

# 元利 continuing through

The Creative works sublime success, furthering through perseverance.

## C h a i r m a n ' s      S t a t e m e n t

Dear Shareholders

We are pleased to present the annual report for the year ended 31 March 2006.

This year is a special year for E. Bon Group, as it marks the 30th anniversary of our operation. We established as a small retail shop for the supply of building hardware in Wan Chai in 1976. We have gone through the successive phases of the changes of social political and economic development of Hong Kong and the development of our business has more or less followed the rhythm of such changes. We, like the citizens of Hong Kong, have witnessed the success and hardship of our economy during these 30 years which was partly due to the uncertainty in the economic policy as a result of the change of the sovereignty. However, our business has managed to grow from a small retail shop to one of the leading suppliers of the builders hardware, bathroom and kitchen collections.

The fundamental economic factors related to our economy since our annual report for the year of 2004 have basically remained the same, these include the continuation of the upward trend of interest rate; the weakening of Hong Kong dollars against major currencies such as Euro, Japanese Yen etc.; the high oil price; and the potential threat of avian flu. Hong Kong economy has been growing steadily with an average increase of 5 percent growth annually and the property price has risen by more than 25% since then, which reduces the number of negative equity owners down to below 10,000.

Our economy has been benefited from the China policy for allowing more residents from more cities to visit Hong Kong and also from the annual increase of economic growth of 8% in China for the last 5 years, which is now an engine of the growth of our economy. The influx of funds into Hong Kong from overseas with a view to capitalizing the phenomenal growth of China market under the framework of the World Trade Organization by selectively investing into a number of high quality state-owned or private enterprises of China, which have sought to be listed in the Hong Kong Stock Exchange, have contributed to the growth of our economy.

Hong Kong has become economically an integral part of the greater Pearl River delta extending to 9 provinces in neighborhood of Hong Kong plus Macau SAR. The role to be played by Hong Kong has now been currently under study but the consensus is that we will strengthen what Hong Kong knows best, namely, finance, logistics, tourisms and other service sector. The mandate from the 11th five-year economic plan for China has stipulated that Hong Kong's status as an international finance center shall be strengthened as it will provide as a finance power house for the restructuring of China's market driven economy in order to accommodate and meet with the requirements of the World Trade Organization.

Our key concern is that the service industry of Hong Kong has now represented more than 85% of our GDP, it may be worthwhile to take a note that it may be highly desirable if we have a high end manufacturing base established in Hong Kong for both China and International markets and that our manufacturing sector will represent more than 20% of our GDP in the next decade. This will obviate the concern expressed by our business leaders that the competitiveness of our services industry will be diminished down to insignificant as China is now moving to harmonize its infrastructure and frameworks in line with the norms and obligations of the global market in service industry. Some perceive that it will only take a decade before Shanghai and other major cities can replace and compete effectively with Hong Kong as key finance centre for China. The strong manufacturing base for high technology products will act as a cushion for any negative impact on our economy due to any dramatic and fundamental change of our service market. This requires the strong business leadership and the political will power of our government.

As in the past, we will continue to grow with Hong Kong and to serve the Hong Kong market. We would expand further our wholesale operations from bathroom and kitchen to other product lines catered for our target customers such as living room furnishings. Recently, we have signed letters of intent for a number of agencies such as Poliform and Effegibi for high end quality living room furniture and spa equipment respectively, which aims for businessmen and health conscious individuals. We will supply the ever increasing demand for spa equipment to clubhouse of the apartment complex and hotels in Hong Kong and China markets.

是通達的行為，使一切美好的事物集合。

The number of apartments to be completed per year in the next few years will be relatively stable. As the income of the Hong Kong's middle class has increased in line with the economic growth of Hong Kong, we have noted that there is more demand for quality residential flats with larger living space and also for the better and quality furnishing covering from living room to bathroom. The fact that a number of foreign companies have chosen Hong Kong as a regional base for doing business in China and a number of the China enterprises have chosen Hong Kong for networking with the international market has created more demand for commercial premises. These are the driver of the growth of our business for both residential and commercial projects.

With regards to the China market, the recent administrative measures introduced by the Central Government for cooling down the high-end property market will slow the growth of our business in this sector. The measures are aimed at stabilizing the price of the housing and also at encouraging the development of more affordable housing units for average workers in China. We will examine the prospect of introducing quality but affordable products, which may be made in China or overseas, for China market.

This year, the theme of our annual report entitled "The Creative Works Sublime Success, Furthering Through Perseverance". This reflects and echoes that, for the past 30 years, the Group has sublimed itself from a shop in Wan Chai trading with metallic builders hardware to a listed company in the Hong Kong Stock Exchange with products ranging from locks to bathroom and kitchen collections for domestic and commercial premises. We shall commit and proceed with vigilance to a new chapter of our history of business development just as Hong Kong Special Administrative Region of the People's Republic of China is going to celebrate the 10th anniversary of its establishment and is ready to accept the new challenge ahead. Just like other enterprises in Hong Kong, we are looking forward to meeting new challenge and to capitalizing any business opportunity in the next decade.

I, as a Chairman of the Company, will work closely with my colleagues and my business partners in order to provide our customers with quality products and the quality services behind these products. Last but not least, I would like to thank the unfailing support of our shareholders, our customers and my fellow colleagues, many of whom have been with us for years.



**TSE Sun Fat, Henry**  
*Chairman*  
14 June 2006

