

TARGET

Intelligence Report

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E BON HOLDINGS LTD: FUGALITY IS NOT ALWAYS THE BEST WAY TO BAKE A (FINANCIAL) CAKE

E Bon Holdings Ltd (怡邦行控股有限公司) (Code: 599, Main Board, The Stock Exchange of Hongkong Ltd) has a 23-year-old record of being a member of the elite equity market of the Hongkong Special Administrative Region (HKSAR) of The People's Republic of China (PRC).

But, in the past five Financial Years, the Company has not fared very well, at all.

On or about Thursday, July 27, 2023, Senior Management published and disseminated its 2022-2023 Annual Report in the HKSAR in respect of the Financial Year, ended March 31, 2023.

At Pages 114 and 115 of the 2022-2023 Annual Report, the '*Consolidated Statement of Comprehensive Income*' was circulated.

The following TARGET (泰達財經) table has been produced by, amongst other things, identifying that which are the key statistics, found in the financials of the Company's Annual Report, the highlights of which have been isolated in order to assist extant shareholder – and perhaps, prospective investors – might be able to understand, clearly and fully, the reasons for the plusses and minuses, discovered in this Report:

	For The Year, Ended March 31		Percentage Increase/(Decrease)*
	2023	2022	
	All Figures Are Denominated In \$HK'000 (except where otherwise stipulated)		
Revenue	454,764	494,592	(8.05)
Gross Profit	180,606	183,496	(1.57)
Gross Profit Margin*	39.72 percent	37.10 percent	7.06
Operating Profit	18,275	19,158	(4.61)
Profit Before Income Tax	16,669	15,582	6.98
Net Profit Attributable To Shareholders Of The Company	14,073	11,894	18.32
Net Profit Margin*	3.10 percent	2.41 percent	28.63
Total Comprehensive Income Attributable To	10,793	15,295	(29.43)

Shareholders Of The Company			
Earnings Per Share	2.22 cents	1.95 cents	13.85

* These are **TARGET**'s calculations.

THE BUSINESS OF E BON HOLDINGS LTD

Under the heading, '**BUSINESS REVIEW**,' found at Page 11 of the 2022-2023 Annual Report of the Company, one was informed as to the activities of the Company as follows:

'The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in importing, wholesale, retailing and installing architectural builders' hardware, bathroom, kitchen collections and furniture and providing interior design services, project and contract management in Hong Kong and the People's Republic of China (the "PRC").'

However, of late, the financials of the Company have had its ups and downs, with Senior Management of E Bon Holdings Ltd, headed by Mr Henry Tse Sun Fat (謝新法), the Chairman, being forced to explain, in some detail, the peaks and valleys, found at Pages Seven through to Nine of the 2022-2023 Annual Report:

'It has been exceedingly difficult to avoid discussing the ever-changing global political and financial landscape, which can certainly impact our business in Hong Kong in our board meetings. One of the main factors that contributed to the decline of Hong Kong's economic performance last year was China's strict policy to eliminate COVID-19, which disrupted trade and travel. Another factor was the Russian-Ukraine conflict that has affected the global economy through several channels, including financial sanctions, commodities prices, and supply-chain disruptions.

'It has contributed to a drop in projected global economic growth. The conflict has also caused energy and food prices to soar, which has led to inflationary pressure that, in turn, made leading jurisdictions tighten their fiscal and monetary policies with rate hikes to curb inflation. These external factors impact global production, trade, investment, and employment growth. There is no sign of any improvement in these parameters any time soon.

'Hong Kong's economy suffered a 3.5% contraction last year. China's economy expanded by just 3% in 2022, slightly below the government's forecasts of 3.2% because of the "Dynamic Zero COVID-19" policy.

'Hong Kong's economy showed signs of recovery in the first quarter of 2023, thanks to the strong rebound of inbound tourism and domestic consumption. According to the Trade Development Council's June 2023 report, the real Gross Domestic Product grew by 2.7% in real terms from a year earlier, ending four quarters of contraction in 2022. The Government forecasts economic growth of 3.5% to 5.5% in real terms for 2023.

Meanwhile, China's economy also registered a robust growth of 4.5% in the first quarter of 2023 year on year at a constant price, marking highest growth since the first quarter of last year. Hong Kong and China have benefited from the end of COVID restrictions and the resumption of regular travel and business activities...

'A high-interest rate environment will threaten the operation of small businesses due to higher borrowing costs, weaken the consumer confidence index, reducing investment and retail. Since Hong Kong faces the abovementioned factors, this year will be challenging for Hong Kong businesses.

'The right issue (sic) in the year benefited our Group, enabling us to strengthen our financial position in a high-interest rate environment. This resulted in lower finance costs for the Group. Despite the challenging market environment in 2022, our revenue for the financial year ended on 31 March 2023 was marginally more decreased by 8.1% compared with last financial year... '.

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