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E. BON HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
怡 邦 行 控 股 有 限 公 司

(Stock Code: 599)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The Board of Directors (the "Board") of E. Bon Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2019 (the "period").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Unaudited Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**261,936**	258,239
Cost of sales		**(159,627)**	(160,498)
Gross profit		**102,309**	97,741
Other income	*5*	**724**	464
Other (losses)/gains, net	*5*	**(42)**	1,303
Distribution costs		**(54,599)**	(50,819)
Administrative expenses		**(32,487)**	(31,307)
Operating profit		**15,905**	17,382
Finance costs, net	*6*	**(2,809)**	(834)
Profit before income tax	*7*	**13,096**	16,548
Income tax expense	*8*	**(2,736)**	(2,575)
Profit for the period attributable to equity holders of the Company		**10,360**	13,973

	Notes	Unaudited Six months ended 30 September **2019** ***HK$'000***	 2018 *HK$'000*
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss			
Exchange loss on translation of financial statements of foreign operations		**(1,267)**	(2,678)
Other comprehensive loss for the period, net of tax		**(1,267)**	(2,678)
Total comprehensive income for the period attributable to equity holders of the Company		**9,093**	11,295
Earnings per share (expressed in HK cents per share)			
— Basic and diluted	*10*	**HK1.7 cents**	HK2.3 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Notes	**Unaudited 30 September 2019** *HK$'000*	Audited 31 March 2019 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**189,468**	194,722
Investment properties		**34,700**	34,700
Right-of-use assets		**97,977**	–
Deferred income tax assets		**4,724**	4,767
Trade, retention and other receivables	*12*	**12,056**	14,396
		338,925	248,585
Current assets			
Inventories		**176,955**	169,546
Current income tax recoverable		**8,125**	7,983
Trade, retention and other receivables	*12*	**127,796**	124,161
Contract assets		**8,092**	3,677
Cash and cash equivalents		**79,750**	66,365
		400,718	371,732
Total assets		**739,643**	620,317
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**60,060**	60,060
Reserves		**402,900**	402,816
Total equity		**462,960**	462,876

	Notes	Unaudited 30 September 2019 *HK$'000*	Audited 31 March 2019 *HK$'000*
LIABILITIES			
Current liabilities			
Trade and other payables	*13*	**34,873**	38,655
Dividend payable		**9,009**	–
Contract liabilities		**71,829**	54,118
Derivative financial liabilities	*14*	**678**	576
Lease liabilities		**37,971**	–
Borrowings		**30,613**	36,587
Current income tax liabilities		**5,567**	3,047
		190,540	132,983
Non-current liabilities			
Other provision		**2,500**	2,500
Lease liabilities		**61,685**	–
Deferred income tax liabilities		**21,958**	21,958
		86,143	24,458
Total liabilities		**276,683**	157,441
Total equity and liabilities		**739,643**	620,317

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited interim condensed consolidated financial information for the six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

1.1 Accounting policies

Except as described below, the accounting policies applied to prepare this unaudited interim condensed consolidated financial information are consistent with those of the consolidated financial statements for the year ended 31 March 2019.

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

A number of new or amended standards became applicable for the current reporting period and have been adopted by the Group for the first time for the financial year beginning on 1 April 2019:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Comparison
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for HKFRS 16, none of the new and amended standards have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these condensed consolidated interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impact of the adoption of HKFRS 16 is disclosed in Note 2 below.

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

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of Business	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

Management is in the process of assessing the financial impact of adoption of these new standards and amendments to existing standards. The management will adopt the new standards and amendments to standards when they become effective.

2. CHANGE IN ACCOUNTING POLICIES

HKFRS 16 "Leases" ("HKFRS 16")

The Group has initially applied HKFRS 16 with effect from 1 April 2019. On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to the Group's lease liabilities on 1 April 2019 was 3.6%.

The Group has applied the modified retrospective approach to adopt HKFRS 16. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening equity at 1 April 2019, and with no restatement of the comparative period. The comparative information continues to be reported under the accounting policies prevailing prior to 1 April 2019.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	HK$'000
Total operating lease commitments disclosed at 31 March 2019	138,160
Recognition exemptions:	
Leases within remaining lease term of less than 12 months	(7,660)
Operating lease liabilities before discounting	130,500
Discounting using incremental borrowing rate as at 1 April 2019	(10,783)
Total lease liabilities recognised under HKFRS 16 at 1 April 2019	119,717
Classified as:	
Current lease liabilities	38,652
Non-current lease liabilities	81,065
	119,717

The following table summarises the impact of transition of HKFRS 16 on the Group's interim condensed consolidated statement of financial position at 1 April 2019:

	HK$'000
Increase in right-of-use assets (non-current assets)	119,717
Increase in lease liabilities (non-current liabilities)	81,065
Increase in lease liabilities (current liabilities)	38,652

The right-of-use assets and lease liabilities recognised at 1 April 2019 represent the Group's lease of retail shops, warehouse and office.

(a) ***The Group as a lessee***

Applicable from 1 April 2019

For any new contracts entered into on or after 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration".

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of office properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the interim condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the interim condensed consolidated statement of financial position, right-of-use assets have been presented separately under non-current assets.

Applicable before 1 April 2019

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Prepaid land lease payments or land use rights are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(b) The Group as a lessor

The Group's accounting policy as a lessor remain substantially unchanged from those under HKAS 17. As a lessor, the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3. ESTIMATES

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

In preparing this interim financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

There have been no changes in the risk management controls or in any risk management policies since the year ended 31 March 2019.

4.2 Liquidity risk

Compared to year ended 31 March 2019, there has been no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Fair value estimation

The Group measures its fair value of the financial instruments carried at fair value as at 30 September 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments carried at fair value as at 30 September 2019:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
As at 30 September 2019				
Liabilities				
Foreign exchange forward contracts — not qualified for hedge accounting	**–**	**(678)**	**–**	**(678)**

5. REVENUE, OTHER INCOME, OTHER (LOSSES)/GAINS, NET AND SEGMENT INFORMATION

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**240,587**	235,587
Contract revenue	**21,349**	22,652
	261,936	258,239
Timing of revenue recognition:		
— At a point in time	**240,587**	235,587
— Overtime	**21,349**	22,652
	261,936	258,239
Other income		
Rental income	**468**	428
Others	**256**	36
	724	464
Other (losses)/gains, net		
Net foreign exchange loss		
— Forward contracts	**(796)**	(1,456)
— Other exchange gain, net	**754**	2,749
Gain on disposal of fixed assets	**–**	10
	(42)	1,303

The executive directors of the Company (the "Executive Directors") are the Group's chief operating decision-makers. Management has determined the operating segments based on the information reviewed by the Executive Directors to allocate resources and assess performance.

The Group's reportable operating segments are as follows:

— Architectural builders' hardware, bathroom collections and others segment — importing, wholesale and retail of architectural builders' hardware and bathroom collections and others

— Kitchen collection and furniture segment — designing, importing, wholesale, retail and installation of kitchen collections and furniture

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

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

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

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

	Unaudited Six months ended 30 September 2019		
	Architectural builders' hardware, bathroom collections and others *HK$'000*	**Kitchen collection and furniture** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue from external customers	**203,783**	**58,153**	**261,936**
Reportable segment cost of sales	**(134,396)**	**(25,231)**	**(159,627)**
Reportable segment gross profit	**69,387**	**32,922**	**102,309**
Depreciation of property, plant and equipment and right-of-use assets	**(14,556)**	**(10,487)**	**(25,043)**
Reversal of provision for inventory obsolescence	**1,164**	**1,922**	**3,086**
Reportable segment assets	**333,589**	**174,339**	**507,928**
Additions to non-current segment assets during the period	**852**	**1,402**	**2,254**
Reportable segment liabilities	**80,319**	**152,187**	**232,506**

	Unaudited Six months ended 30 September 2018		
	Architectural builders' hardware, bathroom collections and others	Kitchen collection and furniture	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment revenue from external customers	205,337	52,902	258,239
Reportable segment cost of sales	(134,873)	(25,625)	(160,498)
Reportable segment gross profit	70,464	27,277	97,741
Depreciation of property, plant and equipment	(1,131)	(1,884)	(3,015)
Reversal of provision/(provision) for inventory obsolescence	1,440	(458)	982

	Audited As at 31 March 2019		
	Architectural builders' hardware, bathroom collections and others	Kitchen collection and furniture	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	305,997	96,060	402,057
Additions to non-current segment assets during the year	2,618	15,376	17,994
Reportable segment liabilities	74,219	43,797	118,016

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

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Reportable segment gross profit	**102,309**	97,741
Group gross profit	**102,309**	97,741

	Unaudited As at 30 September 2019 *HK$'000*	Audited As at 31 March 2019 *HK$'000*
Reportable segment assets	**507,928**	402,057
Property, plant and equipment	**104,055**	104,091
Investment properties	**34,700**	34,700
Deferred income tax assets	**4,724**	4,767
Current income tax recoverable	**8,125**	7,983
Cash and cash equivalents	**79,750**	66,365
Other corporate assets	**361**	354
Group assets	**739,643**	620,317
Reportable segment liabilities	**232,506**	118,016
Borrowings	**6,468**	13,345
Current income tax liabilities	**5,567**	3,047
Derivative financial liabilities	**678**	576
Dividend payable	**9,009**	–
Deferred income tax liabilities	**21,958**	21,958
Other corporate liabilities	**497**	499
Group liabilities	**276,683**	157,441

Geographical information

	Revenue from external customers Unaudited Six months ended 30 September		Non-current assets (excluding financial assets and deferred income tax assets)	
			Unaudited As at 30 September	Audited As at 31 March
	2019 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2019 *HK$'000*
Hong Kong (domicile)	**257,822**	249,499	**300,688**	225,474
PRC	**4,114**	8,740	**21,457**	3,948
Total	**261,936**	258,239	**322,145**	229,422

6. FINANCE COST, NET

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Finance costs		
Bank borrowings	**884**	880
Interest on lease liabilities	**2,016**	–
	2,900	880
Finance income		
Interest income	**(91)**	(46)
Finance costs, net	**2,809**	834

7. EXPENSES BY NATURE

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories	**153,940**	150,068
Depreciation of property, plant and equipment	**7,375**	6,508
Depreciation of right-of-use assets	**20,594**	–
Operating lease charges on building held under operating leases	**–**	26,753
Operating lease charges on short term leases with lease term shorter than 12 months	**6,939**	–
Reversal of provision for inventory obsolescence	**(3,086)**	(982)
Direct operating expenses arising from investment properties that generated rental income	**59**	51
Employment benefit expenses	**29,829**	28,639

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period. The applicable tax rate of PRC subsidiaries of the Group is 25% (2018: 25%) for the period.

The charge comprises:

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**3,289**	3,550
PRC Corporate income tax	**(553)**	(975)
	2,736	2,575
Deferred income tax	**–**	–
Tax expense for the period	**2,736**	2,575

9. DIVIDEND

The Board has declared the payment of an interim dividend of HK1 cent (2018: HK1 cent) per share.

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend of HK1 cent (2018: HK1 cent) per share	**6,006**	6,006

At a board meeting held on 21 November 2019, the Board has declared an interim dividend of HK1 cent (30 September 2018: HK1 cent) per ordinary share. Such interim dividend is not reflected as dividend payable in the Group's interim financial information for the period. It will be recognised in shareholders equity in the year ending 31 March 2020.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the period of HK$10,360,000 (six months ended 30 September 2018: HK$13,973,000) and the 600,600,000 ordinary shares (30 September 2018: 600,600,000 ordinary shares) in issue during the period. Diluted earnings per share for the period is the same as the basic earnings per share as the Company had no potentially dilutive ordinary shares in issue during the period (six months ended 30 September 2018: same).

11. CAPITAL EXPENDITURE AND DISPOSAL

During the period, the Group incurred capital expenditure of approximately HK$2,338,000 for property, plant and equipment (six months ended 30 September 2018: HK$11,944,000) and did not dispose of property, plant and equipment during the period (six months ended 30 September 2018: disposed of HK$45,000).

12. TRADE, RETENTION, OTHER RECEIVABLES AND CONTRACT ASSETS

Details of trade, retention, other receivables and contract assets as at 30 September 2019 are listed below:

	Unaudited As at 30 September 2019 *HK$'000*	Audited As at 31 March 2019 *HK$'000*
Trade receivables	**110,207**	112,985
Less: provision for impairment of trade receivables	**(626)**	(630)
	109,581	112,355
Retention receivables	**3,405**	3,790
Less: provision for impairment of retention receivables	**(254)**	(269)
	112,732	115,876
Contract assets	**8,092**	3,677
Other receivables, deposits and prepayments	**27,120**	22,681
	147,944	142,234
Less: non-current portion		
Retention receivables	**(1,202)**	(3,477)
Deposits and prepayments	**(10,854)**	(10,919)
Current portion	**135,888**	127,838

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

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

	Unaudited As at 30 September 2019 *HK$'000*	Audited As at 31 March 2019 *HK$'000*
1–90 days	**80,394**	78,091
91–365 days	**13,839**	21,931
Over 365 days	**15,974**	12,963
	110,207	112,985

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

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a life time expected loss allowance for all trade and retention receivables and contract assets. Information about the impairment of these receivables and the Group's exposure to credit risk is consistent with those of the consolidated financial statements for the year ended 31 March 2019, as described in those annual financial statements.

13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Details of trade and other payables and contract liabilities as at 30 September 2019 are listed below:

	Unaudited As at 30 September 2019 *HK$'000*	Audited As at 31 March 2019 *HK$'000*
Trade payables	**26,789**	27,306
Accrued charges and other payables	**8,084**	11,349
Contract liabilities	**71,829**	54,118
	106,702	92,773

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

	Unaudited As at 30 September 2019 *HK$'000*	Audited As at 31 March 2019 *HK$'000*
0–90 days	**23,533**	26,696
91–365 days	**1,300**	605
Over 365 days	**1,956**	5
	26,789	27,306

14. DERIVATIVE FINANCIAL LIABILITIES

	Unaudited As at 30 September 2019 Liabilities *HK$'000*	Audited As at 31 March 2019 Liabilities *HK$'000*
Not qualified for hedge accounting		
Foreign exchange forward contracts, at market value *(Note)*	**(678)**	(576)

Note: The notional principal amounts of the outstanding foreign exchange forward contracts as at 30 September 2019 and 31 March 2019 are as follows:

	Unaudited As at 30 September 2019 *HK$'000*	Audited As at 31 March 2019 *HK$'000*
Sell USD for Euro	**17,153**	17,627

INTERIM DIVIDEND

At a board meeting held on 21 November 2019, the Board of Directors has declared an interim dividend of HK1 cent per share for the six months ended 30 September 2019 (six months ended 30 September 2018: HK1 cent per share) payable on Wednesday, 8 January 2020 to members whose names appear on the principal or branch register of members of the Company in the Cayman Islands or Hong Kong respectively (collectively the "Register of Members") as at the close of business of Thursday, 12 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 11 December 2019 to Thursday, 12 December 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 10 December 2019.

REVIEW OF OPERATIONS

BUSINESS REVIEW

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the importing, wholesale, retail and installation of architectural builders' hardware, bathroom, kitchen collections and furniture in Hong Kong and the People's Republic of China (the "PRC").

Hong Kong economy showed a mild growth in the second quarter of this year partly due to the Sino-US trade dispute, and it contracted sharply in the third quarter of 2019 as Hong Kong faces its biggest political crises ever that turned into months of political unrest and violence since mid-June this year. As a result, retail shops in Hong Kong, especially those in protest hotspots, experienced a substantial drop in business and a few early closures. Global trade and capital markets were cautiously optimistic on the development of the Sino-US trade war, causing a slowdown in macro-economic growth and fluctuations in currencies. It reduces consumer confidence and encourages saving rather than spending and borrowing, reducing the rate of economic growth.

During the period, home completions in Hong Kong decreased, especially small- and medium-sized units. Despite the factors mentioned above, we have managed to maintain a marginal growth (total turnover increased by 1.4%) for the first six months this year as compared to the same period last year.

REVENUE REVIEW

For the six months ended 30 September 2019, the Group's total turnover was HK$261.9 million which was increased by 1.4% as compared with the previous first half-yearly period.

Revenue by business segment

	Revenue from external customers Unaudited 30 September			As a percentage of sales (%) 30 September	
	2019	2018	**Change**	**2019**	2018
	HK$'000	*HK$'000*	*(%)*		
Architectural builders' hardware, bathroom collections and others	**203,783**	205,337	**(0.8)**	**77.8**	79.5
Kitchen collection and furniture	**58,153**	52,902	**9.9**	**22.2**	20.5
	261,936	258,239	**1.4**	**100.0**	100.0

Profitability by business segment

	Reportable segment gross profit Unaudited 30 September			Gross profit margin (%) 30 September	
	2019	2018	**Change**	**2019**	2018
	HK$'000	*HK$'000*	*(%)*		
Architectural builders' hardware, bathroom collections and others	**69,387**	70,464	**(1.5)**	**34.0**	34.3
Kitchen collection and furniture	**32,922**	27,277	**20.7**	**56.6**	51.6
	102,309	97,741	**4.7**	**39.1**	37.8

Revenue from the architectural builders' hardware, bathroom collections and others segment slightly decreased by 0.8% to HK$203.8 million as compared to the same period last year (2018: HK$205.3 million). With a wide variety of product mix, our presence in residential projects remained despite a slowdown in home completion rates. During the period, we supplied products for projects such as Emerald Bay, Grand Marine, Seaside Sonata and Upper Riverbank.

Revenue from the kitchen collection and furniture segment increased by 9.9% to HK$58.2 million as compared to the same period last year (2018: HK$52.9 million) mainly as a result of product mix improvements and accelerated deliveries. During the period, we supplied products for projects such as Crescent Green.

The overall turnover of the Group increased by 1.4% to HK$261.9 million (2018: HK$258.2 million), yet the gross profit increased by 4.7% to HK$102.3 million (2018: HK$97.7 million) as compared to the same period last year as a result of a favourable foreign exchange rates which lowered the cost of purchases.

The Group's operating profit was HK$15.9 million (2018: HK$17.4 million), representing a decrease of 8.5% from the same period last year. Profit after tax approximated to HK$10.4 million (2018: HK$14.0 million), which decreased by 25.9% as compared to the corresponding period. The amount of administrative expenses and distribution costs recorded an increase of 6.0% to HK$87.1 million (2018: HK$82.1 million). Apart from that, we have strived hard to control costs and maintain effective use of resources.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continues to expand its business in Hong Kong and the PRC through the adoption of a prudent financial management policy. The current ratio and quick ratio are 2.1 (31 March 2019: 2.8) and 1.2 (31 March 2019: 1.5), respectively, while cash and cash equivalents approximated HK$79.8 million as at 30 September 2019 (31 March 2019: HK$66.4 million).

The inventories increased slightly to HK$177.0 million (31 March 2019: HK$169.5 million). The trade, retention and other receivables increased by 0.9% to HK$139.9 million (31 March 2019: HK$138.6 million), while the trade and other payables reduced to HK$34.9 million (31 March 2019: HK$38.7 million).

As at 30 September 2019, the Group has a net cash position. Gearing ratio is not applicable (31 March 2019: same). The interest-bearing borrowings of the Group decreased to HK$30.6 million (31 March 2019: HK$36.6 million) as at 30 September 2019.

Treasury Policy

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

Contingent Liabilities and Commitments

We seek to manage our cash flow and capital commitments effectively to ensure that we have sufficient funds to meet our existing and future cash requirements. We have not experienced any difficulties in meeting our obligations as they become due. Assets under charge include mortgaged property acquired. As at 30 September 2019, performance bonds of approximately HK$30.6 million (31 March 2019: HK$20.0 million) have been issued by the Group to customers as security of contracts. Save for the short-term rental commitment of our retail outlets and warehouses and performance bonds for projects, the Group has no other material financial commitments and contingent liabilities as at 30 September 2019.

FUTURE PROSPECTS

Trade negotiations on the preliminary phase resolution (Phase One Agreement) between the United States (US) and the PRC continues with no end in sight, much less the final Sino-US trade agreement. The global economy is heading for a period of stagnation due to contraction in manufacturing that is beginning to spill over to consumer demand. It continues to play a major role in major economies. Hong Kong has suffered economically as a result of the failure to seal a trade deal between the PRC and the US. It is expected that the trade war will not end any time soon as both sides want to secure a better deal for itself, and it may well continue through next year.

The controversial extradition bill of Hong Kong has turned into months of social unrest and violence, showing no signs of resolution any time soon. Social tensions have weakened consumption sentiment and investment confidence. Government statistics showed that the retail sales recorded their largest ever year-on-year drop for a single month in August, a mild growth in economy in the second quarter and worsened in the third quarter of this year; it is expected that Hong Kong was heading towards negative economic growth for the full year. The continuance of the social unrest might lead to recession this year and beyond.

With these negative factors and with the announcement of the Government's relaxation of mortgage policy for first-time home-buyers for small- and medium-sized units in October 2019 in mind, and only on the condition that the civil unrest will end early next year, we may expect that the demand for housing units remain relatively the same as compared to last year and thus, the market for home fittings is expected to be stagnant due to the relatively weak market demand. We will continue to monitor market trends and refine our strategies accordingly.

EVENTS AFTER THE LATEST ANNUAL REPORT

There were no significant events affecting the Company nor its subsidiaries after the latest annual report requiring disclosure in this announcement.

SUSTAINABLE DEVELOPMENT

Environment

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

Human Resources

As at 30 September 2019, our workforce was recorded at 165 employees (31 March 2019: 161).

The Group believes its success, long-term growth and development depend upon the quality, performance and commitment of its staff members. We are committed to providing equal opportunity to our staff, matching the right people with the right job, and offering them a suitable platform to develop and excel in their career. Besides, we keep in mind to treat all staff members fairly and equally. We are committed to the provision of a healthy and safe workplace and encourage work-life balance of staff members.

Customers

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

Suppliers

We pay attention to the operating practices of our suppliers (including but not limited to employment practices, product responsibility, anti-corruption policy). We regularly conduct factory visits to inspect their production capacity, technical capability, quality control systems, production facilities, testing capability and personnel quality. In selecting installation sub-contractors, we consider a range of factors such as price, past performance, scale of the project, technical competence, environmental records, workplace health and safety standards.

COMPLIANCE OF CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2019, with the exception of the following deviation:

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

COMPLIANCE WITH RULES 3.10(1), 3.10A, 3.21 AND 3.25 OF LISTING RULES

As disclosed in the announcement dated 5 September 2019, following the passing away of Mr. LEUNG Kwong Kin, *J.P.* (the former independent non-executive director) on 31 August 2019, the Company did not meet the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules. The Company will take steps to fulfil the requirements of the Listing Rules as soon as practicable and in any event within three months from 31 August 2019. Further announcement will be made by the Company as and when appropriate.

COMPLIANCE OF MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding transactions in the Company's securities by its directors. Having made specific enquiry of the directors, all directors have confirmed compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2019.

AUDIT COMMITTEE

The chairman of the Audit Committee, Mr. LEUNG Kwong Kin, *J.P.*, passed away on 31 August 2019; and subsequently the Audit Committee had two members and did not meet the requirement under Rule 3.21 of the Listing Rules. The Company will take steps to fulfil the requirements of the Listing Rules as soon as practicable and in any event within three months from 31 August 2019. Further announcement will be made by the Company as and when appropriate.

The Audit Committee now comprises two independent non-executive directors of the Company, namely, Mr. WONG Wah, Dominic and Mr. WAN Sze Chung. The Audit Committee has reviewed, with the management, the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal controls, financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its securities during the six months ended 30 September 2019. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 2019.

PUBLICATION OF FINANCIAL INFORMATION

This result announcement is published on the websites of the Company (www.ebon.com.hk) and HKEXnews (www.hkexnews.hk). The Company's Interim Report 2019 containing all the financial and other related information of the Company required by the Listing Rules will be published on the same websites and despatched to shareholders of the Company who have elected to receive printed copies in due course.

By order of the Board
TSE Sun Fat, Henry
Chairman

Hong Kong, 21 November 2019

Website: www.ebon.com.hk

As at the date hereof, the Board of Directors comprises seven Directors, of which five are Executive Directors, namely Messrs. TSE Sun Fat, Henry, TSE Sun Wai, Albert, TSE Sun Po, Tony, TSE Hon Kit, Kevin and LAU Shiu Sun and two are Independent Non-executive Directors, namely Messrs. WONG Wah, Dominic and WAN Sze Chung.