



Dear Shareholders,

We are pleased to present the annual report for the year ended 31 March 2005.

The present housing policy, has provided a stable private property market, and the number of negative equity owners have been substantially reduced from a peak of around 106,000 cases worth about HK\$165 billion in June 2003 to 19,200 with an aggregate value of HK\$33 billion in December 2004. No doubt, these factors have contributed to the recent recovery of our local economy. This notable improvement in the property market has also encouraged existing property owners to spend more on the improvement of their properties, our retail sales has increased significantly and indeed making positive contribution to our Group's operation which constitutes approximately 35% of the total turnover. The Group has and will continue its effort in expanding the retail trade which not only generates healthy influx of cash on sale, it also helps to reduce surplus inventory arising from project sales.

The bouncing back of the property market since the last quarter 2004 led to the increase in and the sales of luxurious apartments by property developers due to both local demand and overseas investors who are attracted by the introduction of investor immigrants scheme. The total number of transactions registered for private residential properties in the first half of 2004 was 22% higher than that registered in the second half of 2003 and was maintaining at a high level till the first quarter of 2005. We share the view common to the property developers that gradual improvement of labour



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market condition and the growth in private consumption expenditure will help to maintain the property price despite the interest rate which is expected to be on the upward trend.

This year, we have focussed more on our retail business as the number of building projects remains relatively unchanged here in Hong Kong. We have expanded our retail shop “Sunny Pro”, which sells more high end products, in order to provide a more relaxing environment for our prestige customers. We will continue to keep close contact with our existing suppliers and will partner with new and famous designer brand names from Europe, including the new “Varena” Kitchen cabinet collections which are now available and shown in our renowned luxurious ViA shop in Star Street, Hong Kong.

Capturing from our experience in projects such as the Arch, the Legend and Canary West in the nearby districts, we look forward to play more role and participate in the building development in West Kowloon Cultural District and Conventional Centre in Tung Chung as a supplier of building materials in forthcoming years. With our wealth of experience and industry expertise, we are well positioned to capitalise on every arising opportunity.

The grand opening of Disney Land in Hong Kong which has been scheduled for September 2005 is expected to bring in an influx of foreign and mainland visitors in the last quarter of 2005, this will benefit the tourist industry here in Hong Kong. There has been a notable increase in number of renovation hotel projects, these have generated and will continue to generate further project sales in both metal hardware and bathroom accessories for our Group.

While the Closer Economic Partnership Arrangement (CEPA) has little impact to our operations, it has created an optimistic atmosphere for businesses and job market. This coupled with the possible development of having Hong Kong as an offshore centre for Renminbi (“RMB”) business as well as the construction of bridges that bring in a closer link to the west of Pearl River Delta Region would strengthen the overall improvement in our economy.

With 60,000 strong Hong Kong manufacturing enterprises in the Pearl River Delta Region, Hong Kong can become the regional hub for bringing new technology or facilitating the technology upgrading of those products made in this region. We would explore the potential and feasibility of having our own design and brand for some of the building hardware such as digital locks or other home security system. The idea is that the design will be done in Hong Kong while the manufacturing of the products will be made in China for sale in the world market. The project can be done either by working with other Hong Kong technopreneurs or partnering with foreign suppliers.

We will continue to expand our operation in China and Macau. We have achieved a quantum leap of our sale in China from HK\$1 million to HK\$9 million this year over the last year. It is estimated that China will have 8% growth in GDP by the end of this year and will continue at this rate for the next year. We have now established further local dealerships for our products in China since last year which covers major cities from Beijing, Shanghai, Chengdu to various towns in Guangdong. It is also expected that the approaching of the Olympic Games 2008 to be held in Beijing, and the 2010 World Expo in Shanghai may also bring in more business opportunities in China. It is expected to create a boost in the tourists and hotel industry in the region and we intend to position ourselves in various strategic locations in the region.

In addition to natural disaster in various parts of Asia; adverse effects brought by frequent changes in government policies in previous periods. We also shared the tough experience resulted from economic downturn, higher freight charges and adverse foreign exchange rates against Euro for our imported products. We have at last all ridden through the adversity while maintain our leading position in the industry. As with many other businesses, we remain conservatively optimistic in Hong Kong under the new leadership in Government who has said to commit to work with the private sector for revitalising our economy and we do not expect that there will be any major change of economic policy in Hong Kong for the next 2 years. The gradual increase in interest rate, the high oil price, the trade dispute between China and U.S. and the revaluation of RMB will cloud the future outlook of the Hong Kong economy. We will monitor our operation under these environments closely.

Together with all other members of the Board, I would like to express my gratitude to our principal customers and shareholders for their confidence and support in the group.

TSE Sun Fat, Henry
Chairman

14 July 2005