CHINA EVERBRIGHT INTERNATIONAL LIMITED
中國光大國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 257)

2007 RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover increased by 52% to HK$1,347,852,000
- EBITDA on recurring basis significantly increased by 102% to HK$425,557,000
- Profit attributable to equity shareholders decreased by 27% to HK$337,932,000
- Profit attributable to equity shareholders on recurring basis significantly increased by 248% to HK$299,847,000
- Final dividend of HK1 cent per share (2006: HK0.6 cent per share)

2007 ANNUAL RESULTS

The board of directors (the "Board") of China Everbright International Limited ("the Company") announces the consolidated results of the Company and its subsidiaries (collectively "the Group") for the year ended 31 December 2007 with comparative figures for the year ended 31 December 2006 as follows :

Consolidated income statement

	Note	**2007** HK$'000	2006 (restated) HK$'000
Turnover	*3 & 10*	**1,347,852**	884,043
Direct costs and operating expenses		**(887,897)**	(640,593)
		459,955	243,450
Other revenue	*4*	**35,726**	26,016
Other net income	*4*	**24,543**	336,778
Administrative expenses		**(99,555)**	(83,799)
Valuation gains on investment properties		**19,202**	5,831
Profit from operations		**439,871**	528,276
Finance costs	*5(a)*	**(72,507)**	(70,445)
		367,364	457,831
Share of (losses)/ profits of associates	*6*	**(478)**	32,658
Profit before taxation	*5*	**366,886**	490,489
Income tax	*7*	**(6,807)**	(9,949)
Profit for the year		**360,079**	480,540
Attributable to:			
Equity shareholders of the Company		**337,932**	460,478
Minority interests		**22,147**	20,062
Profit for the year		**360,079**	480,540
Dividends payable to equity shareholders of the Company attributable to the year:	*8*		
Interim dividend declared during the year		**18,753**	18,371
Final dividend proposed after the balance sheet date		**31,347**	18,462
Special dividend proposed after the balance sheet date		**-**	12,308
		50,100	49,141
Earnings per share	*9*		
Basic		**HK10.89 cents**	HK15.92 cents
Diluted		**HK10.54 cents**	HK15.58 cents

Consolidated balance sheet

		2007		2006 (restated)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
− Investment properties			**200,922**		168,308
− Other property, plant and equipment			**103,604**		95,131
			304,526		263,439
Intangible asset			**568,882**		549,649
Goodwill			**46,133**		46,133
Interest in associate			**-**		442
Other financial assets			**59,577**		62,976
Other receivables and deposits	*11*		**690,019**		408,559
Gross amounts due from customers for contract work	*12*		**1,752,995**		944,161
Deferred tax assets			**35,561**		22,922
			3,457,693		2,298,281
Current assets					
Inventories		**5,923**		3,445	
Debtors, other receivables, deposits and prepayments	*11*	**307,985**		155,413	
Gross amounts due from customers for contract work	*12*	**122,617**		61,747	
Pledged bank deposits		**60,518**		99,314	
Deposits with bank		**16,084**		10,909	
Cash and cash equivalents		**554,863**		756,763	
		1,067,990		1,087,591	
Current liabilities					
Bank loans					
- Secured		**121,286**		88,448	
- Unsecured		**21,446**		-	
		142,732		88,448	
Creditors, other payables and accrued expenses	*13*	**334,426**		249,179	
Current taxation		**6,400**		1,515	
		483,558		339,142	
Net current assets			**584,432**		748,449

Consolidated balance sheet (continued)

		2007		2006 (restated)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Total assets less current liabilities			**4,042,125**		3,046,730
Non-current liabilities					
Bank loans					
- Secured		**1,131,882**		802,584	
- Unsecured		**160,834**		-	
		1,292,716		802,584	
Loans from ultimate holding company		**106,377**		98,828	
Deferred tax liabilities		**39,606**		32,122	
			1,438,699		933,534
NET ASSETS			**2,603,426**		2,113,196
CAPITAL AND RESERVES					
Share capital			**313,472**		307,601
Reserves			**2,137,619**		1,688,522
Total equity attributable to equity shareholders of the Company			**2,451,091**		1,996,123
Minority interests			**152,335**		117,073
TOTAL EQUITY			**2,603,426**		2,113,196

Condensed consolidated cash flow statement

	2007	2006
		(restated)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(586,930)**	(558,105)
Net cash (used in)/generated from investing activities	**(15,752)**	864,771
Net cash generated from financing activities	**379,255**	38,244
Net (decrease)/increase in cash and cash equivalents	**(223,427)**	344,910
Cash and cash equivalents at 1 January	**756,763**	408,566
Effect of foreign exchange rates changes	**21,527**	3,287
Cash and cash equivalents as at 31 December	**554,863**	756,763

Notes :

1. Basis of preparation

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements, except for the changes in accounting policies set out in note 2. The financial statements have been reviewed by the Company's audit committee. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2007, but is derived from those financial statements.

2. Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in the financial statements:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

2. Changes in accounting policies (continued)

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period except for HK(IFRIC) 12, *Service concession arrangements*, which is effective for accounting periods beginning on or after 1 January 2008.

The following sets out further information on the adoption of HK(IFRIC) 12 for the current and prior accounting periods reflected in the financial statements.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of HK(IFRIC) 12 to each of the line items in the consolidated income statement, balance sheet, cash flow statement and other significant related disclosure items as previously reported for the year ended 31 December 2006.

2. Changes in accounting policies (continued)

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 31 December 2006

	2006 (as previously reported) *HK$'000*	**Effect of HK(IFRIC) 12 (increase/ (decrease) in profit for the year)** *(note 2(c))* *HK$'000*	**2006 (as restated)** *HK$'000*
Turnover	235,859	648,184	884,043
Direct costs and operating expenses	(71,645)	(568,948)	(640,593)
	164,214	79,236	243,450
Other revenue	26,016	-	26,016
Other net income	353,964	(17,186)	336,778
Administrative expenses	(92,103)	8,304	(83,799)
Valuation gains on investment properties	5,831	-	5,831
Profit from operations	457,922	70,354	528,276
Finance costs	(52,631)	(17,814)	(70,445)
	405,291	52,540	457,831
Share of profits of associates	32,658	-	32,658
Profit before taxation	437,949	52,540	490,489
Income tax	(9,899)	(50)	(9,949)
Profit for the year	428,050	52,490	480,540
Attributable to:			
Equity shareholders of the Company	409,347	51,131	460,478
Minority interests	18,703	1,359	20,062
Profit for the year	428,050	52,490	480,540
Earnings per share			
Basic	HK14.15 cents	HK1.77 cents	HK15.92 cents
Diluted	HK13.85 cents	HK1.73 cents	HK15.58 cents

2. Changes in accounting policies (continued)

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements (continued)

Consolidated income statement for the year ended 31 December 2006 (continued)

	2006 (as previously reported)	**Effect of HK(IFRIC) 12 (increase/ (decrease) in profit for the year)** *(note 2(c))*	**2006 (as restated)**
	HK$'000	*HK$'000*	*HK$'000*
Other significant disclosure items:			
Revenue from construction services	-	633,748	633,748
Revenue from waste-water treatment plants operation services	99,604	(12,014)	87,590
Revenue from waste-to-energy power plant operation services	18,404	(425)	17,979
Revenue from methane-to-energy power plant operation services	1,204	271	1,475
Finance income	-	53,003	53,003
Finance lease income	21,450	(21,450)	-
Rental income	19,031	(4,949)	14,082
Amortisation of intangible assets	(1,485)	(19,227)	(20,712)
Depreciation	(23,636)	18,212	(5,424)

2. **Changes in accounting policies (continued)**

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements (continued)

Consolidated balance sheet at 31 December 2006

	2006 (as previously reported)	**Effect of HK(IFRIC) 12 (increase/ (decrease) in net assets for the year)** *(note 2(c))*	**2006 (as restated)**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Fixed assets			
– Investment properties	168,308	-	168,308
– Other property, plant and equipment	1,209,741	(1,114,610)	95,131
– Interest in leasehold land held under operating leases	242,583	(242,583)	-
	1,620,632	(1,357,193)	263,439
Intangible asset	66,412	483,237	549,649
Goodwill	48,318	(2,185)	46,133
Interest in associate	442	-	442
Other financial assets	62,976	-	62,976
Other receivables and deposits	-	408,559	408,559
Finance lease receivables	789,177	(789,177)	-
Gross amounts due from customers for contract work	-	944,161	944,161
Deferred tax assets	18,625	4,297	22,922
	2,606,582	(308,301)	2,298,281

2. **Changes in accounting policies (continued)**

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements (continued)

Consolidated balance sheet at 31 December 2006 (continued)

	2006 (as previously reported)	**Effect of HK(IFRIC) 12 (increase/ (decrease) in net assets for the year)** *(note 2(c))*	**2006 (as restated)**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Inventories	3,445	-	3,445
Debtors, other receivables, deposits and prepayments	123,319	32,094	155,413
Finance lease receivables	14,643	(14,643)	-
Gross amounts due from customers for contract work	-	61,747	61,747
Pledged bank deposits	99,314	-	99,314
Deposits with bank	10,909	-	10,909
Cash and cash equivalents	756,763	-	756,763
	1,008,393	79,198	1,087,591
Current liabilities			
Secured bank loans	88,448	-	88,448
Creditors, other payables and accrued expenses	539,031	(289,852)	249,179
Current taxation	1,515	-	1,515
	628,994	(289,852)	339,142
Net current assets	379,399	369,050	748,449
Total assets less current liabilities	2,985,981	60,749	3,046,730

2. Changes in accounting policies (continued)

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements (continued)

Consolidated balance sheet at 31 December 2006 (continued)

	2006 (as previously reported) *HK$'000*	**Effect of HK(IFRIC) 12 (increase/ (decrease) in net assets for the year)** *(note 2(c))* *HK$'000*	**2006 (as restated)** *HK$'000*
Non-current liabilities			
Secured bank loans	802,584	-	802,584
Loans from ultimate holding company	98,828	-	98,828
Deferred tax liabilities	26,276	5,846	32,122
	927,688	5,846	933,534
NET ASSETS	2,058,293	54,903	2,113,196
CAPITAL AND RESERVES			
Share capital	307,601	-	307,601
Reserves	1,633,737	54,785	1,688,522
Total equity attributable to equity shareholders of the Company	1,941,338	54,785	1,996,123
Minority interests	116,955	118	117,073
TOTAL EQUITY	2,058,293	54,903	2,113,196

2. Changes in accounting policies (continued)

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements (continued)

Consolidated cash flow statement for the year ended 31 December 2006

	2006 (as previously reported)	Effect of adoption of HK(IFRIC) 12 *(note 2(c))*	2006 (as restated)
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from/(used in) operating activities	178,548	(736,653)	(558,105)
Net cash generated from investing activities	128,118	736,653	864,771
Net cash generated from financing activities	38,244	-	38,244
Net increase in cash and cash equivalents	344,910	-	344,910

2. **Changes in accounting policies (continued)**

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement, balance sheet, cash flow statement and other significant related disclosure items for the year ended 31 December 2007 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Effect on the consolidated financial statements

Estimated effect on the consolidated income statement for the year ended 31 December 2007

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in profit for the year) *(note 2(c))* *HK$'000*
Turnover	**866,707**
Direct costs and operating expenses	**(727,560)**
	139,147
Administrative expenses	**5,969**
Profit from operations	**145,116**
Finance costs	**(4,986)**
Profit before taxation	**140,130**
Income tax	**(38,205)**
Profit for the year	**101,925**
Attributable to:	
Equity shareholders of the Company	**98,752**
Minority interests	**3,173**
Profit for the year	**101,925**
Earnings per share	
Basic	**HK3.18 cents**
Diluted	**HK3.08 cents**

2. Changes in accounting policies (continued)

(b) Estimated effect of changes in accounting policies on the current period (continued)

(i) Effect on the consolidated financial statements (continued)

Estimated effect on the consolidated income statement for the year ended 31 December 2007 (continued)

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in profit for the year) *(note 2(c))* *HK$'000*
Other significant disclosure items:	
Revenue from construction services	**843,880**
Revenue from waste-water treatment plants operation services	**(12,068)**
Revenue from waste-to-energy power plants operation services	**(16,920)**
Revenue from methane-to-energy power plant operation services	**(279)**
Revenue from industrial solid waste disposal centre operation services	**(1,701)**
Finance income	**124,954**
Finance lease income	**(71,159)**
Rental income	**(9,188)**
Amortisation of intangible assets	**(13,762)**
Depreciation	**7,382**

2. Changes in accounting policies (continued)

(b) Estimated effect of changes in accounting policies on the current period (continued)

(i) Effect on the consolidated financial statements (continued)

Estimated effect on the consolidated balance sheet at 31 December 2007

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in net assets) *(note 2(c))* *HK$'000*
Non-current assets	
Fixed assets	
– Other property, plant and equipment	**(1,221,943)**
– Interest in leasehold land held under operating leases	**(254,593)**
	(1,476,536)
Intangible asset	**500,095**
Goodwill	**(2,352)**
Other receivables and deposits	**690,019**
Finance lease receivables	**(1,513,592)**
Gross amounts due from customers for contract work	**1,752,995**
Deferred tax assets	**10,628**
	(38,743)
Current assets	
Debtors, other receivables, deposits and prepayments	**60,972**
Finance lease receivables	**(29,349)**
Gross amounts due from customers for contract work	**122,617**
	154,240
Current liabilities	
Creditors, other payables and accrued expenses	**88,672**
Net current assets	**242,912**
Total assets less current liabilities	**204,169**
Non-current liabilities	
Deferred tax liabilities	**(52,425)**
NET ASSETS	**151,744**

2. Changes in accounting policies (continued)

(b) Estimated effect of changes in accounting policies on the current period (continued)

(i) Effect on the consolidated financial statements (continued)

Estimated effect on the consolidated balance sheet at 31 December 2007 (continued)

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in net assets) *(note 2(c))* *HK$'000*
CAPITAL AND RESERVES	
Exchange reserve	**(5,247)**
Retained profits	**153,376**
Total equity attributable to equity shareholders of the Company	**148,129**
Minority interests	**3,615**
TOTAL EQUITY	**151,744**

Estimated effect on the consolidated cash flow statement for the year ended 31 December 2007

	Estimated effect of adoption of HK(IFRIC) 12 *(note 2(c))* *HK$'000*
Net decrease in cash from operating activities	**(846,987)**
Net increase in cash from investing activities	**846,987**
Net change in cash and cash equivalents	**-**

2. Changes in accounting policies (continued)

(c) Service concession arrangements (HK(IFRIC) 12: Service concession arrangements)

In prior years, the Group recognised property, plant and equipment of certain of its build-operate-transfer ("BOT") and transfer-operate-transfer ("TOT") arrangements as finance lease receivables in accordance with HK(IFRIC) 4, *Determining whether an arrangement contains a lease*. The lease receivables were reduced when lease payments, being a portion of the waste-water treatment revenue, waste treatment revenue and electricity income, were received and an imputed finance lease income on the lease receivables was recognised using an estimate of the lessee's incremental borrowing rate of interest. The leasehold land on which the waste-water treatment plants and waste-to-energy power plants are situated was classified as an operating lease and rental income was recognised in the profit and loss in equal instalments over the years covered by the lease term.

Apart from the above, the Group recognised toll bridge and its ancillary facilities under BOT arrangement as property, plant and equipment. Toll bridge was depreciated on an units-of-usage basis which was based on the actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group was granted the right to operate the bridge. Toll bridge ancillary facilities were depreciated on a straight-line basis over their estimated useful lives of 5 to 10 years.

During 2007, the Group early adopted HK(IFRIC) 12. With effect from 1 January 2007, in accordance with HK(IFRIC) 12, the BOT and TOT arrangements of the Group, such as the waste-water treatment projects, waste-to-energy projects, methane-to-energy project, industrial solid waste disposal project and toll bridge project, are service concession arrangements under HK(IFRIC) 12. Infrastructure within the scope of HK(IFRIC) 12 is not recognised as property, plant and equipment or finance lease receivables (according to HK(IFRIC) 4) as control of the infrastructure of the projects remains in public hands but the Group is responsible for construction or upgrade activities, as well as for operating and maintaining the public sector infrastructure.

As a result, the Group accounts for revenue and costs relating to construction or upgrade services of the infrastructure in accordance with HKAS 11, Construction contracts. In accordance with HKAS 11, when the outcome of a construction contract can be estimated reliably, revenue from construction services is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under "Debtors, other receivables, deposits and prepayments".

Considerations received or receivable by the Group for the construction or upgrade services are recognised at their fair values as financial assets (for waste-water treatment projects, waste-to-energy projects, methane-to-energy project and industrial solid waste disposal project) or an intangible asset (for toll bridge project). For financial assets recognised, they are reduced when payments, being a portion of the waste-water treatment revenue, waste treatment revenue and electricity income, are received. Finance income on the financial assets is recognised using an estimate of the service concession grantors' incremental borrowing rate of interest. For intangible asset recognised, it is amortised on a straight-line basis over its estimated useful life of 30 years.

2. Changes in accounting policies (continued)

(c) Service concession arrangements (HK(IFRIC) 12: Service concession arrangements)(continued)

Borrowing costs incurred for the construction and upgrade services are not capitalised and are expensed in the period in which they are incurred, except for the toll bridge project which are capitalised and included as intangible asset.

The new accounting policy has been applied retrospectively with comparatives restated. The adjustments for each financial statement line affected for the years ended 31 December 2006 and 2007 are set out in notes 2(a) and 2(b).

3. Turnover

The principal activities of the Group are construction, toll bridge operation, environmental protection project operation (waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plant and industrial solid waste disposal centre), property investments and management, environmental protection project management and consultancy and investment holding.

Turnover represents the revenue from construction services, toll bridge revenue, revenue from waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plant and industrial solid waste disposal centre operation services, finance income, rental income and property management fee income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007	2006 (restated)
	HK$'000	*HK$'000*
Revenue from construction services	**843,880**	633,748
Toll bridge revenue	**92,477**	72,584
Revenue from waste-water treatment plants operation services	**194,104**	87,590
Revenue from waste-to-energy power plants operation services	**62,506**	17,979
Revenue from methane-to-energy power plant operation services	**9,028**	1,475
Revenue from industrial solid waste disposal centre operation services	**4,023**	-
Finance income	**124,954**	53,003
Gross rentals from investment properties	**13,127**	14,082
Property management fee income	**3,753**	3,582
	1,347,852	884,043

4. Other revenue and other net income

	2007	2006 (restated)
	HK$'000	HK$'000
Other revenue		
Bank interest income	**17,693**	17,612
Dividend income from listed securities	**4,417**	3,149
Dividend income from unlisted securities	**-**	1,677
Others	**13,616**	3,578
	35,726	26,016
Other net income		
Profit on sale of associate	**-**	310,000
Profit on sale of investment properties	**-**	16,083
Profit on sale of available-for-sale securities	**23,683**	11,542
Net gain/(loss) on sale of other property, plant and equipment	**860**	(847)
	24,543	336,778

5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2007	2006 (restated)
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**11,413**	3,758
Interest on other bank advances	**61,094**	42,671
Interest on loans from ultimate holding company	**-**	24,016
	72,507	70,445
(b) Staff costs:		
Contributions to defined contribution retirement plan	**5,467**	2,971
Equity-settled share-based payment expenses	**8,086**	6,027
Salaries, wages and other benefits	**78,925**	48,781
	92,478	57,779

5. Profit before taxation (continued)

	2007	2006
		(restated)
	HK$'000	*HK$'000*
(c) Other items:		
Amortisation of intangible asset	**21,917**	20,712
Depreciation		
- assets held for use under operating leases	**-**	732
- other assets	**7,132**	4,692
Net foreign exchange (gain)/loss	**(13,541)**	6,587
Auditors' remuneration		
- audit services	**2,795**	2,440
- other services	**410**	300
Operating lease charges: minimum lease payments		
- hire of premises	**2,059**	1,610
Rentals receivable from properties less direct outgoings of HK$925,000 (2006: HK$1,276,000)	**(12,202)**	(12,806)

6. Share of (losses)/profits of associates

	2007	2006
	HK$'000	*HK$'000*
Share of (losses)/profits of associates before taxation	**(478)**	38,246
Share of associates' taxation	**-**	(5,588)
	(478)	32,658

7. Income tax

Income tax in the consolidated income statement represents:

	2007	2006 (restated)
	HK$'000	*HK$'000*
Current tax – People's Republic of China ("PRC") income tax		
Provision for the year	**15,018**	6,847
Over-provision in respect of prior years	**(809)**	-
	14,209	6,847
Deferred tax		
Origination and reversal of temporary differences	**8,274**	3,102
Effect of change in tax rate on opening tax balances of deferred tax	**(15,676)**	-
	(7,402)	3,102
	6,807	9,949

No provision for Hong Kong Profits Tax has been made in the financial statements as the tax losses brought forward from the previous years exceed the estimated assessable profit for the year. Taxation for the PRC operations is charged at the appropriate current rates of taxation ruling in the PRC. During the year, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempt from income tax under the relevant tax rules and regulations.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which became effective on 1 January 2008. According to the new tax law, the standard PRC Enterprise Income Tax rate is 25%. Dividends declared by the PRC subsidiaries to parent companies incorporated in Hong Kong and the British Virgin Islands are subject to withholding tax of 5% and 10% respectively. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for the PRC subsidiaries of the Group, which are eligible to a 100% or 50% relief from PRC Enterprise Income Tax, will be gradually changed to the standard rate of 25% over a five-year transition period.

The new tax law has been applied when measuring the Group's deferred tax assets and liabilities as at 31 December 2007. As a result of the change of applicable tax rates, the net change in balance of deferred tax of HK$15,676,000 has been credited to the profit and loss. The enactment of the new tax law has no financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

In accordance with Caishui (2008) No.1 issued by State Tax Authorities, undistributed profits from the PRC subsidiaries up to 31 December 2007 will be exempted from withholding tax when they are distributed in future. As a result, no provision for withholding tax is made as at 31 December 2007.

8. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007	2006
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK0.6 cent per ordinary share (2006 : HK0.6 cent per ordinary share)	**18,753**	18,371
Final dividend proposed after the balance sheet date of HK1 cent per ordinary share (2006: HK0.6 cent per ordinary share)	**31,347**	18,462
Special dividend proposed after the balance sheet date of Nil (2006: HK0.4 cent per ordinary share)	**-**	12,308
	50,100	49,141

The final dividend and special dividend proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007	2006
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.6 cent per ordinary share (2006: HK0.6 cent per ordinary share)	**18,462**	15,311
Special dividend in respect of the previous financial year, approved and paid during the year, of HK0.4 cent per ordinary share (2006: Nil)	**12,308**	-
	30,770	15,311

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$337,932,000 (2006 (restated): HK$460,478,000) and the weighted average of 3,101,829,000 ordinary shares (2006: 2,892,283,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
	'000	*'000*
Issued ordinary shares at 1 January	**3,076,012**	2,551,812
Effect of ordinary shares issued	**-**	338,137
Effect of share options exercised	**25,817**	2,334
Weighted average number of ordinary shares at 31 December	**3,101,829**	2,892,283

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$337,932,000 (2006 (restated): HK$460,478,000) and the weighted average number of 3,205,137,000 ordinary shares (2006: 2,955,672,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007	2006
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**3,101,829**	2,892,283
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**103,308**	63,389
Weighted average number of ordinary shares (diluted) at 31 December	**3,205,137**	2,955,672

10. Segmental reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises the following main business segments:

Solid waste treatment project construction and operation	The construction and operation of waste-to-energy power plants, methane-to-energy power plant and industrial solid waste disposal centre to generate revenue from construction services, operation services as well as finance income.
Waste-water treatment project construction and operation	The construction, upgrade and operation of waste-water treatment plants to generate revenue from construction and upgrading services, operation services as well as finance income.
Environmental protection project management and consultancy	The provision of management and consultancy services to environmental protection projects to generate management and consultancy fee income.
Infrastructure investment, construction and operation	The construction and operation of a toll bridge to generate revenue from construction service, toll fee revenue and investment in associates which engage in power industry, to generate dividend income.
Property investment and management	The leasing and management of office premises and shopping arcades to generate rental and management fee income and to gain from the appreciation in the properties' values in the long term.

10. Segmental reporting (continued)

	Solid waste treatment project construction and operation		Waste-water treatment project construction and operation		Environmental protection project management and consultancy		Infrastructure investment, construction and operation		Property investment and management		Inter-segment elimination		Consolidated	
	2007	2006 (restated)	**2007**	2006 (restated)	**2007**	2006	**2007**	2006 (restated)	**2007**	2006	**2007**	2006	**2007**	2006 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**688,043**	495,622	**550,452**	298,173	**-**	-	**92,477**	72,584	**16,880**	17,664	**-**	-	**1,347,852**	884,043
Inter-segment revenue	**-**	-	**-**	-	**236,279**	136,789	**-**	-	**-**	-	**(236,279)**	(136,789)	**-**	-
Other revenue and other net income from external customers	**14,323**	5,701	**5,342**	2,502	**943**	1,134	**1,230**	310,762	**1,826**	17,065	**-**	-	**23,664**	337,164
Unallocated other revenue and other net income	**-**	-	**-**		**-**	-	**-**	-	**-**	-	**-**	-	**36,605**	25,630
Total	**702,366**	501,323	**555,794**	300,675	**237,222**	137,923	**93,707**	383,346	**18,706**	34,729	**(236,279)**	(136,789)	**1,408,121**	1,246,837
Segment results	**205,778**	87,743	**150,637**	65,857	**99,707**	50,202	**63,594**	356,868	**30,302**	33,391	**(111,491)**	(57,126)	**438,527**	536,935
Unallocated operating income and expenses													**1,344**	(8,659)
Profit from operations													**439,871**	528,276
Finance costs													**(72,507)**	(70,445)
Share of (losses)/ profits of associates	**-**	-	**(478)**	(180)	**-**	-	**-**	32,838	**-**	-			**(478)**	32,658
Income tax													**(6,807)**	(9,949)
Profit after taxation													**360,079**	480,540
Depreciation and amortisation for the year	**1,217**	506	**1,306**	496	**570**	1,395	**22,065**	20,841	**841**	167				
Valuation gains on investment properties	**-**	-	**-**	-	**-**	-	**-**	-	**19,202**	5,831				
Segment assets	**1,573,873**	1,004,382	**1,552,013**	986,939	**24,106**	33,742	**673,504**	652,464	**264,805**	239,568			**4,088,301**	2,917,095
Interest in associate	**-**	-	**-**	442	**-**	-	**-**	-	**-**	-			**-**	442
Unallocated assets													**437,382**	468,335
Total assets													**4,525,683**	3,385,872
Segment liabilities	**120,152**	64,104	**162,257**	99,113	**33,422**	35,681	**2,013**	2,374	**6,531**	6,199			**324,375**	207,471
Unallocated liabilities													**1,597,882**	1,065,205
Total liabilities													**1,922,257**	1,272,676
Capital expenditure incurred during the year	**4,848**	3,176	**3,731**	3,198	**1,055**	585	**70**	152	**479**	11				

10. Segmental reporting (continued)

Geographical segments

The Group's business participates in two principal economic environments. Hong Kong and other parts of the PRC are the major markets for the Group's business.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2007	*2006* (restated)
	HK$'000	*HK$'000*
Revenue from external customers:		
Hong Kong	**311**	2,473
Other parts of the PRC	**1,347,541**	881,570
	1,347,852	884,043

	2007	*2006* (restated)
	HK$'000	*HK$'000*
Segment assets:		
Hong Kong	**429,081**	462,694
Other parts of the PRC	**4,096,602**	2,923,178
	4,525,683	3,385,872

	2007	*2006* (restated)
	HK$'000	*HK$'000*
Capital expenditure incurred during the year:		
Hong Kong	**3,241**	1,314
Other parts of the PRC	**12,094**	7,122
	15,335	8,436

11. Debtors, other receivables, deposits and prepayments

	2007	2006
		(restated)
	HK$'000	*HK$'000*
Debtors	**53,511**	40,434
Loan receivable	**75,061**	-
Other receivables, deposits and prepayments	**869,432**	523,538
	998,004	563,972
Less: Non-current portion		
– other receivables and deposits	**(690,019)**	(408,559)
Current portion	**307,985**	155,413

Included in debtors, other receivables, deposits and prepayments of the Group are debtors of HK$53,511,000 (2006: HK$40,434,000) of which HK$11,873,000 (2006: HK$6,001,000) is due from a minority shareholder. Debtors are current and not yet due for payment, except for an amount of HK$5,996,000 which is past due for one month, and represent toll bridge revenue, revenue from waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plant and industrial solid waste disposal centre operation services for the month of December 2007 and which are expected to be settled in the following month. There was no recent history of default in respect of the Group's debtors and no impairment loss was recognised by the Group at 31 December 2007 (2006: HK$Nil).

Other receivables, deposits and prepayments include balances totalling HK$750,991,000 (2006 (restated): HK$439,653,000) which bear interest at rates ranging from 6.39% to 7.02% per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT arrangements, among which HK$98,099,000 (2006 (restated): HK$70,397,000) is due from a minority shareholder of a non-wholly owned subsidiary. Under HK(IFRIC) 12, the considerations paid are accounted for as financial assets. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 31 December 2007 (2006: HK$Nil).

The loan receivable is unsecured, interest bearing at 7.12%, due from an unrelated party and due for repayment in August 2008. No impairment loss was recognised by the Group at 31 December 2007.

All of the current portion of the above balances are expected to be recovered or recognised as expense within one year.

12. Gross amounts due from customers for contract work

	2007	2006
		(restated)
	HK$'000	*HK$'000*
Contract cost incurred plus recognised profits less anticipated losses	**1,989,022**	1,044,293
Less: Progress billings	**(113,410)**	(38,385)
Net contract work	**1,875,612**	1,005,908
Representing:		
Gross amounts due from customers for contract work		
– Non-current	**1,752,995**	944,161
– Current	**122,617**	61,747
	1,875,612	1,005,908

Included in gross amount due from customers for contract work is an amount of HK$293,083,000 (2006 (restated): HK$260,063,000) which is due from a minority shareholder of a non-wholly owned subsidiary.

Gross amounts due from customers for contract work represent revenue from construction under BOT arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 6.39% to 7.20% per annum. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT and TOT arrangements.

13. Creditors, other payables and accrued expenses

	2007	*2006*
		(restated)
	HK$'000	*HK$'000*
Bills payable	**25,735**	-
Creditors, other payables and accrued charges	**308,691**	249,179
	334,426	249,179

13. Creditors, other payables and accrued expenses (continued)

Included in creditors, other payables and accrued expenses are creditors and bills payable with the following ageing analysis as of the balance sheet date.

	2007	2006
	HK$'000	*HK$'000*
Due within 1 month or on demand	**76,692**	36,398
Due after 1 month but within 3 months	**23,986**	3,056
Due after 3 months but within 6 months	**31,976**	29,625
Due after 6 months	**103,118**	102,121
	235,772	171,200

Included in creditors, other payables and accrued expenses of the Group is an amount of HK$9,506,000 (2006: HK$3,798,000) which is payable to an associate. The balance is due within one month and represents service fee for operation of waste-water treatment plants.

Apart from the above, there are balances totalling HK$224,977,000 (2006: HK$165,530,000) which represent construction payables for the Group's BOT arrangements, among which HK$15,651,000 (2006: HK$45,759,000) and HK$25,062,000 (2006: HK$22,192,000) are due to related companies and minority shareholders of a non-wholly owned subsidiary respectively. The construction payables are current and not yet due for payment. The amounts due to related companies and minority shareholder of a non-wholly owned subsidiary are unsecured, interest free and expected to be settled within one year.

14. Comparative figures

Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies. Further details are disclosed in note 2.

BUSINESS REVIEW AND PROSPECT

OPERATING RESULTS

In 2007, reducing pollution, energy conservation and environmental protection came formally into the spotlight of economic development in the PRC. The 17th Chinese Communist Party Congress and China Central Economic Works Conference urged the country to pursue scientific development and included for the first time in their reports aims, such as building a society conscious of the importance of environmental protection and conservation of energy etc. All these have presented the environmental protection industry in the PRC with unprecedented opportunities for growth. In November 2007, 18 government bureaus including the Ministry of Health and State Environmental Protection Administration of China jointly published the "Action Plan for Environmental Protection and Good Health in China (2007-2015)", stating the government's stance and determination to implement people-oriented environmental protection policies. Furthermore, under the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China promulgated in December 2007, environmental protection enterprises are given "three-year exemption and three-year 50% reduction" on income tax, reflecting government support to the industry and giving the Group's environmental protection business a favorable operating environment.

During the year under review, the Group's environmental protection business continued to develop rapidly, with certain projects advancing at full steam in construction, hence translated into increased revenue for the Group's environmental protection project construction services. Turnover and recurring profit rose significantly as a result of growth in processing volume of operating environmental protection projects. In 2007, consolidated turnover of the Group was HK$1,347,852,000, representing an increase of 52% as compared to the restated turnover of HK$884,043,000 for the previous year. EBITDA on recurring basis for the year amounted to HK$425,557,000, a significant increase of 102% as compared to the restated HK$210,776,000 for the previous year. During the year under review, the Group recorded non-recurring profits of HK$42,885,000, comprising gains from the sale of available-for-sale securities and valuation gains on investment properties. In 2006, the Group recognized non-recurring profits of HK$376,294,000 due to the sale of interest in Mawan Power and other assets as well as the re-valuation of investment properties. For the year 2007, profit attributable to equity shareholders of the Company was HK$337,932,000, representing a decrease of 27% against the restated HK$460,478,000 for last year. Basic earnings per share were HK10.89 cents, a decrease of HK5.03 cents as compared to the restated HK15.92 cents for last year. Excluding the aforesaid non-recurring profits, profit attributable to equity shareholders on recurring basis of the Company was HK$299,847,000, representing a significant increase of 248% against the restated HK$86,060,000 for last year. Basic earnings per share on recurring basis were HK9.67 cents, an increase of HK6.69 cents as compared to the restated HK2.98 cents for last year.

Looking to the future, the Company will seize development opportunities and continue to increase investment in environmental protection business so as to enhance returns to shareholders. The Board has proposed to pay to shareholders of the Company a final dividend of HK1 cent per share. Together with the interim dividend of HK0.6 cent per share for 2007, the total dividends for the year amounted to HK1.6 cents per share (2006: HK1.6 cents per share, including the special dividend of HK0.4 cent per share).

ENVIRONMENTAL PROTECTION BUSINESS

Since the Group laid down the clear direction of developing environmental protection business in 2003, it has been carefully identifying suitable development opportunities. During the year under review, the Group captured market opportunities and continued to invest in the environmental protection business. It secured five new projects and extended its reach to areas on shore Taihu Lake. The four major sectors of the Group's environmental protection business are the Jiangsu waste-to-energy sector, the Shandong waste-water treatment sector, the Suzhou Everbright National Demonstrative Veinous Industrial Park and the Taihu Lake water quality restoration operation, entailing in all 20 projects commanding a total investment of approximately HK$4,900,000,000. All the operations together boost an annual household waste processing capacity of approximately 1,500,000 tonnes, an annual on-grid power generation capacity of approximately 400,000,000 kilowatt-hour, a daily waste-water treatment capacity of approximately 1,300,000 tonnes and other waste treatment capacity of approximately 20,000 tonnes per annum. As at 31 December 2007, the Group had completed environmental protection projects of total investment cost of approximately HK$2,300,000,000. Investment in projects still under construction totaled around HK$900,000,000. For those yet to commence construction, the estimated investment cost is approximately HK$1,400,000,000. During the year under review, construction of the waste-to-energy project in Jiangyin, the waste-to-energy project in Changzhou and the upgrading of Zibo Southern and Northern Plants etc proceeded in full force, bringing considerable revenues and profits to the Group's construction service business. In addition, the industrial solid waste disposal project in the Suzhou Everbright Environmental Protection Industrial Zone ("Industrial Solid Waste Disposal Project"), the extension facilities of Maidao waste-water treatment plant ("Extension Project of Maidao Plant"), the Yixing waste-to-energy project and Zibo High-tech Industrial Development Zone Waste-Water Treatment Project ("Zibo High-tech Zone Project") successively started operation in 2007, resulting in boosted operation service revenue for the Group. In 2007, the Group's environmental protection business processed 559,000 tonnes of solid waste (161,000 tonnes for the previous year), and 289,735,000 tonnes of waste-water (140,569,000 tonnes for the previous year). The processing volume of environmental protection business had grown substantially, giving the Group's core business a consolidated revenue base. During the year under review, turnover from the environmental protection business was

HK$1,238,495,000 (of which construction service revenue 68%, operation service revenue 22% and finance income 10%), an increase of 56% when compared with last year and accounting for 92% of the Group's total turnover, 2 percentage points higher than that of last year. EBITDA from environmental protection businesses reached HK$347,246,000, representing an increase of 133% against last year, accounting for 78% of EBITDA of the core businesses on recurring basis. Having quick and healthy growth and boosting tremendous development potential, the environmental protection business is expected to foster overall revenue growth of the Group.

Major operating and financial data of the environmental protection business in 2007:

	Waste processing volume (tonne)		**Uploaded electricity (kWh)**	
	2007	2006	**2007**	2006
Solid waste treatment projects				
- Suzhou Project Phase I	**441,000**	161,000	**99,992,000**	39,506,000
- Methane Project	**-**	-	**18,712,000**	5,170,000
- Yixing Project	**118,000**	-	**12,658,000**	-
	559,000	161,000	**131,362,000**	44,676,000

	Waste water processing volume (tonne)	
	2007	2006
Waste water treatment projects		
- Qingdao Project	**61,621,000**	52,152,000
- Zibo Southern and Northern Plants Project	**88,924,000**	77,374,000
- Zibo High-tech Zone Project	**12,900,000**	*
- Jinan Project	**126,290,000**	11,043,000
	289,735,000	140,569,000

* Commenced commercial operation in September 2007

	2007			2006		
	Solid waste treatment projects HK$'000	Waste water treatment projects **HK$'000**	**Total HK$'000**	Solid waste treatment projects HK$'000	Waste water treatment projects HK$'000	Total HK$'000
Turnover						
- Construction service	**546,478**	**297,402**	**843,880**	447,654	186,094	633,748
- Operation service	**75,557**	**194,104**	**269,661**	19,454	87,590	107,044
- Finance income	**66,008**	**58,946**	**124,954**	28,514	24,489	53,003
	688,043	**550,452**	**1,238,495**	495,622	298,173	793,795
EBITDA	**200,519**	**146,727**	**347,246**	85,089	63,804	148,893

Jiangsu waste-to-energy sector

This sector includes four projects, namely Suzhou waste-to-energy project phase I ("Suzhou Project Phase I"), Yixing waste-to-energy project ("Yixing Project"), Jiangyin waste-to-energy project ("Jiangyin Project") and Changzhou waste-to-energy project ("Changzhou Project") at a total investment cost of approximately RMB1,529,043,000.

Suzhou Project Phase I

It is the Group's first wholly-owned environmental protection project. Since it started operation in July 2006, it has run smoothly meeting discharge standards. Apart from bringing stable income to the Group, the project is also highly commended by the industry as well as the municipal government. It has been included among the "First Batch of Experimental Enterprises in the Recycling Economy" and was named an "Outstanding Contributor to Environmental Protection in 2006" by Suzhou Municipal Government. Suzhou Project I was also presented the "Yangzi Cup" certificate by the Jiangsu Provincial Department of Construction for the high quality of its construction works. The project has boosted the Group's brand in the waste-to energy field. During the year under review, the project brought an EBITDA of HK$86,418,000, an increase of 56% against last year. The increase in profit was mainly attributable to the higher than expected increase in processing volume of solid waste after operation commenced, accordingly operation service revenue also surged. The plant also registered a value-added tax rebate of HK$8,410,000.

Yixing Project

After 20 months' work in construction and testing running, Yixing Project commenced operation in June 2007. On-grid electricity tariff was fixed at RMB0.646 per kilowatt-hour. It is the Group's first waste-to-energy project using domestic equipment and the first project in the PRC to adopt Grade 1A standard for leachate treatment and water recycling within the plant. The project has had successes, some deemed as industry breakthroughs, in stages already rolled out. During the year under review, the waste processing volume of Yixing Project had gradually increased, on track to reaching the designed processing capacity in 2008. It is expected to bring in more income from waste treatment fee and power generation. The project contributed an EBITDA of HK$11,411,000 to the Group, representing a decrease of 33% against last year. Construction service revenue from the Project dropped this year mainly because related works were mostly completed in 2006.

Jiangyin Project

Construction of Phase I of the Jiangyin Project has progressed efficiently since related works began in 2006. In January 2008, construction was competed two months ahead of schedule and supply of electricity to the power grid has begun. The project is expected to commence commercial operation in the second quarter of 2008. Works on Phase II of the project with designed daily waste processing capacity of 400 tonnes is being planned. The Group will duly sign agreements to begin construction after concrete terms are decided. During the year under review, Jiangyin Project brought HK$55,683,000 in EBITDA to the Group, representing an increase of 543% against last year, attributable to the increase in construction service revenue during the year with the project construction in full swing.

Changzhou Project

It is the Group's fourth waste-to-energy project in Jiangsu Province. Construction of the project commenced in March 2007 and equipment is being installed currently. The project is expected to begin operation in the second half of 2008. During the year under review, it brought an EBITDA of HK$29,382,000 to the Group.

Shandong Waste Water Treatment Sector

The Shandong waste water treatment sector comprises nine waste water treatment plants in Jinan city, Qingdao city, Zibo city and Binzhou city in Shandong Province. They carry a total investment of approximately RMB1,678,276,000.

Qingdao Project

Qingdao Waste Water Treatment Project ("Qingdao Project") is the Group's first environmental protection project in Shandong Province. With the Extension Project of Maidao Plant was completed and commenced commercial operation in July 2007, ancillary facility for the sailing event of the 2008 Beijing Olympics is ready for use. The expanded project is capable of processing 220,000 tonnes of waste water per day versus 150,000 tonnes before. The Maidao Plant boosts emission level meeting national Grade 1B standard. Furthermore, the Group is negotiating with the Qingdao Municipal Government about upgrading the equipment of the Haibohe Waste Water Treatment Plant, aiming to improve waste water treatment standard of the plant to Grade 1A. During the year under review, the project brought an EBITDA of HK$41,929,000 to the Group, representing an increase of 5% as compared with last year, attributable to more operating service revenue recognized during the year.

Zibo Southern and Northern Plants Project

The waste water treatment project in Zibo city (Southern and Northern Plants inclusive) ("Zibo Southern and Northern Plants Project") has been in stable operation since it was taken over by the Group in 2005. Overall upgrading of the project was completed in December 2007. Currently, trial runs are being conducted and expected to be completed in the first quarter of 2008. It will be able to process waste water at Grade 1A standard and raise waste water treatment fee to RMB0.98 per tonne from RMB0.75 per tonne. The project contributed an EBITDA of HK$57,002,000 to the Group during the year under review, 152% more than that of last year. The increase was the result of doing upgrade works during the year, and accordingly recognition of higher construction service revenue.

Zibo High-tech Zone Project

Phase I of the Zibo High-tech Zone Project commenced operation in September 2007. It is the Group's first waste water treatment project operated in BOT (build-operate-transfer) mode, and the first Grade 1A commercial waste water treatment project in the PRC, thus a milestone in water works business of the Group. It also laid a solid foundation for the Group to build the project into a "benchmark enterprise in Shandong and an environmental education base in Zibo". By sharing resources with other operations in Zibo, the project can help to enhance the overall cost-effectiveness of management and operation of the Zibo Project, as well as allow the Group to save costs and increase income, hence enjoy strategic advantage in expanding in the region. During the year under review, the project contributed an EBITDA of HK$19,946,000 to the Group.

Zibo Zhoucun Project

The Zibo Zhoucun waste water treatment project ("Zhoucun Project") is a new project and the second wholly-owned waste water treatment project of the Group. Operated in BOT mode, the project boosts a designed total daily waste water treatment capacity of 80,000 tonnes. The total investment cost is approximately RMB120,000,000. Phase I of the project, which carries an investment cost of around RMB70,000,000 and an exclusive term of operation of 25 years, will have a daily processing capacity of 40,000 tonnes. It will charge a waste water treatment fee of RMB0.95 per tonne. Construction of the project will commence in the first quarter of 2008 and operation is expected to start in early 2009.

Jinan Project

The Jinan waste water treatment project ("Jinan Project") includes the Jinan No. 1 and No. 2 waste water treatment plants with total designed daily waste water treatment capacity of 420,000 tonnes. Since the Group took over the project in November 2006, both plants in the project have delivered stable performance meeting required discharge standards. In April 2007, the Group upgraded the two plants doubling their actual daily waste water treatment volume and related works were completed two months ahead of schedule. With operational standard and management highly commended by the local government, it lays a good foundation for the Group's investment in other environmental protection projects and public utility projects in Jinan in the future. During the year under review, the Jinan project company was named one of the "Ten Best Foreign-invested Enterprises in Jinan" by the Jinan Municipal Government in recognition of its efforts to uphold the principles of "integrity, pragmatism and efficiency" in its take over of the two waste water treatment plants. Recently, the Jinan government has informed the Group that the investment and construction of upgrade project of Jinan No. 1 and No. 2 waste water treatment plants will be fully responsible by the Group. The total investment will be approximately RMB280,000,000. In addition, the "Research on the technology to produce direct drinking water from urban waste water" by Jinan No. 2 Waste Water Treatment Plant was appraised as reaching the international advanced level by Jinan Science and Technology Bureau. The project reported an EBITDA of HK$27,850,000 for the year under review.

Binzhou Boxing Project

In November 2007, the Group acquired by way of TOT (Transfer-Operate-Transfer) mode a waste water treatment plant in Boxing County, Binzhou ("Boxing Project"). This is another waste water treatment project secured by the Group in Shandong Province after the Qingdao, Zibo, Jinan and Zhoucun projects. The project has a designed daily processing capacity of 60,000 tonnes. As to Phase I of the project, the treatment capacity will be 30,000 tonnes and the investment cost for asset acquisition and upgrade work will be RMB40,000,000. Legal procedures regarding assets transfer are currently underway and the formal handover and commercial operation are expected to take place by the end of the first quarter of 2008. As for the project upgrade, works will begin in 2008 and is expected to be completed by the end of the year. By then, it will be able to meet national Grade 1B standard for emission and the waste water treatment fee will be increased from RMB0.75 per tonne to RMB0.90 per tonne.

Suzhou Everbright National Demonstrative Veinous Industrial Park

Suzhou Everbright National Demonstrative Veinous Industrial Park is another key development focus of the Group in Jiangsu Province. The State Environmental Science Institute completed the new "Construction Plan Guidelines" for the Suzhou Environmental Protection Industrial Zone. Given a new name "Suzhou Everbright National Demonstrative Veinous Industrial Park"("Suzhou Veinous Park"), the project is the first integrated urban solid waste treatment environmental protection park in the PRC. According to the new construction guidelines, new projects will be added on the original site and total investment will increase significantly relative to the original HK$1,500,000,000. Planning and management of construction will be centralized and implemented in phases over 3 to 5 years.

Projects already completed in the Park include Suzhou Project Phase I, Phase I of the methane-to-energy project ("Methane Project") and Phase I of the Industrial Solid Waste Disposal Project. The Methane Project has been in commercial operation since August 2006. During the year under review, it supplied over 18,712,000 kilowatt-hour of electricity to the power grid. Benefiting from supportive government policies, it was able to raise on-grid electricity tariff from RMB0.527 per kilowatt-hour to RMB0.636 per kilowatt-hour during the year. The project contributed an EBITDA of HK$7,821,000 to the Group, representing an increase of 124% when compared with last year, mainly because of the increase in methane processing volume. Phase I of the Industrial Solid Waste Disposal Project is the only hazardous waste treatment landfill center in Suzhou city. Costing a total investment of RMB78,260,000, it started commercial operation in August 2007 boosting a capacity of 200,000 tonnes. For the year under review, the project reported an EBITDA of HK$9,364,000.

Projects under construction included Phase II of the Suzhou waste-to-energy project with daily processing capacity increased from the original 500 tonnes to 1,000 tonnes, core structure to be completed in 2008 and, by then, the Suzhou waste-to-energy plant will become one of the biggest waste-to-energy plants in the PRC, Phase II of the Methane Project to be equipped with an additional 1,250-kilowatt power generator, a slag brick making project that uses residue of incinerated waste as material and a centralized leachate treatment project serving the need of the Park itself.

New projects to be implemented included environmentally sound treatment of sludge, a solid waste technology development and research center formed in alliance with overseas and PRC universities to study technologies in relation to centralized solid waste treatment and recycling, Phase III of the waste-to-energy project that can ultimate incinerate all municipal household wastes in Suzhou and an electronic waste recycling project.

During the construction of the Suzhou Veinous Park, the Group has put great emphasis on ecological restoration and greening of the environment, as well as the economization on land resources, which will definitely bring about ecological improvement. The projects will achieve complementary and synergistic effects. And it will be easier for the Group to manage and monitor the projects.

Taihu Lake Water Quality Restoration

The operation is championed by Everbright Water (Jiangyin) Limited, a company set up by the Group's wholly-owned subsidiary and Xin Guo Lian Investment and Development Co., Ltd. held partly by the Jiangyin Municipal Government. The company took over four waste water treatment plants in Jiangyin city in January 2008 ("Jiangyin Waste Water Treatment Project") at a total investment of RMB624,000,000. The Group holds 70% equity interest in the project with designed daily treatment capacity of 190,000 tonnes. The Group is upgrading the plants to meet Grade 1A standard at an estimated construction cost of RMB201,000,000. The project company has also signed a letter of intent with the Jiangyin Municipal Government to invest in a sewage piping network and waste water treatment plants in the next two to three years. The plan is to ultimately integrate the plants and sewage piping network of the urban and rural area into one seamless system, which will make the Jiangyin Waste Water Treatment Project the first integrated urban and rural waste water treatment model project in the PRC. The Group will then also enjoy monopoly in waste water treatment in the region and accordingly assured related long-term and stable operating income.

The Jiangyin Waste Water Treatment Project is the first step of the Group in expanding its water quality restoration operation in the Taihu Lake region. The success of the project will effectively boost the "Everbright Environment" brand in the region and give the Group impetus for embarking on other projects in the Taihu Lake areas and other environmental protection businesses.

ENHANCED ENVIRONMENTAL PROTECTION RESEARCH AND DEVELOPMENT CAPABILITIES

Strategic Partnership

Apart from seeking to secure different environmental protection projects, the Group has been keen in carrying out technological research and development. It regularly invites international and local experts on environmental protection to discuss latest development, approaches and trends in the field, and also sends its own engineers overseas to learn new skills. The Group also strived to strengthen its partnership with internationally renowned enterprises. During the year under review, it held many on-site discussion and exchange sessions for its staff with experts from tertiary institutes such as Tsinghua University and Tongji University of Shanghai and started different researches on necessary technologies with the aim of boosting its core competence and exploiting external expertise support.

Research and Development Facility

The Group has formed a technology research and development center that specializes in research of waste-to-energy operation and waste water and sludge treatment technologies. The aim of such endeavors is to boost the Group’s core technology and thus its competitive strengths. Each of the Group’s project company also has its own team to devise innovative technologies. It has also introduced policies and provisions such as an environmental protection expert data base, a research and development project fund and research and a set of development project management guidelines, etc. During the year under review, the Group acquired an office building in Zhongguancun, Beijing as the Beijing headquarters of Everbright Environmental Protection. The Group plans to set up an Everbright Environmental Protection Technology Research Institute in Beijing and provide national grade laboratories in Zibo and Suzhou respectively for experiments on waste water treatment and solid waste treatment. The Group’s expert team has been fortified with eight well-known local environmental protection experts hired as visiting researchers and a 96-strong expert data base. The Group will continue to invest in technological research and development which is essential to ensuring its core competitiveness in the long run.

Research Project and Patent

During the year under review, the Group identified 18 research topics in relation to requirements of the major project items including development of technology of cement production from processed ashes of incinerated waste, intensive treatment technology of refuse filtrate, sludge resources development, slaging and ash deposit management technology, etc. During the year under review, the Group completed 11 research topics.

During the year under review, the Group filed 17 patent applications in relation to waste-to-energy operation and waste water treatment technologies and secured three patents. In addition, the Group has applied for 21 projects under the “863 Program”, “State Torch project”, “State Key New Product Project”, “Key International Cooperative Project” and other under different Provincial Technology Plans. The sludge resources development and slaging, direct drinking water production, intensive treatment technology and equipment of refuse filtrate have successfully been identified or obtained awards, namely the “Outstanding Research Cooperative Project Award 2007 (Second Class)” from the Wuxi Municipal Government and the “Jinan City Technology Advancement Award (Second Class)”.

In June 2007, the Group was named “The Enterprise with the Most Growth Potential” in the Shenzhen Technology Awards.

INFRASTRUCTURE INVESTMENT

Toll Bridge

During the year under review, traffic on the Qingzhou Bridge continued to grow and generated steady cash flow for the Group. For the year ended 31 December 2007, an average 31,509 standard vehicles used the bridge a day, 20% more than in 2006. The bridge recorded an EBITDA of HK$85,659,000, an increase of 27% over the restated EBITDA in 2006. Taking into account the deferred tax and profit attributable to minority shareholders, the project generated HK$42,067,000 in net profit attributable to the Group in 2007.

The highway to the Fuzhou airport, which opened in late 2006, has boosted economic growth of neighboring areas. The municipal government also made considerable investment in upgrading the east-to-west road system during the year. Looking ahead, when the traffic increases after maintenance work of the Wulong Longjiang Bridge and construction of phase II of the North Airport Highway are completed in 2009, Qingzhou Bridge is expected to bring stable growth in cash flow to the Group.

PROPERTY INVESTMENT

In the PRC, the Group owns a four-storey commercial complex with a shopping arcade in Shenzhen Zhongshan Garden for lease. The property has been a source of steady rental income and cash flow for the Group from major tenants including Walmart, Park'n Shop and McDonald's. During the year under review, the property was 99% occupied and brought in profit before taxation of HK$10,537,000, representing a growth of 12% against last year. Taking into account the deferred tax, profit for the year from the property amounted to HK$14,741,000.

During the year, the Group recorded valuation gains of HK$19,202,000 on the investment properties (2006: HK$5,831,000) in line with rise in property value in the PRC.

The Group's 14%-owned Shanghai Trade Square and International Apartments continues to generate steady income. In 2007, this project distributed a cash dividend of approximately HK$7,010,000 to the Group.

HONORS AND RECOGNITIONS

The Group's efforts in upholding the principles of "integrity, pragmatism, efficiency and innovation" in developing environmental protection business and achievements in the past four years have been widely recognized. The awards won by the Group during the year under review are listed as follows:

Date	Organizer	Awards
May 2007	Capital Magazine	"Outstanding Environmental Protection Corporation Award" of "The Second Capital Outstanding China Enterprise Award"
June 2007	China INTL Famous Brand Association and Organizing Committee of China Integral Corporation Branding Building and Innovation Conference	"Top 100 renowned honesty enterprise in China"
July 2007	Suzhou Construction Industry Association	"Gusu cup"
August 2007	Shenzhen Municipal Government	"Enterprise with the Most Growth Potential of Shenzhen Technology Innovation Award"
August 2007	China Marketing Association and China Enterprise Publisher	"The Most Pioneering Entrepreneur in China"

Date	Organizer	Awards
November 2007	Economic Digest	"2007 Hong Kong Outstanding Enterprise"
November 2007	Eco-Fortune (China) Forum	"First Batch of Ten Best Enterprises Fully Supported and Trusted by Clients and Government"

BUSINESS PROSPECTS

2008 will see even faster growth, in scope and coverage, for the environmental protection industry in the PRC. With environmental protection issues taking on national concern and included in the country's policies as stated in the "Eleventh Five-Year Plan" and the "The 17th Chinese Communist Party Congress", all levels of government set the outcome of the environmental protection as the most significant criteria in assessing the performance of the government officials which accelerates the demand for waste and waste water treatment and other environmental protection services in the PRC. Furthermore, a series of policies encouraging development of environmental protection industry will gradually take effect or finalized in 2008, including such as the three-year exemption and three-year 50% reduction of income tax for environmental protection enterprises and permission for waste-to-energy and methane-to-energy operations to charge on-grid power tariff at RMB0.25 per kilowatt-hour premium to coal-fired power tariff, etc.

With the support of its parent company China Everbright Holdings Company Limited ("Everbright Group"), the Group will continue to invest more resources in the research and development of environmental protection technology, step up efforts to train and develop its technological team and strive to enhance its core competitive strengths through innovations. To reinforce its market leadership in the environmental protection sector and open new markets in the PRC, it will also continue to seize business opportunities leveraging its well-established "Everbright Environment" brand and adhering to the principle of implementing the projects one by one and operating with integrity, pragmatism, efficiency and innovation.

Environmental protection is critical to building a favorable ecological environment and the sustainable development of the country with direct bearing on the people's health and steady life. We believe, backed by supportive government policies, the Group will make more significant advancements yet with its environmental protection business in 2008. The Group will grow its business and at the same time strive to promote the environmental protection industries of the country. Furthermore, the Group will continue to consolidate its infrastructure and property investment businesses to ensure stable income. It will work hard for the betterment of the society and to deliver better returns to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE IN ACCOUNTING POLICY

In early 2007, the Group started to evaluate the effects of adopting HK(IFRIC) 12 "Service Concession Arrangements" ("the Interpretation") issued by the HKICPA on the Group's operating results and financial position. The Interpretation will be effective for annual period beginning on 1 January 2008 with early adoption permitted. As the Group's major investment projects including waste-to-energy projects, waste water treatment projects, methane-to-energy project, industrial solid waste disposal project and toll bridge project all fall within the service concession arrangements under the Interpretation, and adopting the Interpretation will have material impact on the Group's financial statements, the Group decided to adopt it early and state in detail the related effects in the annual report.

During the year under review, as required by the Interpretation, the Group recognized income from construction or upgrade and operation services under BOT (Build-Operate-Transfer) and TOT (Transfer-Operate-Transfer) arrangements as revenues in the income statement. The Group is of the view that adopting the Interpretation has allowed it to better reflect the value of its construction or upgrade and operation service rendered under respective service concession arrangements. In 2007, revenue from the Group's construction service and operation service in relation to environmental protection business were HK$843,880,000 and HK$269,661,000 respectively, up 33% and 152% respectively as compared to HK$633,748,000 and HK$107,044,000 in 2006. EBITDA of the environmental protection business for the year was HK$347,246,000, representing an increase of 133% as compared to HK$148,893,000 in 2006.

FINANCIAL RESULTS

In 2007, consolidated turnover of the Group was HK$1,347,852,000, representing an increase of 52% as compared to the restated turnover of HK$884,043,000 for the previous year. The increase in turnover was mainly attributable to construction of several projects at full thrust during the year, bringing in higher construction service revenue, and also the enhanced processing volume of the operating environmental protection projects. EBITDA on recurring basis for the year amounted to HK$425,557,000, a significant increase of 102% as compared to the restated amount of HK$210,776,000 last year. The increased recurring profit was mainly attributable to the rise in revenue from the environmental protection business. Profits on non-recurring basis for the year amounted to HK$42,885,000, including gains from sale of available-for-sale securities of HK$23,683,000 and valuation gains on investment properties of HK$19,202,000. As for operating profits on non-recurring basis for 2006, it comprised valuation gains on investment properties, gains from sale of interest in Mawan Power and investment properties and available-for-sale securities, and the share of profits from Mawan Power with an aggregate amount of HK$376,294,000. In 2007, profit attributable to equity shareholders of the Company was HK$337,932,000, representing a decrease of 27% against the restated HK$460,478,000 for last year. Basic earnings per share for the year were HK10.89 cents, a decrease of HK5.03 cents as compared to the restated HK15.92 cents for last year. Excluding the aforesaid non-recurring profits, profit attributable to equity shareholders on recurring basis of the Company was HK$299,847,000, representing a significant increase of 248% against the restated HK$86,060,000 for last year. Basic earnings per share on recurring basis were HK9.67 cents, an increase of HK6.69 cents as compared to the restated HK2.98 cents for last year.

FINANCIAL POSITION

As at 31 December 2007, the Group had total assets worth approximately HK$4,525,683,000. Net assets attributable to equity shareholders of the Company were HK$2,451,091,000 and net assets per share attributable to equity shareholders of the Company were HK$0.782, representing an increase of 20% as compared to the restated HK$0.649 as at the end of last year. As at 31 December 2007, gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 42%, 4 percentage points more than the restated 38% at the end of last year.

The Group generally finances its operations with internally generated cash flow, and loan facilities from banks and its ultimate holding company. As at 31 December 2007, the Group had an aggregate cash balance of approximately HK$631,465,000, representing a decrease of HK$235,521,000 as compared to HK$866,986,000 at the end of last year. As at 31 December 2007, the Group had outstanding borrowings of approximately HK$1,541,825,000, representing an increase of HK$551,965,000 against HK$989,860,000 at the end of last year. The borrowings comprised bank loans of HK$1,435,448,000 and loans from ultimate holding company of HK$106,377,000.

FOREIGN EXCHANGE RISK

As most of the Group's assets, borrowings and major transactions are denominated in Renminbi, the Group is not exposed to serious risks from exchange rate fluctuation. The Group mainly settles expenses of its business in the PRC with Hong Kong dollar-remittance and Renminbi income. It has not used any financial instrument to hedge against bank borrowings in Renminbi, which are used mainly to meet capital requirements of the Group's business in the PRC.

PLEDGE OF ASSETS

As at 31 December 2007, certain banking facilities of the Group are secured by toll bridge revenue, revenue from waste water treatment plants and waste-to-energy power plants operation services, gross amounts due from customers for contract work, certain receivables and deposits relating to considerations paid for the acquisition of waste water treatment plants under TOT arrangements, bank deposits, mortgages on fixed assets and shares of a subsidiary of the Company. Such banking facilities, amounting to HK$1,661,544,000 (2006: HK$1,185,329,000), were utilized to the extent of HK$1,253,168,000 (2006: HK$891,032,000). The aggregate net book value of assets pledged amounted to approximately HK$2,287,009,000 as at 31 December 2007 (2006 (restated): HK$1,528,711,000).

COMMITMENTS

As at 31 December 2007, the Group had outstanding commitments in connection with TOT arrangements entered into which amounted to HK$754,929,000. In addition, purchase commitments outstanding in connection with the Group's construction contracts at 31 December 2007 not provided for in the financial statements amounted to HK$168,903,000.

CONTINGENT LIABILITIES

As at 31 December 2007, the Company has issued financial guarantees to two wholly-owned subsidiaries expiring on 2 August 2015 and 30 November 2015 respectively. The directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2007 under the guarantees issued is the facility drawn down by the subsidiary of HK$182,280,000 (2006: Nil).

INTERNAL MANAGEMENT

The Group adheres diligently to a management principle that stresses "people-oriented, honesty, pragmatism, creativity and standardized management" and is committed to building a solid risk management culture. During the year under review, the Group adopted a series of measures to strengthen its risk management including raising awareness to potential risks and building a risk prevention system. It adjusted the structure of the Risk Management Advisory Committee, the Engineering Technical Management Committee and the Budget Approval and Management Committee entrusting them with more significant roles and responsibilities and affirming their authority. The Group also modified the appraisal system for all projects in operation or construction. Review taskforces were formed to conduct regular on-site evaluation of progress of different projects to ensure they are effectively managed and that the Group can rest assured of its long-term, stable and sustainable development. With its four major business sectors in shape, the Group also formed a management team for each of the business sectors to focus on project management and new project development of the sector concerned. The aim of the move is to realize overall operational integration, which will give the Group maximum regional competitive advantage and allow it to maximize returns from human and material resources application.

HUMAN RESOURCES

The Group places great emphasis on human resources management with the objective of developing and realizing the full potential of each member of its quality workforce to support long-term development of the Group. In 2007, the Group organized training for its management staff with the Guanghua School of Management of the Peking University. Managers of the Group were able to learn modern management concepts during training and in turn have helped to enhance the Group's management standard.

As at 31 December 2007, the Group had approximately 880 employees in Hong Kong and the PRC. The employees are remunerated according to their qualifications, experience, job nature and performance, and also with reference to market conditions. Apart from discretionary performance bonus, the Group also provides other benefits such as medical insurance and provident fund scheme to employees in Hong Kong. The average pay rise of employees in Hong Kong in 2008 and after will be 5%. According to the share option scheme approved by the Company's extraordinary general meeting on 26 May 2003, the Board has the authority to grant share options as performance incentives to any employees, including directors. During the year under review, no share option was granted to any employees, including directors.

CORPORATE GOVERNANCE

The Code on Corporate Governance set out in Appendix 14 of the Listing Rules ("the Code") has been duly adopted by the Board as the code on corporate governance practices of the Company.

For the year ended 31 December 2007, the Company had complied with the code provisions and some of the recommended best practices as set out in the Code.

AUDIT COMMITTEE

The Audit Committee, comprising all three independent non-executive directors of the Company, namely Sir David Akers-Jones (Chairman), Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar, is primarily responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing internal control and financial reporting matters of the Group. The terms of reference of the Audit Committee are disclosed on the website of the Company. The Audit Committee had reviewed with the management and KPMG, the Company's auditors, the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters, including a review of the annual results, for the year ended 31 December 2007.

REMUNERATION COMMITTEE

The Remuneration Committee comprises Mr. Tang Shuangning (Chairman), Chairman of the Board, Mr. Zang Qiutao, Vice-chairman of the Board, and three independent non-executive directors of the Company, namely Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar. Its main duties include offering advice to the Board on the matters pertaining to the remuneration policy and remuneration structure of the directors and senior management of the Company. The terms of reference of the Remuneration Committee are disclosed on the website of the Company.

MANAGEMENT COMMITTEE

The Management Committee comprises Mr. Chen Xiaoping (Chairman), the Chief Executive Officer of the Company, Mr. Philip Fan Yan Hok, the General Manager of the Company, Mr. Raymond Wong Kam Chung, the Chief Financial Officer of the Company, Mr. Hu Yanguo and Mr. Wang Jun, the Assistants to General Manager of the Company and Mr. Yang Zhiqiang, the Manager of the Legal Department of the Company. The Management Committee is the decision-making body for day-to-day operation and its main duties include performing the duties assigned by the Board and/or the Executive Committee as well as exercising the authority and rights authorized by the same. The general mandate in relation to the Management Committee in written form has been established.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the model code (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of the directors, all directors had complied with the required standard of dealings as set out in the Model Code during the twelve months ended 31 December 2007.

OTHER INFORMATION

Final dividend

The Board has proposed to pay a final dividend of HK1 cent per ordinary share to shareholders whose names appear on the register of members of the Company on Tuesday, 22 April 2008. Dividend warrants will be dispatched to shareholders on or about Friday, 9 May 2008.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 22 April 2008 to Friday, 25 April 2008 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 21 April 2008.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year.

By Order of the Board

China Everbright International Limited

Chen Xiaoping

Chief Executive Officer

Hong Kong, 12 March 2008

As at the date of this announcement, the board of directors of the Company comprises: (i) 7 executive directors namely Mr. Tang Shuangning (Chairman), Mr. Zang Qiutao (Vice-chairman), Mr. Li Xueming (Vice-chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Philip Fan Yan Hok, Mr. Raymond Wong Kam Chung and Ms. Zhang Weiyun and (ii) 3 independent non-executive directors namely Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing and Mr. Mar Selwyn.