerry Centre
Millenium City, Kwun Tong

Hotel

Harbour Plaza North Point
Newton Inn North Point
Empire Hotel - Kowloon
Royal Garden Hotel Renovation

School

Canadian International School
Ma On Shan Area 77 Secondary School
Ma On Shan Area 90 Secondary School

Developers

MTR Corporation / Bank of China Group Investment Ltd.
Sun Chung Estate Co. Ltd.
Sino Land Company Limited / Kerry Properties Ltd.
DBS Land / China Overseas Land & Investment Co. Ltd.
New World Development Co. Ltd.
Shun Tak Holdings Ltd.
Sun Hung Kai Properties Ltd.
Liu Chong Hing Investment Ltd.
China Resources Enterprise Ltd. /
Cheung Kong (Holdings) Ltd. /
Sun Hung Kai Properties Ltd.

Hong Kong Housing Authority

New World Development Co. Ltd.
New World Development Co. Ltd.

Henderson Land Development Co. Ltd.

Hutchison Whampoa Ltd.
Beijing Oriental Plaza Co. Ltd.

Tin's Enterprise Ltd.
Cheung Kong (Holdings) Ltd. / China Lighting Power Co. Ltd.
Kerry Properties Ltd.
Sun Hung Kai Properties Ltd.

Cheung Kong (Holdings) Ltd. / Hutchison Whampoa Ltd.
Henderson Land Development Co. Ltd.
Asia Standard International Group Ltd.
Sun Hung Kai Properties Ltd.

Canadian International School
Architectural Service Department
Architectural Service Department



Royal Peninsula



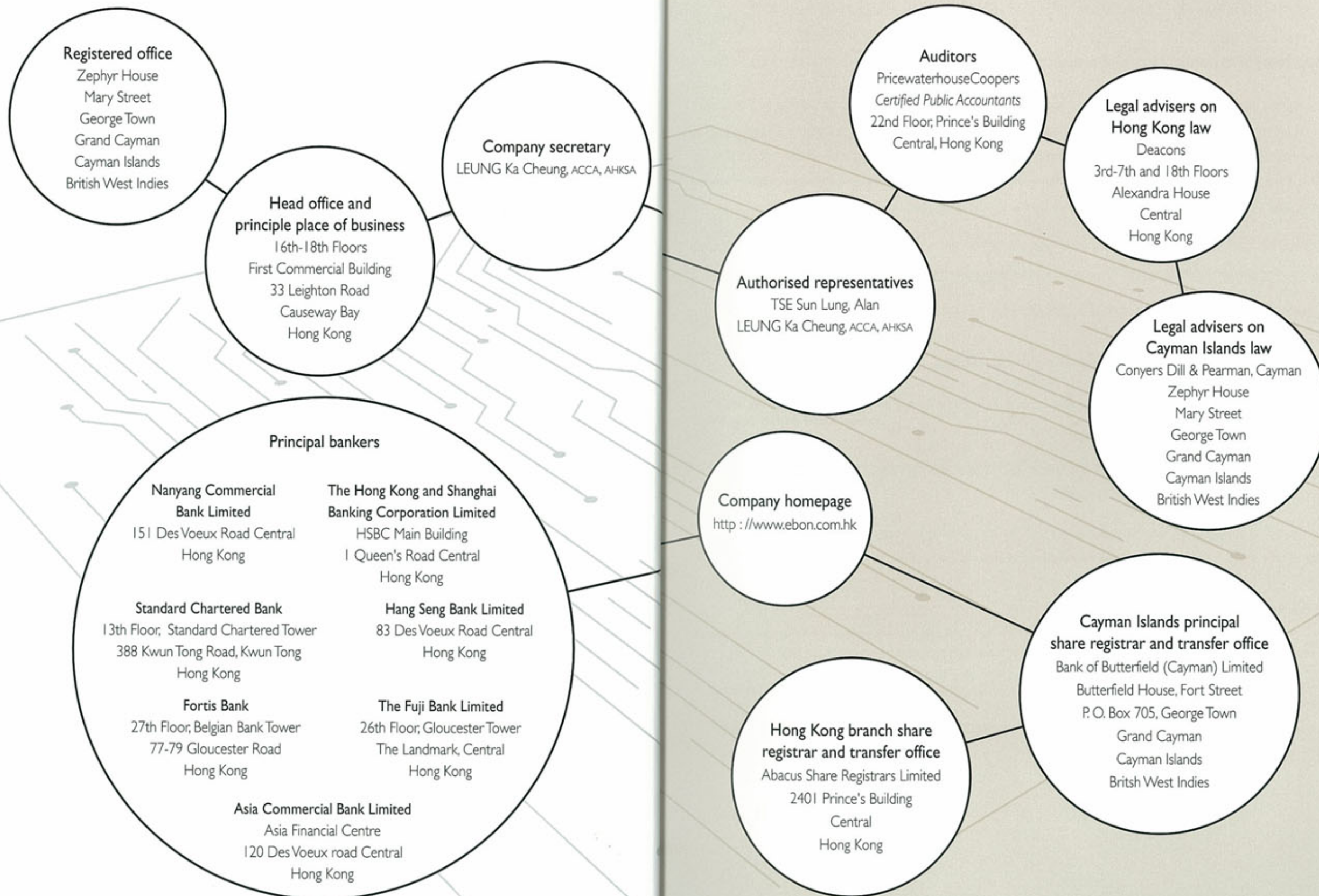
Castello



KIL 11063 King's Park Rise



The Belcher's



The directors submit their report together with the audited accounts for the year ended 31st March 2000.

Group reorganisation and basis of preparation of accounts

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7th January 2000 under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a corporate reorganisation scheme to rationalise the group structure in preparation for a listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the principal subsidiaries listed in note 13 to the accounts (collectively known as the "Group") on 22nd March 2000.

The Group has been treated as a continuing entity and, accordingly, the accompanying accounts have been prepared on the basis of merger accounting as if the Company had always been the holding company of the Group.

The shares of the Company were listed on the Stock Exchange on 12th April 2000 (the "Listing Date").

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the importing and sale of architectural builders hardware and bathroom collection in Hong Kong.

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 is provided as less than 10% of the consolidated turnover and less than 10% of the trading results of the Group are attributable to markets outside Hong Kong.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 32.

The details of dividends paid prior to the group reorganisation during the year are set out in note 8 to the accounts.

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

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 16 to the accounts.

Fixed assets

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

Share capital

Details of the movements in share capital of the Company are set out in note 15 to the accounts.

Principal subsidiaries

Details of the Company's principal subsidiaries as at 31st March 2000 are set out in note 13 to the accounts.

Bank and other borrowings

Particulars of bank and other borrowings of the Group as at 31st March 2000 are set out in note 17 to the accounts.

Five year financial information

The summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 29.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares since the Listing Date and up to the date of this report. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the same period.

Directors

The directors during the year were:

Mr Neil T. Cox	(first director and resigned on 7th January 2000)
Mr TSE Sun Fat, Henry	(appointed on 7th January 2000)
Mr TSE Sun Po, Tony	(appointed on 7th January 2000)
Mr TSE Sun Lung, Alan	(appointed on 7th January 2000)
Mr LEE Chi Wah, Rhodes	(appointed on 7th January 2000)
Mr LEUNG Ka Cheung	(appointed on 7th January 2000)
Mr LEUNG Kwong Kin*	(appointed on 28th January 2000)
Dr CHAN Nai Keong, Kenneth*	(appointed on 28th January 2000)

Independent non-executive directors who entered into contracts with the Group for an initial fixed term of one year commencing from 1st March 2000 and thereafter shall continue for a further successive period of one year, provided that the Company may terminate the contracts at the end of each one year period by giving them at least one month's notice in writing thereof.

All directors shall retire at the forthcoming annual general meeting in accordance with Article 86(3) of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of the executive directors 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 giving 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

During the year, the Group, in the normal course of business, disposed of certain of its land and buildings for a cash consideration of approximately HK\$48,704,000 to Negotiator Consultants Limited ("NCL"). All the executive directors are interested in the transaction to the extent that they have beneficial interests in NCL.

Apart from the above, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries or holding companies was a party and in which a director 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 up to the date of this report.

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

The Company's shares were not yet traded on the Stock Exchange as at 31st March 2000. As at the Listing Date and up to the date of this report, the interests of the directors in the shares of the Company and its associated corporations (as defined in 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	Personal interest	Family interest	Corporate interest	Other interest
Mr TSE Sun Fat, Henry (Note 1)	—	—	—	140,000,000
Mr TSE Sun Po, Tony (Note 2)	—	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 Securities of the Stock Exchange ("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 (Note 3)	-	-	-	30,491	30,491
Mr TSE Sun Po, Tony (Note 4)	-	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 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 "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 "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

(ii) Negotiator Consultants Limited

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr TSE Sun Fat, Henry (Note 5)	-	-	-	1	1
Mr TSE Sun Po, Tony (Note 6)	-	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 "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 is objects of The Tse's Family Trust. The interest of Mr TSE Sun Po, Tony is accordingly "family interests" 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 43, was a founding member of the Group and the Chairman of the Company. Mr TSE has over 22 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 41, is the Managing Director of the Company and joined the Group in 1979. Mr TSE has over 22 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 the brother of Mr TSE Sun Fat, Henry, the Chairman of the Group.

Mr LEE Chi Wah, Rhodes, aged 37, is the Deputy Managing Director of the Company. He joined the Group in 1982. Mr LEE has over 18 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 33, 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 the cousin of Mr TSE Sun Fat, Henry and Mr TSE Sun Po, Tony.

Mr LEUNG Ka Cheung, aged 39, 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 in 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.

Non-executive directors

Mr LEUNG Kwong Kin, aged 53, is an independent non-executive director. Mr LEUNG is a senior partner 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.

Dr CHAN Nai Keong, Kenneth, C.B.E., J.P., aged 68, is an independent non-executive director. 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 Engineers.

Senior management

Mr TSE Sun Ming, Almond, aged 40, is a director of three subsidiaries of the Company and a founding member of the Group. Mr TSE has over 22 years of experience in building material industry and is responsible for product sourcing and development. He is the cousin of Mr TSE Sun Fat, Henry and Mr TSE Sun Po, Tony and brother of Mr TSE Sun Lung, Alan.

Mr WONG Tin Cheung, aged 57, joined the Group in 1979. Mr WONG is a director of two subsidiaries of the Company and is responsible for the operation of the Group in project management. He has over 20 years experience in selling building materials and was a civil servant before joining the Group.

Mr AU Lai Chuen, Hercules, aged 43, joined the Group in 1982 and is a director of two subsidiaries of the Company. Mr AU has over 22 years of experience in building materials industry and is responsible for project related sales and marketing activities.

Mr YICK Kai Chung, aged 41, joined the Group in 1979 and is a director of two subsidiaries of the Company. Mr YICK has over 22 years 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 MAK So, aged 60, joined the Group in 1993 and is a director of a subsidiary of the Company. Mr MAK is responsible for co-ordinating sale and marketing activities of the Group and has over 32 years experience in building materials industry. Prior to joining Group, Mr MAK had worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 26 years.

Mr CHAN Sau Lam aged 45, joined the Group in 1979. Mr CHAN is the sales director of the Group and is responsible for co-ordinating sales related to the PRC market. He has over 20 years of experience in selling building materials.

Mr LO Wai Man, aged 46, joined the Group in 1979. Mr LO is a director of a subsidiary of the Company and is responsible for overseeing provision of technical support for Bathroom Collection. He has over 20 years of experience in selling building materials and is a licensed plumber.

Mr SHUM Lup Chi, aged 44, 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 solicitors firm for 6 years before joining the Group.

Mr NG Sheung Yiu, aged 38, joined the Group in 1984. Mr NG is the chief designed for 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 39, joined the Group in 1979. Mr MA is a sales director in charge of major wholesales accounts. He has over 20 years experience in selling building materials.

Mr LAU Shiu Sun, Terence, aged 32, joined the Group in 1994. Mr LAU is the sales manager of the Group and is responsible for project sales. He graduated from Hong Kong Baptist University (formally Baptist College) with a bachelor of science in 1992.

Mr CHAN Chiu Keung, aged 52, 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. He has over 24 years of experience in retail business.

Mr CHANG Kai Chuen, aged 26, joined the Group in 1991. Mr CHANG is the sales manager of the Group and is responsible for project sales.

Substantial shareholders

The Company's shares were not yet traded on the Stock Exchange as at 31st March 2000. As at the Listing Date and up to the date of this report, the interests of every person, other than a director or the chief executive of the Company, in the equity securities of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

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.

Connected transactions

On 20th March 2000, the Group entered into two lease agreements with NCL, a wholly-owned subsidiary of BHGL which is a connected person of the Company, whereby the Group agreed to lease from NCL certain office premises and warehouses at an aggregate monthly rental of HK\$228,000 for a term of three years and which is renewable for a further term of three years on terms to be mutually agreed. Total rental paid to NCL for the period from 20th March 2000 to 31st March 2000 amounted to approximately HK\$84,000.

The above transactions are regarded as connected transactions for the Group as defined in the Listing Rules upon the listing of the Company on the SEHK on the Listing Date. In the opinion of the directors including the independent non-executive directors of the Company, the above transactions were conducted in the ordinary course of the business of the Group and in accordance with the terms of agreements.

Information pursuant to Practice Note 19 of the Listing Rules

As at the date of this report, as a condition of the 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 the date of this report.

Independent non-executive directors' fees

Each of the independent non-executive directors of the Company received HK\$10,000 as director's fee for the year ended 31st March 2000.

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	6%
– five largest customers combined	22%
Purchases	
– the largest supplier	8%
– five largest suppliers combined	33%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital since the Listing Date and up to the date of this report) had an interest in the major customers or suppliers noted above.

Audit committee

Pursuant to the Listing Rules, 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.

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.

The audit committee met once in June 2000 in conjunction with the auditors to review the internal controls and accounts of the Group for the year ended 31st March 2000 prior to recommending such accounts 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 Listing Date.

Pension scheme arrangements

Details of the pension scheme arrangements are set out in note 10 to the accounts.

Year 2000 issue

Details of the Group's assessment of the Year 2000 problem, structure and progress of the compliance project have been disclosed in the prospectus of the Company dated 28th March 2000. The Group has no further commitments in respect of the Year 2000 project.

To date, the Group has not experienced any Year 2000 non-compliance issues. However, the Group is mindful that the Year 2000 problem may still persist into the year. Therefore, the Group has continued to review the systems used by the Group to ensure operations of the Group will not be seriously affected by any Year 2000 problem. In addition, no report of Year 2000 non-compliance has been received from the trading parties of the Group. The Group will continue to liaise with its major trading parties to ensure that its operations will not be affected by any Year 2000 problems that such parties may have.

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, 10th July 2000

Consolidated profit and loss account

	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>294,128</u>	<u>275,068</u>	<u>265,167</u>	<u>212,127</u>	<u>173,296</u>
Profit before taxation	50,649	38,484	24,754	16,483	11,291
Taxation	<u>(7,913)</u>	<u>(5,647)</u>	<u>(4,494)</u>	<u>(2,929)</u>	<u>(1,462)</u>
Profit attributable to shareholders	<u>42,736</u>	<u>32,837</u>	<u>20,260</u>	<u>13,554</u>	<u>9,829</u>
Consolidated balance sheet					
Assets	169,677	180,182	172,565	130,043	126,818
Liabilities	<u>(80,760)</u>	<u>(72,353)</u>	<u>(97,573)</u>	<u>(75,298)</u>	<u>(86,275)</u>
Shareholders' funds	<u>88,917</u>	<u>107,829</u>	<u>74,992</u>	<u>54,745</u>	<u>40,543</u>

羅兵咸永道會計師事務所
PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
 22nd Floor Prince's Building
 Central
 Hong Kong

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

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts set out on pages 32 to 53 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 Company's and the Group's circumstances, 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 the Group at 31st March 2000 and of the Group's profit and cash flows 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, 10th July 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2000

	Note	2000 HK\$'000	1999 HK\$'000
Turnover	3	294,128	275,068
Cost of sales		(177,310)	(171,147)
Gross profit		116,818	103,921
Other revenues	3	2,120	760
Selling and distribution expenses		(41,349)	(38,626)
Administrative expenses		(24,043)	(22,562)
Operating profit	4	53,546	43,493
Finance costs	5	(2,897)	(5,009)
Profit before taxation		50,649	38,484
Taxation	6(a)	(7,913)	(5,647)
Profit attributable to the shareholders	7	42,736	32,837
Dividends	8	(71,683)	-
Basic earnings per share	9	31 cents	23 cents

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E-BON HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

As at 31st March 2000

	Note	2000 HK\$'000	1999 HK\$'000
Fixed assets	12	22,772	60,394
Current assets			
Inventories	14	23,021	15,211
Trade receivables, other receivables, deposits and prepayments		114,492	96,019
Tax recoverable		-	63
Pledged deposits	22	5,615	4,393
Cash and bank balances		3,777	4,102
		146,905	119,788
Current liabilities			
Trade payables, accruals and deposits received		11,624	14,769
Bills payable		5,040	2,223
Trust receipt loans – secured	22	40,115	31,743
Current portion of non-current liabilities	17	7,359	5,754
Dividend payable		2,000	-
Taxation payable		3,278	3,230
Bank overdrafts – secured	22	-	31
		69,416	57,750
Net current assets		77,489	62,038
		100,261	122,432
Financed by:			
Share capital	15	100	6,991
Reserves	16(a)	88,817	100,838
Shareholders' funds		88,917	107,829
Non-current liabilities	17	11,344	14,603
		100,261	122,432

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On behalf of the Board


TSE Sun Fat, Henry
Director


TSE Sun Lung, Alan
Director

B A L A N C E

As at 31st March 2000

	Note	HK\$'000
Investments in subsidiaries	13	90,917
Current asset		
Bank balance		
Current liability		
Amount due to a subsidiary		
Net current asset		
Financed by:		
Share capital	15	100
Share premium	16(b)	90,817
Shareholders' funds		90,917
On behalf of the Board		


TSE Sun Fat, Henry
Director


TSE Sun Lung, Alan
Director

S H E E T C O N S O L I D A T E D C A S H F L O W S T A T E M E N T

For the year ended 31st March 2000

	Note	2000 HK\$'000	1999 HK\$'000
Net cash inflow from operating activities	18	28,942	35,392
Returns on investments and servicing of finance			
Interest received		698	209
Interest on bank loans and overdrafts		(2,853)	(4,933)
Interest element of finance leases		(44)	(76)
Dividends paid		(69,683)	-
Net cash outflow from returns on investments and servicing of finance		(71,882)	(4,800)
Taxation			
Hong Kong profits tax paid		(7,802)	(4,936)
Investing activities			
Purchase of fixed assets		(3,762)	(881)
Proceeds from disposal of fixed assets		48,714	-
Increase in pledged fixed deposits		(1,222)	(2,175)
Net cash inflow/(outflow) from investing activities		43,730	(3,056)
Net cash (outflow)/inflow before financing		(7,012)	22,600
Financing	19		
Net bank loans repaid		(1,412)	(4,746)
Repayment of capital element of finance leases		(242)	(366)
Net trust receipt loans raised/(repaid)		8,372	(4,509)
Net cash inflow/(outflow) from financing		6,718	(9,621)
(Decrease)/increase in cash and cash equivalents		(294)	12,979
Cash and cash equivalents at 1st April		4,071	(8,908)
Cash and cash equivalents at 31st March	20	3,777	4,071

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES NOTES TO THE ACCOUNTS

For the year ended 31st March 2000

	Note	2000 HK\$'000	1999 HK\$'000
Surplus on revaluation of leasehold land and buildings not recognised in the profit and loss account	16	9,947	
Profit for the year attributable to the shareholders	16	42,736	32,833
Total recognised gains		<u>52,683</u>	<u>32,833</u>

For the year ended 31st March 2000

Group reorganisation and basis of preparation

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Laws (1998 Revision) of the Cayman Islands on 7th January 2000.
- (b) On 22nd March 2000, pursuant to a group reorganisation to rationalise the structure of the Group in preparation for a listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The Company issued 60,000,000 shares of HK\$0.10 each at a price of HK\$1.20 to the public in early April 2000 and has its shares listed on the Stock Exchange on 12th April 2000.
- (c) The corporate reorganisation referred to above has been reflected in the accounts by regarding the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the group accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the Group throughout the accounting periods presented. All significant inter-company transactions and balances within the Group have been eliminated. The difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof is regarded as merger reserve included in the shareholders' equity of the Group.
- (d) No balance sheet of the Company as at 31st March 1999 is presented in the accounts as the Company was not incorporated on that date.
- (e) The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings.

2 Principal accounting policies

(a) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st March. All significant transactions between and among the Company and its subsidiaries are eliminated on consolidation.
- (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. The Company's interests in subsidiaries are stated at cost less any provision made to the extent that the directors consider significant permanent diminution in value has taken place. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(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.

2 Principal accounting policies (cont'd)

(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 receivable 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 profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Amortisation of leasehold land is calculated to write off its cost over the unexpired periods of the leases on a straight-line basis.

Depreciation of leasehold buildings is calculated to write off their cost on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 2% per annum.

(ii) Other tangible fixed assets

Other tangible assets are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset to its existing use. Depreciation of other tangible fixed assets is calculated to write off their cost on a 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 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.

2 Principal accounting policies (cont'd)

(d) Fixed assets (cont'd)

(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 profits 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.

(e) Assets under leases

(i) Finance leases

Leases on assets acquired through hire purchase contracts under which substantially all the rewards and risks of ownership of assets, other than legal title, are transferred to the Group, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

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

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(f) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(g) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred, except those incurred on assets under active development that take a substantial period of time to get ready for their intended use or sale which are capitalised into the carrying value of the assets.

(h) Inventories

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

NOTES TO THE ACCOUNTS (cont'd)

2 Principal accounting policies (cont'd)

(i) Trade receivable

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

(ii) Translation of foreign currencies

Transactions in foreign currency are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

3 Revenues and turnover

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	
	2000 HK\$'000	1999 HK\$'000
Turnover - revenue from the sale of goods	294,128	275,068
Other revenues		
Interest income	698	209
Management fee income	215	551
Others (note (a))	1,207	-
	<u>2,120</u>	<u>760</u>
Total revenues	<u>296,248</u>	<u>275,828</u>

(a) This represents compensation received from a supplier during the year due to that supplier's failure to fulfil its obligations under a sales contract with the Group.

4 Operating profit

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Auditors' remuneration	480	300
Cost of inventories sold	177,310	171,147
Provision for slow-moving inventories/(write-back of provision), included in cost of inventories sold above	(1,236)	1,514
Staff costs	38,898	29,706
Bad debts written off	-	229
Provision for doubtful debts	734	3,160
Depreciation of owned fixed assets	2,408	2,417
Depreciation of fixed assets held under finance leases	151	251
Payments under operating leases for leasehold land and buildings	7,399	5,456
Net exchange gain	(1,109)	(2)

5 Finance costs

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts	2,853	4,933
Interest element of finance leases	44	76
	<u>2,897</u>	<u>5,009</u>

6 Taxation

(a) Hong Kong profits tax is calculated at the rate of 16% (1999: 16%) on the estimated assessable profits for the year.

	Group	
	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax		
- current year	7,993	6,367
- overprovision in previous year	(80)	(880)
Deferred taxation	-	160
	<u>7,913</u>	<u>5,647</u>

NOTES TO THE ACCOUNTS (cont'd)

6 Taxation (cont'd)

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

	Group	
	2000 HK\$'000	1999 HK\$'000
At 1st April	411	251
Transfer from profit and loss account	-	160
At 31st March	<u>411</u>	<u>411</u>

The deferred taxation is provided for in respect of accelerated depreciation allowances. There is no material potential deferred taxation not provided for in the accounts.

7 Profit for the year attributable to the shareholders

The Company was incorporated near the year end date, there was no profit or loss incurred by the Company which has been dealt with in the consolidated profit and loss account for the year ended 31st March 2000 and 1999.

8 Dividends

	2000 HK\$'000	1999 HK\$'000
Dividends paid by certain subsidiaries to their then shareholders prior to the group reorganisation (note 8(a))	69,683	-
Final, proposed, of HK\$0.01 (1999: HK\$Nil) per share, 200,000,000 shares currently in issue	<u>2,000</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.

9 Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK\$42,736,000 (1999: HK\$32,837,000) and 140,000,000 shares (1999: 140,000,000 shares) deemed to be in issue during the year. In determining the number of shares deemed to be in issue, the 1,000,000 shares issued before the capitalisation issue and the capitalisation issue of 139,000,000 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 1998.

Diluted earnings per share for the year ended 31st March 2000 and 1999 respectively was not disclosed as there were no dilutive potential ordinary shares.

10 Retirement benefit costs

The Group operates a defined contribution retirement 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 year's service. The forfeited contributions are to be used to reduce the employer's contributions.

The aggregate employer's contributions, net of forfeited contribution, which have been dealt with in the profit and loss account of the Group for the year ended 31st March 2000 amounted to 1,554,000 (1999: HK\$1,545,000). As at 31st March 2000, there were no forfeited contributions available to offset future employer's contributions to the scheme.

11 Directors' and senior management's emoluments

(a) Directors' emoluments

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

	2000 HK\$'000	1999 HK\$'000
Fees	20	-
Other emoluments		
- Basic salaries and allowances	6,177	2,588
- Retirement scheme contributions	<u>309</u>	<u>185</u>
	<u>6,506</u>	<u>2,773</u>

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2000	1999
HK\$Nil - HK\$1,000,000	*4	5
HK\$1,000,001 - HK\$1,500,000	-	-
HK\$1,500,001 - HK\$2,000,000	<u>3</u>	-

* Included two independent non-executive directors appointed in January 2000

No director waived or agreed to waive any of their emoluments in respect of the years ended 31st March 2000 and 1999.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (1999: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (1999: three) individuals during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Basic salaries and allowances	3,263	2,634
Retirement scheme contributions	173	186
	<u>3,436</u>	<u>2,820</u>

The emoluments fell within the following bands:

Emoluments bands

	Number of individuals	
	2000	1999
HK\$Nil – HK\$1,000,000	–	2
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	<u>2</u>	<u>1</u>

12 Fixed assets

	Group				Total HK\$'000
	Land and buildings under long leases in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	
Cost or valuation					
At 1st April 1999	56,460	7,375	8,749	1,590	74,174
Additions	–	2,809	953	–	3,762
Revaluation (note (a))	9,778	–	–	–	9,778
Disposals	(52,238)	–	(96)	–	(52,334)
At 31st March 2000	<u>14,000</u>	<u>10,184</u>	<u>9,606</u>	<u>1,590</u>	<u>35,380</u>
Accumulated depreciation					
At 1st April 1999	3,334	3,804	5,641	1,001	13,780
Charge for the year	369	1,112	834	244	2,559
Revaluation (note (a))	(169)	–	–	–	(169)
Disposals	(3,534)	–	(28)	–	(3,562)
At 31st March 2000	<u>–</u>	<u>4,916</u>	<u>6,447</u>	<u>1,245</u>	<u>12,608</u>
Net book value					
At 31st March 2000	<u>14,000</u>	<u>5,268</u>	<u>3,159</u>	<u>345</u>	<u>22,772</u>
At 31st March 1999	<u>53,126</u>	<u>3,571</u>	<u>3,108</u>	<u>589</u>	<u>60,394</u>

The analysis of the cost or valuation of the above assets at 31st March 2000 is as follows:

At cost	–	10,184	9,606	1,590	21,380
At 2000 valuation (note (b))	14,000	–	–	–	14,000
	<u>14,000</u>	<u>10,184</u>	<u>9,606</u>	<u>1,590</u>	<u>35,380</u>

- (a) This represents a property which was revalued at 31st January 2000 on the basis of open market value in existing use by Vigers Hong Kong Limited, an independent firm of professional valuers. The surplus arising on revaluation has been credited to the property revaluation reserve account. The revaluation of the property does not constitute a timing difference for tax purposes.
- (b) At 31st March 2000, the property of the Group with a carrying value of HK\$14,000,000 was pledged to a bank for banking facilities granted to a subsidiary (note 22(a)).
- (c) The carrying amount of the property would have been HK\$4,053,000 (1999: HK\$50,029,000) had they been stated at cost less accumulated depreciation.
- (d) At 31st March 2000, the net book value of fixed assets held by the Group under a finance lease amounted to HK\$116,000 (1999: HK\$644,000).

13 Investments in subsidiaries – Company

	2000 HK\$'000
Unlisted shares, at cost	<u>90,917</u>

The following is a list of the subsidiaries of the Company as at 31st March 2000:

Name	Country/place of incorporation	Issued and fully paid up share capital	Principal activities and place of operation	% 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
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

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E. BON HOLDINGS LIMITED

14 Inventories

	Group	
	2000	1999
	HK\$'000	HK\$'000
Inventories	53,861	59,635
Less: Provision for slow-moving inventories (note (a))	(30,840)	(44,424)
	<u>23,021</u>	<u>15,211</u>

(a) Slow-moving inventories of approximately HK\$12,348,000 for which full provision had been made in previous years were scrapped during the year (1999: HK\$Nil).

15 Share capital

	2000	1999
	HK\$'000	HK\$'000
<i>Authorised</i>		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>—</u>
<i>Issued and fully paid</i>		
1,000,000 ordinary shares of HK\$0.1 each	<u>100</u>	<u>6,991</u>

(a) The comparative figure for the previous year represents the combined total of the issued share capital of the subsidiaries as at 31st March 1999 prior to the group reorganisation.

(b) 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.

(c) In preparation for a listing of the Company's shares on 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.

(d) Subsequent to the year end, 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") in April 2000. 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.

(e) 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.

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15 Share capital (cont'd)

(f) On 22nd March 2000, a share option scheme was approved by a written resolution of the sole shareholder of the Company under which 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 options were granted by the Company during the year.

16 Reserves

(a) Group

	Revaluation reserve HK\$'000	Merger reserve HK\$000	Capital reserve (note (i)) HK\$000	Retained profits HK\$000	Total HK\$000
Balance at 1st April 1998	3,292	-	2,896	61,813	68,001
Profit for the year attributable to shareholders	-	-	-	32,837	32,837
Balance at 1st April 1999	3,292	-	2,896	94,650	100,838
Profit for the year attributable to shareholders	-	-	-	42,736	42,736
Dividends	-	-	-	(71,683)	(71,683)
Surplus on merger	-	6,979	-	-	6,979
Surplus on revaluation of leasehold land and buildings	9,947	-	-	-	9,947
Release of revaluation reserve to retained profits upon disposal of leasehold land and buildings	(3,292)	-	-	3,292	-
Balance at 31st March 2000	<u>9,947</u>	<u>6,979</u>	<u>2,896</u>	<u>68,995</u>	<u>88,817</u>

(i) The capital reserve represented contribution surplus made by the then shareholders to certain subsidiaries of the Company before the group reorganisation.

(b) Company – share premium

The balance represented the difference between the consolidated net worth of E. Bon (BVI) 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. Under Section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

17 Non-current liabilities

	Group	
	2000 HK\$'000	1999 HK\$'000
Obligations under finance leases	163	405
Bank loans – secured (note 22)	18,129	19,541
	<u>18,292</u>	<u>19,946</u>
Less: amounts payable within one year shown under current liabilities	(7,359)	(5,754)
	<u>10,933</u>	<u>14,192</u>
Deferred taxation (note 6(b))	411	411
	<u>11,344</u>	<u>14,603</u>

Long-term borrowings are repayable as follows:

	Group					
	Obligations under finance leases		Bank loans		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
On demand or within one year	163	242	7,196	5,512	7,359	5,754
In the second year	-	163	3,060	12,138	3,060	12,301
In the third to fifth years	-	-	7,873	1,891	7,873	1,891
	<u>163</u>	<u>405</u>	<u>18,129</u>	<u>19,541</u>	<u>18,292</u>	<u>19,946</u>
Less: Portion due within one year included in current liabilities	(163)	(242)	(7,196)	(5,512)	(7,359)	(5,754)
	<u>-</u>	<u>163</u>	<u>10,933</u>	<u>14,029</u>	<u>10,933</u>	<u>14,192</u>

NOTES TO THE ACCOUNTS (cont'd)

18 Reconciliation of profit before taxation to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	50,649	38,484
Interest income	(698)	(209)
Interest on bank loans and overdrafts	2,853	4,933
Interest element of finance leases	44	76
Depreciation of owned fixed assets	2,408	2,417
Depreciation of fixed assets held under finance leases	151	251
Loss on disposal of fixed assets	58	-
(Increase)/decrease in inventories	(7,810)	7,497
Increase in trade receivables, other receivables, deposits and prepayments	(18,385)	(11,778)
Decrease in trade payables, accruals, deposits received and bills payable	(328)	(6,279)
Net cash inflow from operating activities	<u>28,942</u>	<u>35,392</u>

19 Analysis of changes in financing during the year

	Group					
	Obligations under finance leases		Bank loans		Trust receipt loans	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Balance at 1st April	405	771	19,541	24,287	31,743	36,252
Net bank loans repaid	-	-	(1,412)	(4,746)	-	-
Repayment of capital element of finance leases	(242)	(366)	-	-	-	-
Net trust receipt loans raised/(repaid)	-	-	-	-	8,372	(4,509)
Balance at 31st March	<u>163</u>	<u>405</u>	<u>18,129</u>	<u>19,541</u>	<u>40,115</u>	<u>31,743</u>

20 Analysis of the balances of cash and cash equivalents

	Group	
	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	3,777	4,102
Bank overdrafts	-	(31)
	<u>3,777</u>	<u>4,071</u>

21 Commitments

(a) As at 31st March 2000, the Group had commitments under operating leases in respect of land and buildings to make payments in the next year which expire as follows:

	2000 HK\$'000	1999 HK\$'000
Within one year	972	2,074
In the second to fifth years inclusive	7,556	1,800
	<u>8,528</u>	<u>3,874</u>

(b) As at 31st March 2000, the Group had outstanding forward contracts to buy foreign currencies amounting to approximately HK\$1,014,000 (1999: HK\$Nil).

22 Banking facilities

As at 31st March 2000, the Group had available banking facilities of approximately HK\$113 million (1999: HK\$113 million) of which approximately HK\$64 million (1999: HK\$53 million) had been utilised as at that date. The facilities were secured by the following:

- (a) a legal charge on the property held by the Group in Hong Kong;
- (b) charges on certain time deposits of the Group amounting to approximately HK\$5.6 million (1999: HK\$4.4 million);

22 Banking facilities (cont'd)

- (c) joint and several guarantees given respectively by the following directors:
- (i) TSE Sun Fat, Henry, TSE Sun Po, Tony, TSE Sun Ming, Almond, WONG Tin Cheung and TSE Sun Wai, Albert amounting to HK\$8,000,000;
 - (ii) TSE Sun Fat, Henry, TSE Sun Po, Tony, WONG Tin Cheung and TSE Sun Wai, Albert amounting to HK\$24,580,000;
 - (iii) TSE Sun Fat, Henry, TSE Sun Ming, Almond, WONG Tin Cheung and TSE Sun Wai, Albert amounting to HK\$31,000,000;
 - (iv) TSE Sun Fat, Henry, TSE Sun Po, Tony, TSE Sun Ming, Almond and TSE Sun Wai, Albert amounting to HK\$28,000,000;
- (d) personal guarantees given by TSE Sun Wai, Albert amounting to HK\$25,500,000; and
- (e) corporate guarantees given by a subsidiary of the Company and Negotiator Consultants Limited, a fellow subsidiary of the Group, of HK\$24,580,000 each respectively.

TSE Sun Fat, Henry and TSE Sun Po, Tony are directors of the Company, WONG Tin Cheung and TSE Sun Ming, Almond are directors of certain subsidiaries of the Company. TSE Sun Wai, Albert is a relative of certain directors of the Company.

Following the listing of the Company's shares on the Stock Exchange on 12th April 2000, the guarantees and charges mentioned in (b) to (e) above have been replaced by a corporate guarantee given by the Company.

23 Related party transactions

Save as disclosed in notes 22 and 24 to the accounts in connection with the guarantees given by certain related parties, during the year, the Group undertook the following material transactions with its related companies in the normal course of business at terms mutually agreed between the Group and the counter parties:

	Note	Group	
		2000 HK\$'000	1999 HK\$'000
Management fee income received from Evercord Limited	(i)	32	185
Rental expense paid to Negotiator Consultants Limited	(ii)	84	
Sales of leasehold land and buildings to Negotiator Consultants Limited	(ii), (iii)	48,704	

23 Related party transactions (cont'd)

- (i) LEUNG Ka Cheung, a director of the Company, has a 50% equity interest in Evercord Limited. The management service was terminated during the year.
- (ii) Negotiator Consultants Limited is a fellow subsidiary of the Company in which all the executive directors of the Company have beneficial interest.
- (iii) The leasehold land and buildings were disposed by the Group to Negotiator Consultants Limited at the net book value on the date of disposal.

24 Contingent liabilities

- (a) As at 31st March 2000, a subsidiary of the Company was suing a customer (the "defendant") for an amount of approximately HK\$1,680,000 being goods sold and related expenses incurred by that subsidiary. The defendant has also alleged a counterclaim on the subsidiary for breach of contract claiming for a refund of approximately HK\$6,400,000 paid to the subsidiary and general damages. Summary judgment has already been obtained by the subsidiary in relation to part of the sums claimed by the subsidiary and that judgment is currently being appealed by the defendant. The directors of the Company are of the opinion that, on the basis of legal advice obtained, the subsidiary should have a good defence to the defendant's counter-claim and in view of an indemnity in connection with the counter-claim given by the ultimate holding company and the executive directors of the Company, no provision in respect of the amount of counter-claim has therefore been made in the accounts by the Group.
- (b) As at 31st March 2000, the Group had performance bonds amounting to approximately HK\$2,253,000 (1999: HK\$ Nil) 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 litigation or contingent liabilities as at 31st March 2000.

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 10th July 2000.