

CHAIRMAN'S STATEMENT



I would like to present the annual report of Yeebo (International Holdings) Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31st March, 2005

REVIEW OF OPERATIONS

For the year ended 31st March, 2005, the Group registered a turnover of HK\$387 million. Excluding approximately HK\$12 million rental income generated from the investment properties, turnover of Liquid Crystal Displays (“LCD”) and other products recorded HK\$375 million (2004 : HK\$294 million) representing a 28% growth. Gross profit from these products increased from HK\$37 million to HK\$53 million (excluding rental income). Taking into account of the profit and loss from investments in trading securities and financial instruments and from investment properties, the net profit for the year amounted to HK\$192 million (2004: profit of HK\$54 million). The substantial increase in net profit was mainly attributable to the gain on disposal of the Group’s investment properties.

The LCD business encountered a very challenging year in the period under review. Selling price was under pressure whereas certain key material costs were escalating. Nevertheless, the Group managed to achieve a 28% sales growth and an improvement of 1.5% in gross margin. As a business strategy, the Group has committed to going global and moving upmarket to high-end monochrome display segment like Highly Twisted Nematic (“HTN”) and Super Twisted Nematic (“STN”) and to LCD Module (“LCM”). To implement such a strategy, the Group has allocated resources to its sales force, new distribution channels and upgrading production facilities. During the year, the Group successfully gained recognition as approved vendor by a number of internationally-reputable customers and this is a clear sign of endorsement of the Group’s quality management. In expanding overseas market, the Group had established its foothold in USA, Europe, Korea, Taiwan and Japan by either appointing direct sales representatives or setting up its own branch office. On the production efficiency side, through a series of upgrading program, the Group’s manufacturing capability had enhanced both in terms of production capacity and yield.

CHAIRMAN'S STATEMENT

The Group sold its investment properties situated at Wheelock House, No. 20 Pedder Street, Hong Kong (the "Property") to an independent third party for a consideration of HK\$390 million during the year (the "Disposal"). The Property was acquired in November 2002 with a total cost of approximately HK\$191 million. The Property was carried in the audited financial statements of the Group as at 31st March, 2004 at its revalued amount of HK\$254 million. The Property was acquired by the Group for long-term investment purpose with a view to generating a stable source of rental income at an acceptable rate of return. Given the increasingly competitive business environment, the Group decided that it will have to further invest in the LCD and LCM business and in other high technology display undertakings in due course. Accordingly, the Directors decided to dispose of the Property for the long term benefit of the Group. The Disposal constituted a very substantial disposal for the Company under Chapter 14 of the Listing Rules and was approved by the Shareholders at the Special General Meeting held on 5th January, 2005. The Disposal was completed in February 2005 and a gain of approximately HK\$194 million was recorded.

At the Balance Sheet Date of current year, the securities market was less favorable as compared to last year. As such, the Group incurred unrealized losses of HK\$0.4 million (2004: HK\$22.7 million gain) on investments in trading securities and unrealized loss of HK\$7.8 million (2004: nil) on derivative financial instruments. Nevertheless, the Group believes that these investments will eventually bring in reasonable return for the Group.

As a long term strategy to invest in high technology flat display industry, the Group acquired effectively a 34.45% interest in Beijing Visionox Technology Company Limited ("Visionox") in January, 2004. The principal activities of Visionox are development, manufacture and marketing of Organic Light Emitted Display ("OLED"). OLED is a new generation of flat panel display and is recognized as an innovation in display technology and will be widely applied in the telecommunication, audio-video and instrument devices. For current year, the share of associate's loss amounted to HK\$5 million (2004: HK\$0.8 million loss) representing a full year operation results of Visionox as compared to only two months in last year. The loss incurred by Visionox was primarily attributable to research and development. The board has full confidence that the investment in OLED will generate a satisfactory return to the Group in long run.

PROSPECTS

Looking forward, the Group is committed to becoming a global supplier of display devices. For LCD business, the Group will continue to expand in the monochrome segment both in local and overseas markets. In particular, the Group will invest further financial resources to extend the distribution networks in USA and Europe. Coupled with the enlarged production capacity, the Group expects to see a strong vertical and horizontal sales growth in coming years. Furthermore, with the phase-in of the new LCM factory established in June 2004, the management is in strong belief that the contribution from LCM will help to uplift the Group's sales volume and also enhance the margin. In terms of human resources commitment, the Group has recruited and will continue to recruit experienced industrial experts in the field of STN and LCM to facilitate launching the expansion program.

The management is constantly reviewing and seeking new investment opportunities that could lead to a long term benefit to the Group and, hence, increases the return to the shareholders. In mid June, 2005, the Group acquired certain number of units of convertible unsecured subordinated debenture and certain number of units of common share purchase warrant issued by Ascalade Communication Inc. ("Ascalade") for a total consideration of approximately HK\$32 million from an independent third party. Ascalade is engaged in manufacturing, developing and marketing telecommunication devices. Ascalade was subsequently listed in the Toronto Stock Exchange on 27th June, 2005. By investing in Ascalade, the Group could further extend its business into telecommunication development industries that could benefit the Group's LCD and LCM business in the long run.

CHAIRMAN'S STATEMENT

LIQUIDITY AND CAPITAL RESOURCES

During the year, the Group sold an investment property to an independent third party for a consideration of HK\$390 million. The proceeds from the disposal, net of incidental expenses and the repayment of a mortgage loan of HK\$104 million, amounted to HK\$281 million. It is the Group's plan to utilize these funds for investments in LCD and LCM business and in other high technology display undertaking. In the meantime, the Group has invested part of the funds to investment in listed securities and the balance was used for general working capital purpose. The Group's cash and bank balance as at 31st March, 2005 amounted to HK\$170 million.

The Group's current ratio and quick ratio were 4.3 times (2004: 2.2 times) and 3.4 times (2004: 1.5 times) respectively, and it had no bank borrowing as at 31st March, 2005. A sound liquidity position has been consistently maintained.

The Group had banking facilities amounted to HK\$79 million (2004: HK\$317 million) of which HK\$0.9 million (2004: HK\$161 million) were utilized for bills payable.

As at 31st March, 2005, the Group did not have any material exposure to fluctuation in exchange rates.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and turnover attributable to major suppliers and customers were as follows:

	2005	2004
Percentage of purchases from the Group's largest supplier	11%	15%
Percentage of purchases from the Group's five largest suppliers	30%	53%
Percentage of turnover to the Group's largest customer	4%	6%
Percentage of turnover to the Group's five largest customers	17%	19%

As a result of our customer diversification, the aggregate turnover attributable to the Group's largest customer and five largest customers has decreased as compared to 2004.

The aggregate purchases attributable to the Group's five largest suppliers were around 30% of the Group's total purchases for the year, having significant decrease as compared to 2004.

As at 31st March, 2005, none of the directors, their associates, or any shareholders who, to the knowledge of the directors, owned more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and/or five largest suppliers.

EMPLOYMENT AND REMUNERATION POLICY

The remuneration policy and package of the Group's employees are structured by reference to market terms and industry's practice. In addition, discretionary bonus and other individual performance incentives are awarded to staff with reference to the financial performance of the Group and the personal performance of individual staff. Staff benefit plans maintained by the Group include mandatory provident fund scheme and medical insurance.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all staff members for their dedication to the Group during the year and the Shareholders, valuable customers and suppliers for your continuous support.



Fang Hung, Kenneth

Chairman

30th July, 2005