

The directors of E.Bon Holdings Limited (the "Company") present the interim report and unaudited condensed results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 are as follows:

## Interim Dividend

The directors recommend that the profit for the six months ended 30 September 2004 be transferred to reserves and do not recommend any interim dividend be paid to shareholders for this period.

## Review of Operations

For the past six months ended 30 September 2004, the Group's unaudited accounts show that consolidated turnover was HK\$95.59 million represents a 31% increase from the same period in 2003 (six months ended 30 September 2004: HK\$72.58 million) and contrary to last year, consolidated profit after taxation was HK\$3.44 million (six months ended 30 September 2003: loss HK\$5.46 million). As reported in our annual report of 2004, the economic recovery of Hong Kong appears to hold during the period, the increase in sales of apartments, particularly luxurious apartments, leads to a healthy increase in turnover. Moreover, the gradual improvement in local economy also help our wholesale and retail business, which constitutes approximately 50% of our sales with higher profit margin than those of project sales.

During the period, we have been awarded a number of prestige residential projects, including Grand Promenade and Chelsea Court while the supply of materials for the theme Park Resort Project in Lantau Island continue. The sales to projects in China have been moving steadily and the Group has established over sixty outlets for sales or showrooms for its products in order to expand its presence and business into Mainland China. The group has conducted the business in China discreetly and circumspectly.

We are pleased to welcome Messrs. YICK Kai Chung and WAN Sze Chung who joined the board of directors in July and September 2004 in the capacity as Executive Director and Independent Non-Executive Director respectively. In addition, the Group's workforce consists of 110 devoted employees all of whom are vital to our operation.

## Financial Position

The Group records profit after tax during the period and its overall financial position is sound. Despite the continue weakening of Hong Kong Dollars against other foreign currencies such as Euro and Japanese Yen, which has an adverse effect on gross margin as we have not been able to pass on such costs increased to our customers, we are still able to improve our profit margin to 38% (30 September 2003: 30%) contributed by our wholesale and retail operations, the Group holds approximately HK\$27 million in cash deposit and has no bank borrowings (31 March 2004: nil). At 30 September 2004, the Group's current ratio, which is calculated based on current assets over current liabilities, was 5.43 (31 March 2004: 5.76). During the period, the Group has no significant exposure to foreign currency fluctuation and no assets of the Group was held under charge. Moreover, the Group has no material capital commitment as at 30 September 2004.

## Future Prospects

We continue to hold the view that the continue reduction in the number of owners of negative equity will help to improve the general spending. It appears that the relaxation of individual travelers from China to Hong Kong has taken effects. The influx of mainland visitors results in the further improvement of general spending locally and the notable increase in number of renovation projects for hotels which has generated more sales in both metal hardware and bathroom accessories. In addition, the introduction of investor immigrants scheme helps to motivate the construction and sale of luxurious apartments in Hong Kong. During the period, we rationalized our retail operation when ViA is rebranded from OVO Living, our showroom for luxury kitchen and bathroom accessories and in October 2004, we opened another outlet at

SUNNY (PRO)



VIA

Lockhart Road, Wan Chai to strengthen our presence in the area.

## Purchase, Sales or Redemption of Shares

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

## Directors' Interest in Equity Securities

At 30 September 2004, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded.



## Interests in shares of the Company

Director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. TSE Sun Fat, Henry (Note 1)	-	-	-	140,000,000
Mr. TSE Sun Po, Tony (Note 1)	-	140,000,000	-	140,000,000

Note 1: Bache Hill Group Limited ("BHGL") is holding these shares. BHGL is held as to approximately 60.98 per cent. By Tse Brothers Assets Management Limited, which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony is an object of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

## Interests in shares of associated corporations

### (i) BHGL

Director	Personal interest	Number of ordinary shares held			Total
		Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (Note 2)	–	–	–	30,491	30,491
Mr. TSE Sun Po, Tony (Note 2)	–	30,491	–	30,491	30,491
Mr. TSE Sun Lung, Alan	3,025	–	–	–	3,025
Mr. WONG Tin Cheung, Ricky	1,265	–	–	–	1,265

Note 2: These shares are held by Tse Brother Assets Management Limited, which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. Tse Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr. TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony is objects of The Tse's Family Trust. The interests of Mr. TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

### (ii) Negotiator Consultants Limited

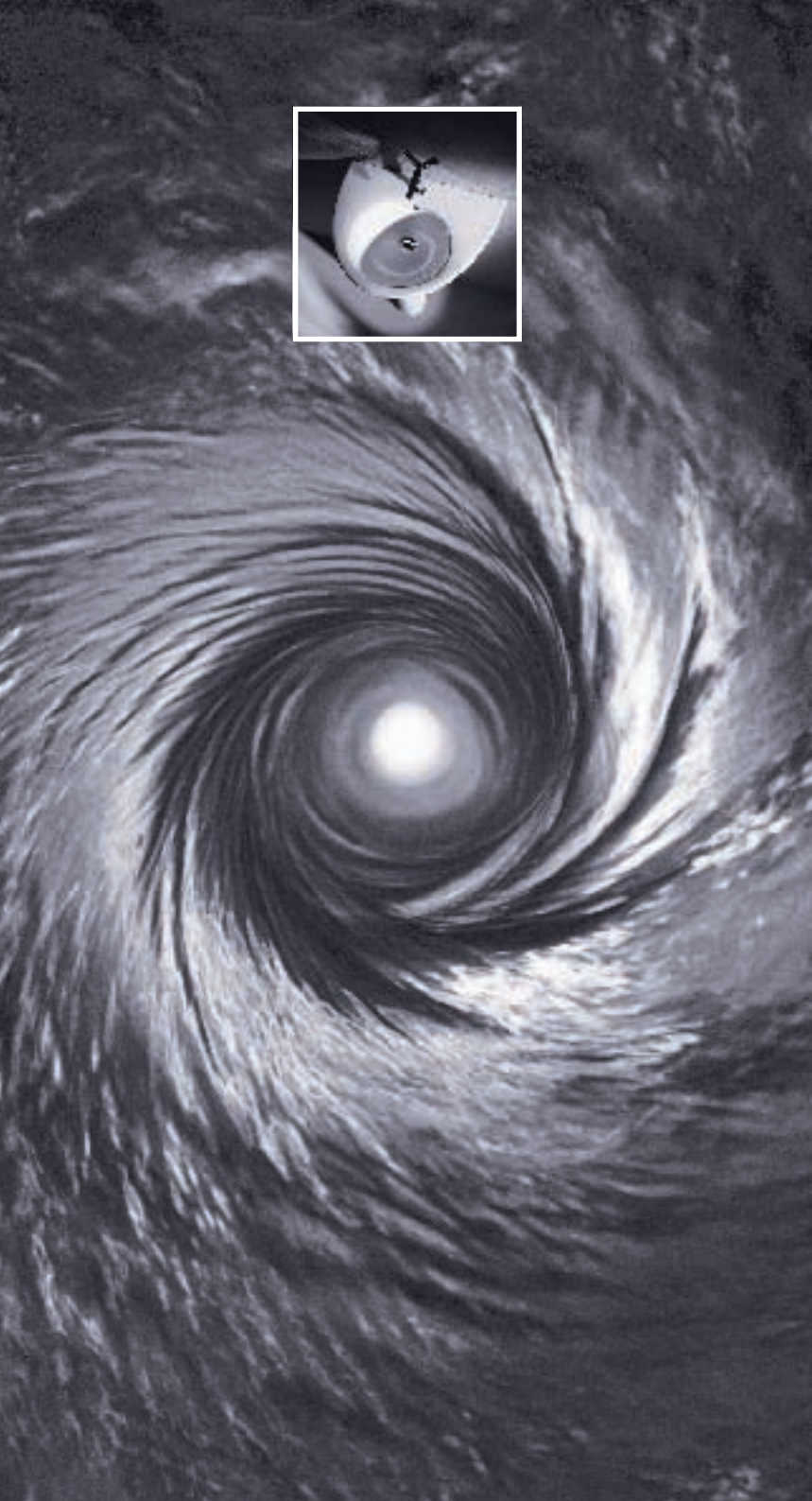
Director	Personal interest	Number of ordinary shares held			Total
		Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry (Note 3)	–	–	–	1	1
Mr. TSE Sun Po, Tony (Note 3)	–	1	–	1	1

Note 3: Such share is held by BHGL. Accordingly, the interest of Mr. TSE Sun Fat, Henry is regarded as "other interest" and the interests of Mr. TSE Sun Po, Tony are regarded as "family interest" and "other interest", respectively as described in Practice Note 5 of the Listing Rules.

### Directors' Benefits from Rights to Acquire Shares or Debentures

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

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





## Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30 September 2004, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

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

Note 4: BHGL is held as to approximately 60.98% by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by Messrs. Kelvin K W Cheung & Chu Hei Chun (who are the trustees of the Tse's Family Trust). Tse Brothers Assets Management Limited and Messrs. Kelvin K W Cheung & Chu Hei Chun are respectively taken to be interested in these shares under Section 8(2) of the SDI Ordinance.

## Information Pursuant to Practice Note 19 of the Listing Rules

The directors of the Company are not aware of any circumstances, which would give rise to any disclosure obligations under Practice Note 19 of Listing Rule as at 30 September 2004.

## Compliance with the Code of Best Practice of the Listing Rules

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 in the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30 September 2004, except the independent non-executive director of the Company who joined in September 2004 and non-executive director are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

## Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adapted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2004.



**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Note	Unaudited Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	95,589	72,585
Cost of sales		(58,583)	(50,468)
Gross profit		37,006	22,117
Other revenue	2	97	165
Selling and distribution expenses		(15,394)	(17,609)
Administrative expenses		(18,220)	(10,795)
Operating profit/(loss)	3	3,489	(6,122)
Finance costs	4	(17)	(35)
Profit/(loss) before taxation		3,472	(6,157)
Taxation	5(b)	(33)	689
Profit/(loss) attributable to shareholders		<u>3,439</u>	<u>(5,468)</u>
Basic earnings/(loss) per share	6	<u>HK2 cents</u>	<u>(HK3 cents)</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

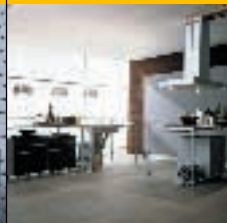
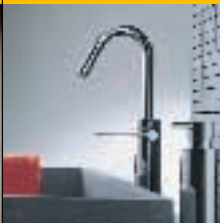
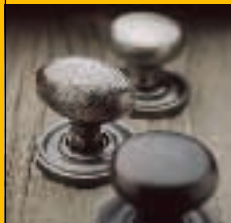
AS AT 30 SEPTEMBER 2004

	Note	Unaudited	Audited
		30 September 2004 HK\$'000	31 March 2004 HK\$'000
Fixed assets	7	26,850	27,138
Deferred tax assets	5(b)	3,184	3,184
Current assets			
Inventories		43,990	36,177
Trade receivables, other receivables, deposits and prepayments	8	48,933	45,164
Cash and bank balances		27,244	32,932
		<u>120,167</u>	<u>114,273</u>
Current liabilities			
Trade payables, accruals and deposits received	9	16,370	13,693
Bills payable		5,021	5,304
Current portion of obligations under finance leases	10	246	246
Tax payable		491	595
		<u>22,128</u>	<u>19,838</u>
Net current assets		<u>98,039</u>	<u>94,435</u>
Total assets less current liabilities		<u>128,073</u>	<u>124,757</u>
Financed by:			
Share capital	11	20,000	20,000
Reserves		106,150	102,711
Shareholders' funds		<u>126,150</u>	<u>122,711</u>
Non-current liabilities	10	1,923	2,046
		<u>128,073</u>	<u>124,757</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
At 1 April 2003								
As previously reported	20,000	41,261	8,206	6,979	2,896	(36)	57,057	136,363
Exchange difference	-	-	-	-	-	72	-	72
As restated	20,000	41,261	8,206	6,979	2,896	36	57,057	136,435
Loss for the period	-	-	-	-	-	-	(5,469)	(5,469)
At 30 September 2003	<u>20,000</u>	<u>41,261</u>	<u>8,206</u>	<u>6,979</u>	<u>2,896</u>	<u>36</u>	<u>51,588</u>	<u>130,966</u>
At 1 April 2004								
As previously reported	20,000	41,261	8,355	6,979	2,896	42	43,178	122,711
Profit for the period	-	-	-	-	-	-	3,439	3,439
At 30 September 2004	<u>20,000</u>	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>42</u>	<u>46,617</u>	<u>126,150</u>



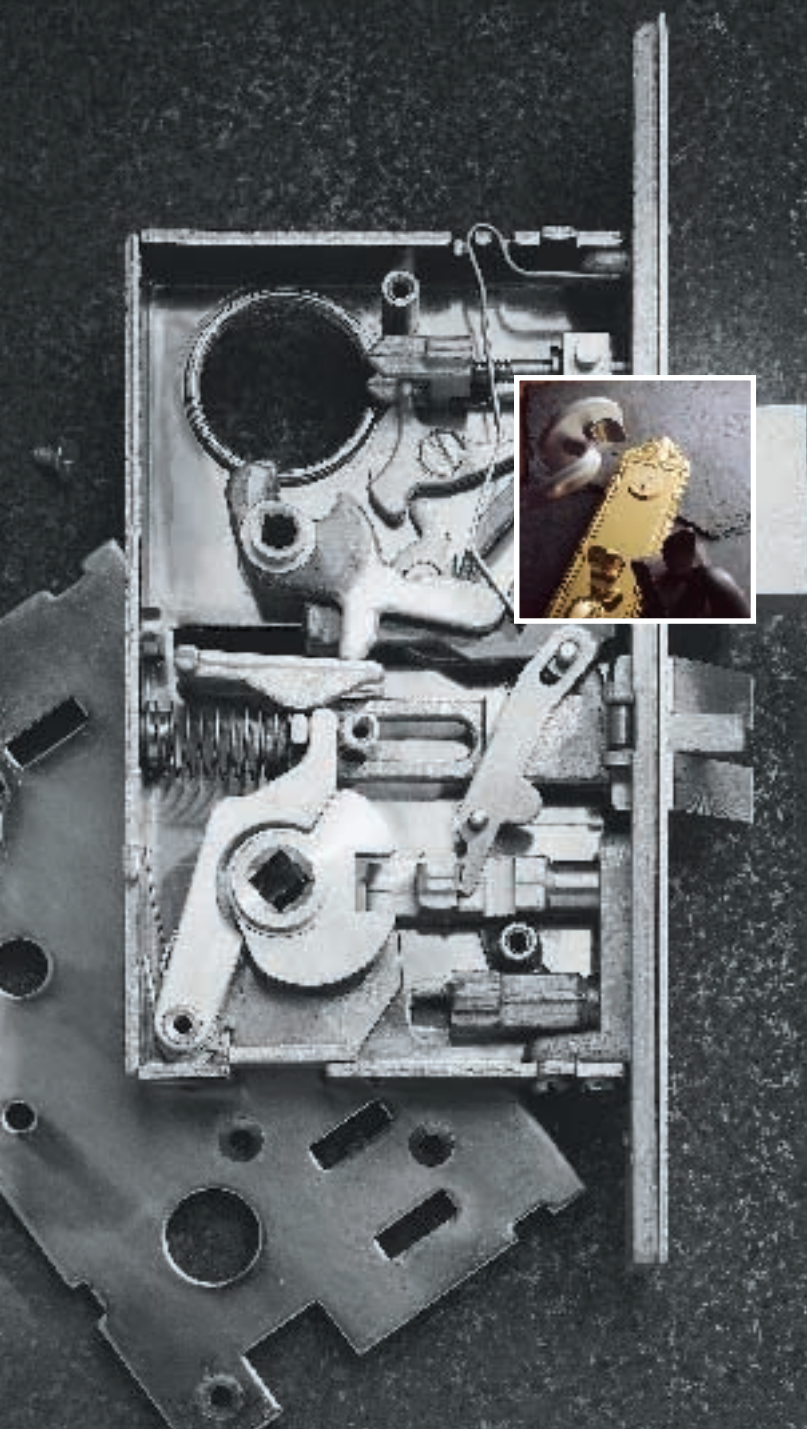
## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Unaudited	
	Six months ended 30 September 2004 HK\$'000	2003 HK\$'000
Net cash outflow from operating activities	(3,682)	(6,515)
Net cash outflow from investing activities	(1,883)	(396)
Net cash outflow from financing activities	(123)	(122)
Decrease in cash and cash equivalents	(5,688)	(7,033)
Cash and cash equivalents at 1 April	32,932	40,618
Cash and cash equivalents at 30 September	<u>27,244</u>	<u>33,585</u>

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





# NOTES TO THE UNAUDITED CONDENSED INTERIM ACCOUNTS

## 1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed interim accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 March 2004.



## 2. Turnover, revenue and segment information

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

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Turnover – sales of goods	95,589	72,585
Other revenue		
Interest income	97	165
Total revenues	<u>95,686</u>	<u>72,750</u>

## Primary reporting format – business segments

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

Wholesale – importing and wholesale of architectural builders hardware and bathroom collections to dealers, traditional hardware stores, contractors and property developers.

Retail – sale of architectural builders hardware and bathroom collections through the Group's retail outlets.

	Unaudited Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Segment results		
Turnover		
Wholesale	88,453	66,540
Retail	29,396	18,424
Inter-segment elimination	(22,260)	(12,379)
Total turnover	95,589	72,585
Cost of goods sold		
Wholesale	57,780	49,240
Retail	23,063	13,607
Inter-segment elimination	(22,260)	(12,379)
Total cost of goods sold	58,583	50,468
Gross profit		
Wholesale	30,763	17,300
Retail	6,243	4,817
Total gross profit	37,006	22,117
Other costs, net of other revenues and other income		
Wholesale	(28,670)	(15,874)
Retail	(4,847)	(12,365)
Total other costs, net of other revenues and other income	(33,517)	(28,239)
Segment operating profit/(loss)		
Wholesale	2,093	1,426
Retail	1,396	(7,548)
Total operating profit/ (loss)	3,489	(6,122)
Finance costs	(17)	(35)
Total operating profit /(loss) after finance cost	3,472	(6,157)
Taxation	(33)	689
Profit/(loss) attributable to shareholders	3,439	(5,468)

## Secondary reporting format – geographical segments

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

### 3. Operating profit

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Operating profit is stated after charging/(crediting) the following:		
Depreciation:		
Owned fixed assets	2,141	1,918
Leased fixed assets	125	125
Net exchange loss	72	60
Payments under operating leases for leasehold land and buildings	8,211	7,160
Provision/(write-back of provision) for slow-moving inventories, included in cost of inventories	904	3,068
Staff costs, including directors' emoluments	<u>13,393</u>	<u>12,611</u>

### 4. Finance costs

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank borrowings	–	18
Interest element of finance leases	<u>17</u>	<u>17</u>
	<u>17</u>	<u>35</u>

### 5. Taxation

- (a) Hong Kong profits tax is calculated at the rate of 17.5% on the estimated assessable profit for the period (six months ended 30 September 2003: nil).

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
– under provision in previous year	33	–
Deferred taxation ( note 5(b))	<u>–</u>	<u>(689)</u>
Taxation	<u>33</u>	<u>(689)</u>

- (b) Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

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

	30 September	31 March
	2004	2004
	HK\$'000	HK\$'000
At beginning of period/year	(1,526)	(633)
Deferred taxation credited to profit and loss account	<u>–</u>	<u>(893)</u>
At the end of the period/year	<u>(1,526)</u>	<u>(1,526)</u>
Represented by:		
Deferred tax assets	(3,184)	(3,184)
Deferred tax liabilities	<u>1,658</u>	<u>1,658</u>
	<u>(1,526)</u>	<u>(1,526)</u>



## 6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$3,439,000 (six months ended 30 September 2003: loss of HK\$5,468,000) and 200,000,000 shares (30 September 2003: 200,000,000 shares) in issue during the period. Diluted earnings per share for the periods were not disclosed as there were no dilutive potential ordinary shares.

## 7. Capital expenditure

	Fixed assets HK\$'000
Net book amount as at 31 March 2004	27,138
Additions	2,044
Disposal	(66)
Depreciation	(2,266)
Net book amount as at 30 September 2004	<u>26,850</u>

## 8. Trade receivables, other receivables, deposits and prepayments

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

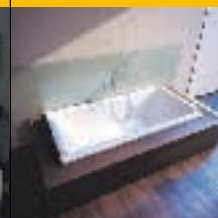
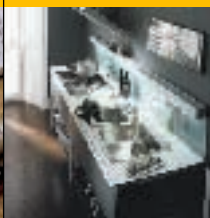
	0-30 days HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
Balance at 30 September 2004	<u>11,020</u>	<u>6,105</u>	<u>3,903</u>	<u>17,034</u>	<u>38,062</u>
Balance at 31 March 2004	<u>11,293</u>	<u>6,821</u>	<u>3,142</u>	<u>13,669</u>	<u>34,925</u>

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

## 9. Trade payables, accruals and deposits received

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

	0-30 days HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
Balance at 30 September 2004	<u>10,399</u>	<u>2,897</u>	<u>1,032</u>	<u>157</u>	<u>14,485</u>
Balance at 31 March 2004	<u>6,289</u>	<u>3,294</u>	<u>866</u>	<u>355</u>	<u>10,804</u>





## 10. Non-current liabilities

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Obligations under finance leases	511	634
Current portion	246	246
	<u>265</u>	<u>388</u>
Deferred tax liabilities (Note 5(b))	1,658	1,658
	<u>1,923</u>	<u>2,046</u>

At 30 September 2004, the Group's obligations under finance leases were repayable as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Within one year	246	246
In the second year	246	246
In the third to fifth year inclusive	19	142
	<u>511</u>	<u>634</u>

## 11. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1 April 2003 and 30 September 2004	<u>1,000,000,000</u>	<u>100,000</u>
	Issued and fully paid ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 1 April 2003 and 30 September 2004	<u>200,000,000</u>	<u>20,000</u>

## 12. Contingent liabilities

- (a) In August 2001, a subsidiary of the Company ("the Subsidiary") Company sued one of its customers (the "Customer") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered. In September 2001, the Customer filed a counter-claim in a sum of approximately HK\$6,148,000 against the Subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between the Customer and the Subsidiary. The proceedings are still in the pleadings stage and the directors of the Subsidiary, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against the Customer for the counter-claim and accordingly no provision in respect of the amount of the counter-claim has been made in the accounts.



(b) As at 30 September 2004, the Group had indemnities in respect of performance bonds amounting to approximately HK\$29,000 (31 March 2004: HK\$29,000) given to certain customers in respect of commitments for the supply of goods to such customers.

Apart from the above, the Group had no material litigation or contingent liabilities as at 30 September 2004 and up to the date of the approval of these condensed interim accounts.

### 13. Commitments

Commitments under operating leases

At 30 September 2004, the Group had total future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
No later than one year	14,684	15,240
Later than one year and not later than five years	7,428	11,142
	<u>22,112</u>	<u>26,382</u>

### 14. Related party transactions

During the period, the Group paid rental expenses of HK\$1,234,800 (six months ended 30th September 2003: HK\$1,234,800) to Negotiator Consultants Limited ("NCL"), a company in which Mr Tse Sun Fat, Henry, Mr Tse Sun Po, Tony, Mr Tse Sun Lung, Alan and Mr Wong Tin Cheung, Ricky, have beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL.

### 15. Ultimate holding company

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

On behalf of the Board

**TSE, Sun Fat, Henry**

*Chairman*

Hong Kong, 24 November 2004

Website: [www.ebon.com.hk](http://www.ebon.com.hk)