

Correct Virtue

The Creative works sublime success, furthering through perseverance.

Notes to the Financial Statements

For the year ended 31 March 2006

1. General Information

E. Bon Holdings Limited (“the Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the importing and sale of architectural builders hardware, bathroom and kitchen collections in Hong Kong. The Company is a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its principal place of business is located at 16th – 18th Floors, First Commercial Building, 33 Leighton Road, Causeway Bay, Hong Kong.

2. Statement of Compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out in note 3 to the financial statements.

In this year, the Group adopted all the new/revised HKFRS pertinent to its operations, which are effective for accounting period beginning on or after 1 January 2005. The adoption of these HKFRS mainly affects the presentation and disclosures of certain items in financial statements and has no significant financial effects on the current period and prior period presented. The details of major changes in accounting policies are summarised in note 4 to the financial statements.

3. Principal Accounting Policies

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of leasehold land and buildings under long lease in Hong Kong.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March, each year. Subsidiaries are those entities which the Company, directly or indirectly controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interest is that part of profit or loss or net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Principal Accounting Policies (cont'd)

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings in Hong Kong, are stated at cost less accumulated depreciation and accumulated impairment losses.

The leasehold land and buildings in Hong Kong are stated at revalued amount, being the fair value at the date of valuation less accumulated depreciation and accumulated impairment losses. Fair value is determined by independent valuations, which are performed periodically. 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 asset and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to the revaluation reserve.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the period of leases
Buildings	2%
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	20%

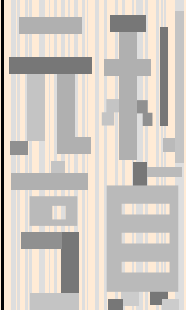
Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

Trade receivables and payables

Trade receivables and payables are recognised at cost which approximates to their fair values, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

Cash equivalents

For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.



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Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal Accounting Policies (cont'd)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with time when the goods are delivered to customers and title has been passed.

Interest income is recognised as the interest accrues, using the effective interest method, to the net carrying amount of the financial asset.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

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3. Principal Accounting Policies (cont'd)

Impairment loss (cont'd)

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Notes to the Financial Statements

For the year ended 31 March 2006

3. Principal Accounting Policies (cont'd)

Employee benefits (cont'd)

Long service payment

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to the Group if

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services with a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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3. Principal Accounting Policies (cont'd)

Segment reporting (cont'd)

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Inter-segment pricing are principally on a cost plus basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, borrowings, tax balances, corporate and financing expenses.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective. The Group has not early adopted these new/revised HKFRS and the directors anticipate that the adoption of these new/revised HKFRS in the future accounting periods will have no material impact on the result of the Group.

4. Changes in Accounting Policies

In this year, the Group adopted the following new/revised HKFRS issued by the HKICPA. The comparatives have been amended as required, in accordance with the relevant requirements. The major effects on the changes in accounting policies are summarised below:

(a) HKAS 24 Related party disclosures

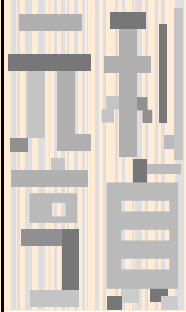
HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures. Comparative figures have been restated accordingly.

(b) HKAS 17 Leases

In prior years, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings should be separated into leasehold land and buildings. The Group's leasehold land should be classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and should be reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. However, since the fair value of the leasehold land cannot be measured separately from the fair value of buildings situated thereon at the inception of the lease and no similar land and buildings are sold or leased separately so that reference to the leasehold land portion can be made, the lease payments cannot be allocated reliably between the land and buildings elements. As such, the entire lease payments are included in the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the results and financial position of the current and prior accounting periods. No prior period adjustments were required.



Notes to the Financial Statements

For the year ended 31 March 2006

5. Significant Accounting Judgements and Estimates

In the process of applying the entity's accounting policies which are described in note 3, management has made the following judgement that have significant effect on the amounts recognised in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key source of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarised below.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management's judgment. At the balance sheet date, the accounts receivables, net of provision, amounted to HK\$52,408,000 (2005: HK\$44,943,000). A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Allowance for inventories

The Group's management reviews an aging analysis of inventories at each balance sheet date and makes allowance for obsolete and slow-moving inventory items identified that are no longer recoverable. From month nine, a 10% provision is made for each successive month, thereafter until month eighteen when the provision reaches 100%.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves estimation regarding the future performance of the Group entities in which the deferred tax asset has been recognised. Other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial budgets are reviewed at each balance sheet date to justify their recognition.

是合於義理，使一切事物各得其宜，彼此和諧。

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and notes receivable, other receivables, trade and notes payables, other payables and interest-bearing borrowings. Details of the policies on how to mitigate the risks from these financial instruments are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

Foreign currency risk

The Group mainly operates in Hong Kong with most of the sales transactions settled in Hong Kong dollars. However, foreign currencies are required to settle the Group's purchases from overseas suppliers.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

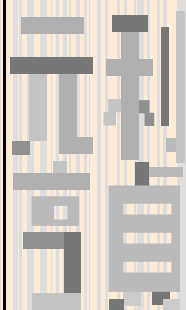
Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

7. Revenues and Turnover

(a) The Group is principally engaged in the importing and sale of architectural builders hardware, bathroom and kitchen collections. Revenues recognised during the year are as follows:—

	Group	
	2006	2005
	HK\$'000	HK\$'000
Turnover – sales of goods	223,466	199,090
Other revenue		
Interest income	349	172
Exchange gain	40	–
Total revenues	<u>223,855</u>	<u>199,262</u>



Notes to the Financial Statements

For the year ended 31 March 2006

7. Revenues and Turnover (cont'd)

Primary reporting format – business segments

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

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

	Group	
	2006	2005
	HK\$'000	HK\$'000
Segment results		
Turnover		
Wholesale	195,529	173,743
Retail	65,154	63,692
Inter-segment elimination	(37,217)	(38,345)
Total turnover	223,466	199,090
Cost of goods sold		
Wholesale	135,362	116,822
Retail	40,523	39,394
Inter-segment elimination	(37,217)	(38,345)
Total cost of goods sold	138,668	117,871
Gross profit		
Wholesale	60,167	56,921
Retail	24,631	24,298
Total gross profit	84,798	81,219
Other costs, net of other revenues and other income		
Wholesale	(48,733)	(47,508)
Retail	(24,608)	(22,427)
Total other costs, net of other revenues and other income	(73,341)	(69,935)
Segment operating profit		
Wholesale	11,434	9,413
Retail	23	1,871
Total operating profit	11,457	11,284
Finance costs	(100)	(53)
	11,357	11,231
Taxation		
Wholesale	835	(321)
Retail	(207)	(735)
Total profit taxes	628	(1,056)
Profit for the year	11,985	10,175

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7. Revenues and Turnover (cont'd)

Primary reporting format – business segments (cont'd)

	Group	
	2006 HK\$'000	2005 HK\$'000
Capital expenditure		
Wholesale	303	639
Retail	4,227	3,672
Total capital expenditure	<u>4,530</u>	<u>4,311</u>
Depreciation charged to income statement		
Wholesale	1,539	2,319
Retail	3,210	3,005
Total depreciation charged to the income statement	<u>4,749</u>	<u>5,324</u>
Segment assets		
Wholesale	211,201	200,633
Retail	124,992	100,322
Unallocated	–	30,746
Inter-segment elimination	(139,776)	(174,847)
Total assets	<u>196,417</u>	<u>156,854</u>
Segment liabilities		
Wholesale	75,261	105,720
Retail	118,169	93,133
Unallocated	–	–
Inter-segment elimination	(139,776)	(174,847)
Total liabilities	<u>53,654</u>	<u>24,006</u>
	<u>142,763</u>	<u>132,848</u>

Secondary reporting format – geographical segments

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

8. Finance Costs

	Group	
	2006 HK\$'000	2005 HK\$'000
Interest on bank borrowings	61	17
Interest element of finance leases	39	36
	<u>100</u>	<u>53</u>

Notes to the Financial Statements

For the year ended 31 March 2006

9. Profit Before Tax

Profit before tax is stated after charging/(crediting) the following:

	Group	
	2006 HK\$'000	2005 HK\$'000
Auditors' remuneration		
– current year	470	450
– under provision in last year	–	1
Depreciation of property, plant and equipment	4,749	5,324
Legal and professional fees	732	1,066
Gain on disposal of fixed assets	–	(10)
Net exchange losses	658	38
Payments under operating leases for leasehold land and buildings	20,650	14,845
Provision for doubtful debts	–	2,026
Write-back of provision for doubtful debts	–	(466)
Provision/(write-back) for slow-moving inventories, included in cost of sales	1,180	(2,217)
Staff costs, including directors' emoluments (<i>note 14</i>)	<u>27,771</u>	<u>26,120</u>

10. Taxation

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

	Group	
	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax		
– current year	1,001	336
– over provision in previous year	(108)	(367)
Deferred taxation (<i>note 10(b)</i>)	(1,521)	1,087
	<u>(628)</u>	<u>1,056</u>

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10. Taxation (cont'd)

(b) The movements in the deferred tax liabilities/(assets) account are as follows:

Deferred tax liabilities	Group					
	Accelerated tax depreciation		Revaluation of properties		Total	
	2006 HK\$'000	2005 HK'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
At beginning of the year	189	–	1,643	1,658	1,832	1,658
Charged/(credited) to income statement/ equity	–	189	1,046	(15)	1,046	174
At the end of the year	<u>189</u>	<u>189</u>	<u>2,689</u>	<u>1,643</u>	<u>2,878</u>	<u>1,832</u>
Deferred tax assets	Tax losses		Others		Total	
	2006 HK\$'000	2005 HK'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
	At beginning of the year	1,267	2,399	1,004	785	2,271
(Charged)/credited to income statement	1,135	(1,132)	386	219	1,521	(913)
At the end of the year	<u>2,402</u>	<u>1,267</u>	<u>1,390</u>	<u>1,004</u>	<u>3,792</u>	<u>2,271</u>
Deferred tax assets	Company					
	Tax losses					
	2006 HK\$'000	2005 HK\$'000				
At beginning of the year	–	146				
Credited to income statement	–	(146)				
At the end of the year	<u>–</u>	<u>–</u>				

Since certain subsidiaries of the Group in which the losses arose started to generate taxable profits in the current year and in the opinion of the directors, it is probable that sufficient taxable profits will be available to utilise the deferred tax assets in the foreseeable future, deferred tax assets are recognised in respect of the unused tax losses.

Notes to the Financial Statements

For the year ended 31 March 2006

10. Taxation (cont'd)

- (c) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the country where the Group principally operates as follows:

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	<u>11,357</u>	<u>11,231</u>
Calculated at a taxation rate of 17.5% (2005: 17.5%)	1,987	1,967
Over provision in prior years	(654)	(367)
Income not subject to taxation	(61)	(91)
Expenses not deductible for taxation purpose	10	8
Utilisation of prior years unrecognised tax losses	(990)	(1,031)
Recognition of previously unrecognised deferred tax assets	(1,719)	–
Derecognised deferred tax assets	613	–
Unrecognised temporary differences	185	495
Unrecognised tax losses	110	86
Differential tax rate on the profit of a PRC subsidiary	(112)	(11)
Others	<u>3</u>	<u>–</u>
Taxation charged to consolidated income statement	<u>(628)</u>	<u>1,056</u>

11. Profit for the Year

Included in the profit for the year is a profit of HK\$245,000 (2005: HK\$780,000) which is dealt with in the financial statements of the Company.

12. Dividends

	2006 HK\$'000	2005 HK\$'000
Interim dividend of HK1 cent per share	2,000	–
Proposed final dividend of HK 2.5 cents (2005: HK 2.5 cents) per share (note)	<u>5,000</u>	<u>5,000</u>
	<u>7,000</u>	<u>5,000</u>

Note: A final dividend in respect of 2006 of HK2.5 cents (2005: HK2.5 cents) per share amounting to approximately HK\$ 5,000,000 (2005: HK\$5,000,000) has been proposed by the directors after the balance sheet date. The proposed dividend is not accounted for until it has been approved at the annual general meeting.

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13. Earnings per Share

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

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

14. Staff Costs

	2006 HK\$'000	2005 HK\$'000
Wages and salaries	26,768	25,237
Pension costs – defined contribution plans	1,003	883
	<u>27,771</u>	<u>26,120</u>

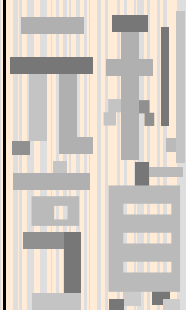
15. Directors' and Senior Management's Emoluments

(a) Directors' remuneration

The aggregate amount of emoluments received or receivable by the directors of the Company are as follows:

2006

	Directors' fees HK\$'000	Salaries and other emoluments HK\$'000	Discretionary bonuses HK\$'000	Total HK\$'000
Executive directors				
Tse Sun Fat, Henry	–	748	37	785
Tse Sun Po, Tony	–	732	70	802
Tse Sun Lung, Alan	–	711	51	762
Wong Tin Cheung, Ricky	–	252	30	282
Lau Shiu Sun	–	478	70	548
Yick Kai Chung	–	672	65	737
Non-executive director				
Mak So	200	–	–	200
Independent non-executive directors				
Leung Kwong Kin, JP	90	–	–	90
Wong Wah, Dominic	90	–	–	90
Wan Sze Chung	70	–	–	70
	<u>450</u>	<u>3,593</u>	<u>323</u>	<u>4,366</u>



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Notes to the Financial Statements

For the year ended 31 March 2006

15. Directors' and Senior Management's Emoluments (cont'd)

(a) Directors' remuneration (cont'd)

2005

	Salaries and other Discretionary			Total HK\$'000
	Directors' fees HK\$'000	emoluments HK\$'000	bonuses HK\$'000	
Executive directors				
Tse Sun Fat, Henry	–	1,200	30	1,230
Tse Sun Po, Tony	–	1,200	60	1,260
Tse Sun Lung, Alan	–	1,154	24	1,178
Wong Tin Cheung, Ricky	–	385	15	400
Lau Shiu Sun	–	466	38	504
Yick Kai Chung	–	1,128	28	1,156
Non-executive director				
Mak So	300	124	8	432
Independent non-executive directors				
Leung Kwong Kin, JP	90	–	–	90
Wong Wah, Dominic	90	–	–	90
Wan Sze Chung	35	–	–	35
	<u>515</u>	<u>5,657</u>	<u>203</u>	<u>6,375</u>

No directors waived or agreed to waive their emoluments in respect of the years ended 31 March 2006 and 2005.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: one) individual during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Basic salaries and allowances	790	1,157
Retirement scheme contributions	12	12
	<u>802</u>	<u>1,169</u>

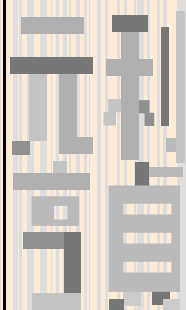
The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2006	2005
HK\$Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	–	1
	<u>1</u>	<u>1</u>

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16. Property, Plant and Equipment

	Group					Total
	Land and buildings under long leases in Hong Kong (Note(a)) HK\$'000	Land and buildings under long leases in the PRC HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	
Reconciliation of carrying amount – year ended 31 March 2005						
At beginning of year	13,218	1,725	7,561	3,586	1,048	27,138
Additions	–	–	4,042	197	72	4,311
Disposals	–	–	–	–	(142)	(142)
Depreciation	(195)	(36)	(2,913)	(1,877)	(303)	(5,324)
Reclassification	–	–	(1,395)	1,395	–	–
At balance sheet date	13,023	1,689	7,295	3,301	675	25,983
Reconciliation of carrying amount – year ended 31 March 2006						
At beginning of year	13,023	1,689	7,295	3,301	675	25,983
Additions	–	6	4,180	344	–	4,530
Revaluation	5,977	–	–	–	–	5,977
Depreciation	–	(35)	(3,083)	(1,328)	(303)	(4,749)
At balance sheet date	19,000	1,660	8,392	2,317	372	31,741
At 1 April 2005						
Cost/valuation	14,000	1,773	19,765	13,450	1,673	50,661
Accumulated depreciation	(977)	(84)	(12,470)	(10,149)	(998)	(24,678)
	13,023	1,689	7,295	3,301	675	25,983
At 31 March 2006						
Cost/valuation	19,000	1,779	23,945	13,794	1,673	60,191
Accumulated depreciation	–	(119)	(15,553)	(11,477)	(1,301)	(28,450)
	19,000	1,660	8,392	2,317	372	31,741



Notes to the Financial Statements

For the year ended 31 March 2006

16. Property, Plant and Equipment (cont'd)

- (a) The leasehold land and buildings in Hong Kong were revalued by A.G. Wilkinson & Associate, an independent firm of professional valuers, at 30 September 2005 on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve in shareholders' equity (Note 24). The directors are of the opinion that as at the balance sheet date, there is no material change in the carrying value of the assets since 30 September 2005. The carrying amount of the property would have been approximately HK\$3,631,000 (2005: HK\$3,631,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (b) At 31 March 2006, the net carrying amount of property, plant and equipment held by the Group under finance leases amounted to approximately HK\$306,000 (2005: HK\$571,000).

17. Investment in Subsidiaries

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	<u>90,917</u>	<u>90,917</u>

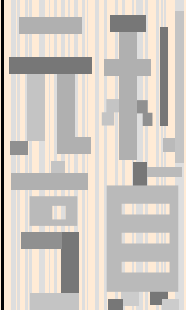
Particulars of the subsidiaries as at 31 March 2006 are as follows:

Name	Country/place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Principal activities and place of operation	Equity interest held
Interest held directly:-				
E. Bon (BVI) Holdings Limited	British Virgin Islands	50,000 ordinary shares of US\$1 each	Investment holding in Hong Kong	100 %
Interests held indirectly:-				
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 collections in Hong Kong	100 %
Right Century Limited	Hong Kong	1,000 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 collections in Hong Kong	100 %

是正直執著，是處理一切事物的骨幹。

17. Investment in Subsidiaries (cont'd)

Name	Country/place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Principal activities and place of operation	Equity interest held
Interests held indirectly:- (cont'd)				
Shanghai Tech Pro International Trading Co., Ltd.	People's Republic of China	US\$300,000	Importing and sale of architectural builders hardware and bathroom collections in mainland China	100 %
Twinwood Venture Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100 %
H2O (Pro) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of bathroom collections in Hong Kong	100 %
Massford Holdings Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100 %
Techpro Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100 %
Massford (Hong Kong) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Supplying architectural builders hardware and bathroom collections for property development in Hong Kong	100 %
Bonco Ironmongery Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100 %
Kitchen Pro Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of kitchen fittings in Hong Kong	100 %
D.I.Y. Limited	Hong Kong	2 ordinary shares of HK\$100 each	Handling of the human resources planning and development activities of the Group	100 %
Sanfield Properties Limited	Hong Kong	2 ordinary shares of HK\$1 each	Property holding in mainland China	100 %
Tech Pro (China) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Investment holding in mainland China	100 %
Bonlex Properties Limited	Hong Kong	9,998 ordinary shares of HK\$1 each	Property holding in mainland China	98 %



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Notes to the Financial Statements

For the year ended 31 March 2006

18. Amounts Due from/(to) Subsidiaries and Ultimate Holding Company

The amounts are unsecured, interest-free and repayable on demand.

19. Inventories

	Group	
	2006 HK\$'000	2005 HK\$'000
Inventories	90,836	74,007
Less: Provision for slow-moving inventories	(30,560)	(29,379)
	<u>60,276</u>	<u>44,628</u>

At 31 March 2006, the carrying amount of inventories that are carried at fair value less costs to sell amounted to HK\$6,094,000 (2005: HK\$5,258,000).

20. Trade Receivables, Other Receivables, Deposits and Prepayments

Included in the balance are trade receivables and their ageing analysis is as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
0-30 days	24,720	23,730
31-60 days	8,492	3,855
61-90 days	5,281	3,195
Over 90 days	14,376	25,745
	<u>52,869</u>	<u>56,525</u>
Provision for doubtful debts	(461)	(11,582)
	<u>52,408</u>	<u>44,943</u>

The majority of the Group's sales are with credit terms of 30 to 90 days. In some cases, customers may be granted extended credit period of up to 120 days. Certain balances over 90 days old are on letter of credit or document against payment.

21. Trade Payables, Accruals and Deposits Received

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

	Group	
	2006 HK\$'000	2005 HK\$'000
0 – 30 days	9,700	4,134
31-60 days	2,429	3,658
61-90 days	2,923	1,015
Over 90 days	1,099	2,110
	<u>16,151</u>	<u>10,917</u>

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22. Share Capital

	2006 HK\$'000	2005 HK\$'000
<i>Authorised</i>		
1,000,000,000 ordinary shares at HK\$0.1	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid</i>		
200,000,000 ordinary share at HK\$0.1	<u>20,000</u>	<u>20,000</u>

23. Obligations Under Finance Lease

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Amount payable:				
Within one year	183	300	159	262
In the second to fifth years inclusive	50	235	39	199
	<u>233</u>	<u>535</u>	<u>198</u>	<u>461</u>
Future finance charges	(35)	(74)	-	-
Present value of lease obligations	<u>198</u>	<u>461</u>	<u>198</u>	<u>461</u>

24. Reserves

(a) Group

	Share premium HK\$'000	Revaluation reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2004	41,261	8,355	6,979	2,896	42	43,178	102,711
Exchange difference	-	-	-	-	(38)	-	(38)
Profit for the year	-	-	-	-	-	10,175	10,175
At 31 March 2005	<u>41,261</u>	<u>8,355</u>	<u>6,979</u>	<u>2,896</u>	<u>4</u>	<u>53,353</u>	<u>112,848</u>
At 1 April 2005	41,261	8,355	6,979	2,896	4	53,353	112,848
Exchange difference	-	-	-	-	(1)	-	(1)
Dividends	-	-	-	-	-	(7,000)	(7,000)
Gain on revaluation of properties	-	5,977	-	-	-	-	5,977
Deferred tax effect on items recognised directly in equity	-	(1,046)	-	-	-	-	(1,046)
Profit for the year	-	-	-	-	-	11,985	11,985
At 31 March 2006	<u>41,261</u>	<u>13,286</u>	<u>6,979</u>	<u>2,896</u>	<u>3</u>	<u>58,338</u>	<u>122,763</u>

Notes to the Financial Statements

For the year ended 31 March 2006

24. Reserves (cont'd)

(b) Company

	Share premium HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1 April 2004	130,078	2,400	132,478
Profit for the year	–	780	780
At 31 March 2005	<u>130,078</u>	<u>3,180</u>	<u>133,258</u>
At 1 April 2005	130,078	3,180	133,258
Profit for the year	–	245	245
Dividend	(7,000)	–	(7,000)
At 31 March 2006	<u>123,078</u>	<u>3,425</u>	<u>126,503</u>

25. Notes to Cash Flow Statement

(a) Reconciliation of profit before tax to net cash inflow from operating activities

	2006 HK\$'000	2005 HK\$'000
Profit before tax	11,357	11,231
Interest cost	100	53
Interest income	(348)	(172)
Depreciation of owned fixed assets	4,484	5,068
Depreciation of fixed assets held under finance leases	265	256
(Gain) on disposal of fixed assets	–	(10)
Operating profit before working capital changes	15,858	16,426
Increase in inventories	(15,648)	(8,450)
Increase in trade receivables, other receivables, deposits and prepayments	(9,240)	(9,280)
Increase in trade payables, accruals and deposits received and bills payable	28,599	2,260
Effect on foreign exchange rate changes, net	(1)	(39)
Net cash inflow from operating activities	<u>19,568</u>	<u>917</u>

(b) Analysis of changes in financing during the year

	Obligations under finance leases	
	2006 HK\$'000	2005 HK\$'000
Balance brought forward	461	634
Repayment of capital element of finance leases	(263)	(254)
Inception of finance leases	–	81
Balance carried forward	<u>198</u>	<u>461</u>

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25. Notes to Cash Flow Statement (cont'd)

(c) Major non-cash transactions

The Group entered into finance lease arrangements in respect of fixed assets with total capital value at the inception of the leases of HK\$nil (2005: HK\$80,000).

26. Contingent Liabilities

- (a) In August 2001, a subsidiary of the Company ("the Subsidiary") sued one of its customers ("the Defendant") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered to the Defendant. In September 2001, the Defendant filed a counter-claim in a sum of approximately HK\$6,148,000 against the Subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between the Defendant and the Subsidiary. The case is now in the stage where the parties' expert reports are to be exchanged and the directors of the Company, on the basis of independent legal advice obtained, consider the Subsidiary has a good arguable case against the Defendant for the counter-claim and accordingly no provision in respect of the debt due or the amount of the counter-claim has been made in the financial statements of the Group.
- (b) As at 31 March 2006, the Company had guarantees given to certain banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$60,000,000 (2005: HK\$18,200,000).

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

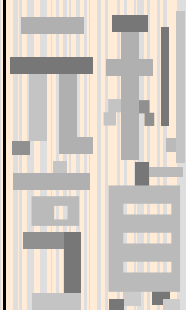
27. Commitments

Commitments under operating leases

As at 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Not later than one year	12,752	15,662
Later than one year and not later than five years	10,418	8,170
	<u>23,170</u>	<u>23,832</u>

At 31 March 2006, the Group had commitments in respect of forward foreign exchange contracts amounting to HK\$ 6,687,339 (2005: Nil).



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Notes to the Financial Statements

For the year ended 31 March 2006

28. Related Party Transactions

During the year, the Group undertook the following material transactions with 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, has beneficial interests, in the normal course of business at terms mutually agreed between the Group and NCL:

Related party relationship	Nature of transaction	Group	
		2006 HK\$'000	2005 HK\$'000
Key management personnel, including directors	Compensation Short-term employee benefits	4,366	6,375
A company under common control by the directors of the Company (<i>note</i>)	Rental expenses paid to Negotiator Consultants Limited ("NCL")	<u>2,510</u>	<u>2,500</u>

Note: NCL is 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. The rental expenses paid were in the normal course of business at terms mutually agreed between the Group and NCL

29. Approval of Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 14 June 2006.