

E. BON HOLDINGS LTD :
A REASONABLE BUY, BUT DON'T EXPECT TOO MUCH

It is unlikely that E. Bon Holdings Ltd will ever be a 'hot' issue on The Stock Exchange of Hongkong Ltd due to the fact that it is hardly a sexy company and investors are likely to recall what happened to this Company's arch rivals, listed on The Stock Exchange, also.

This Company, one of the latest batch to go public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), is in the business of selling 'household stuff': Door locks; door hinges; bathroom accessories, such as faucets and shower heads, etc.

It is totally dependent on the strength of the economies in which it operates; to wit, the HKSAR and the PRC.

And in both these areas, competition is fierce -- like looking for a glass of water in Hell.

The following is the trading record of the Company since 1997:

	Year Ended March 31			
	1997	1998	1999	Six Months to September 30, 1999
	<i>(All Figures are Denominated in \$HK'000)</i>			
Turnover by Product Type				
<u>Architectural Builders Hardware:</u>				30,696
				22,688
Locks	63,368	66,345	79,770	14,681*
Door Closers	29,698	25,403	38,510	<u>14,681*</u>
Hinges	23,334	36,885	35,759	
Other Related Accessories	<u>33,941</u>	<u>60,060</u>	<u>41,261</u>	<u>82,746</u>
Sub-Total:	<u>150,611</u>	<u>188,693</u>	<u>195,300</u>	
<u>Bathroom Collection</u>				1,335
				10,677
Bathroom Accessories	2,728	20,869	22,005*	
Bathtub, Shower Boxes and Shower Doors	2,121	6,603	22,005*	18,685
				<u>2,670</u>
Faucets and Showers	8,485	9,360	11,003	
Other Related Accessories	<u>12,728</u>	<u>14,160</u>	<u>5,502</u>	<u>33,367</u>
Sub-Total:	<u>36,062</u>	<u>50,992</u>	<u>60,515</u>	17,348
Others:	25,454	25,482	19,253	<u>133,461</u>
TOTAL:	<u>212,127</u>	<u>265,167</u>	<u>275,068</u>	
Profit Before Taxation	16,483	24,754	38,484	22,636
Taxation	2,929	4,494	5,647	3,792
Profit After Taxation	13,554	20,260	32,837	18,844

(*TARGET notes that there are four figures which are identical. They are the \$HK144,681,000 Turnover figures for Hinges and Other Related Accessories, listed in the column for the 6 months to September 30, 1999, and the

\$HK22,005,000 Turnover figures for Bathroom Accessories, Bathtub, Shower Boxes and Shower Doors, listed in the column for the 1999 Financial Year. It seems improbable that there could be 2 sets of figures that are identical)

For the Financial Year, ended March 31, 2000, the Directors state that the Net Profit Attributable to Shareholders before Extraordinary Items will be *'not less than HK\$42 million.'*

Management is, therefore, stating that the last Year's Net Profits will be about 28 percent better than the 1999 Financial Year.

The Reasons For Going Public

E. Bon Holdings is Placing 48 million shares and is pitching a New Issue of another 12 million, 10-cent shares at a Premium of \$HK1.10 per share.

The Net Proceeds of this cash-raising exercise, amounting to about \$HK62 million after all expenses, is intended to be used as follows:

1. \$HK15 million to be used for expansion of the Company's retail network in the HKSAR;
2. \$HK12 million to enhance existing computer systems of the Company;
3. \$HK5 million to securing new dealerships for kitchen systems; and,
4. \$HK30 million to be used as additional working capital.

The total indebtedness of the Company, as at January 31, 2000, amounted to \$HK47.90 million.

This debt comprised:

\$HK29.10 million -- Trust Receipt Loans
\$HK18.50 million -- Secured Bank Loans
\$HK300,000 ----- Hire Purchase Commitments

The Accountants' Report, at Page 100 of the Prospectus, shows, under Current Assets, cash and bank balances of about \$HK23.97 million, as at September 30, 1999, with trade receivables, prepayments, deposits and other receivables, amounting to about \$HK85.30 million.

Excluding the pre-flotation dividend, which was payable as at that date and amounted to about \$HK44.48 million, Current Liabilities amounted to about \$HK49.20 million.

This gave E. Bon Holdings a Current Ratio (Current Assets Divided by Current Liabilities) of about 2.63 times (excluding the pre-flotation dividend of \$HK44.48 million) and a Quick Ratio (Current Assets Minus Inventories Divided by Current Liabilities) of about 2.22 times.

In summary, therefore, this Company is not short of a bob.

The Business

The publicly listed companies, Acme Landis Holdings Ltd and Arnhold Holdings Ltd, were, just about, in the same kind of business as is E. Bon Holdings just a short time ago, and history has shown that Acme Landis and Arnhold did not fare too well when things got tough in the HKSAR and the PRC.

E. Bon Holdings is solely dependent on sales in the PRC and the HKSAR, with about 75 percent of sales, coming from property development projects and 17 percent of sale, coming from the wholesale market.

The Company has 4 retail outlets, located in ... [CLICK TO ORDER FULL ARTICLE](#)

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