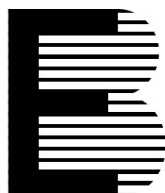


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**CHINA EVERBRIGHT INTERNATIONAL LIMITED**  
**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 257)**

**2009 RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

**Continuous growth of profit contribution from environmental protection business**  
**Strong cash position lays a solid foundation for securing new projects**

- Turnover decreased by 5% to HK\$1,765,996,000 (2008: HK\$1,862,509,000)
- EBITDA on recurring basis increased by 20% to HK\$711,609,000 (2008: HK\$592,727,000)
- Profit attributable to equity shareholders increased by 10% to HK\$371,898,000 (2008: HK\$339,018,000)
- Final dividend of HK1.2 cents per share (2008: HK1.0 cent per share)
- Cash and bank balances of HK\$2,024,272,000 (2008: HK\$699,055,000)

**2009 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 2009 with comparative figures for the year ended 31 December 2008 as follows :

**Consolidated income statement**  
**For the year ended 31 December 2009**

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Turnover</b>	3 & 10	<b>1,765,996</b>	1,862,509
Direct costs and operating expenses		<u><b>(991,074)</b></u>	<u>(1,208,838)</u>
		<b>774,922</b>	653,671
Other revenue	4	<b>62,093</b>	28,819
Other (loss)/income	4	<b>(31)</b>	52,378
Administrative expenses		<b>(164,661)</b>	(127,128)
Valuation gains on investment properties		<u><b>4,888</b></u>	<u>-</u>
<b>Profit from operations</b>		<b>677,211</b>	607,740
Finance costs	5(a)	<u><b>(170,262)</b></u>	<u>(147,188)</u>
		<b>506,949</b>	460,552
Share of profit of associate	6	<u><b>588</b></u>	<u>-</u>
<b>Profit before taxation</b>	5	<b>507,537</b>	460,552
Income tax	7	<u><b>(99,060)</b></u>	<u>(95,161)</u>
<b>Profit for the year</b>		<u><b>408,477</b></u>	<u>365,391</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>371,898</b>	339,018
Minority interests		<u><b>36,579</b></u>	<u>26,373</u>
<b>Profit for the year</b>		<u><b>408,477</b></u>	<u>365,391</u>
<b>Earnings per share</b>	9		
Basic		<u><b>HK11.39 cents</b></u>	<u>HK10.80 cents</u>
Diluted		<u><b>HK11.19 cents</b></u>	<u>HK10.59 cents</u>

**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2009**

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Profit for the year</b>	<u>408,477</u>	<u>365,391</u>
<b>Other comprehensive income for the year:</b>		
- exchange differences on translation of financial statements of subsidiaries	815	155,926
- reserves realised on disposal of subsidiaries	-	(30,718)
- changes in fair value of available-for-sale securities	<u>(1,604)</u>	<u>(37,484)</u>
	<u>(789)</u>	<u>87,724</u>
<b>Total comprehensive income for the year</b>	<u>407,688</u>	<u>453,115</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	371,030	408,659
Minority interests	<u>36,658</u>	<u>44,456</u>
<b>Total comprehensive income for the year</b>	<u>407,688</u>	<u>453,115</u>

**Consolidated balance sheet**  
**At 31 December 2009**

		2009		2008	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Fixed assets					
- Investment properties			24,467		19,574
- Other property, plant and equipment			143,544		144,999
			<u>168,011</u>		164,573
Intangible asset			553,828		577,754
Goodwill			46,133		46,133
Interest in associate			588		-
Other financial assets			21,385		22,336
Other receivables and deposits	11		1,736,218		1,386,280
Gross amounts due from customers for contract work	12		3,174,793		2,686,012
Deferred tax assets			22,522		26,538
			<u>5,723,478</u>		4,909,626
<b>Current assets</b>					
Inventories		13,150		11,501	
Debtors, other receivables, deposits and prepayments	11	603,772		421,444	
Gross amounts due from customers for contract work	12	302,596		259,052	
Pledged bank deposits		29,425		109,349	
Deposits with bank		51,062		27,574	
Cash and cash equivalents		1,943,785		562,132	
		<u>2,943,790</u>		<u>1,391,052</u>	
<b>Current liabilities</b>					
Bank loans					
- Secured		380,395		370,377	
- Unsecured		315,927		175,664	
		<u>696,322</u>		<u>546,041</u>	
Creditors, other payables and accrued expenses	13	481,481		471,031	
Current taxation		10,017		9,165	
		<u>1,187,820</u>		<u>1,026,237</u>	
<b>Net current assets</b>			<u>1,755,970</u>		<u>364,815</u>

**Consolidated balance sheet (continued)**  
**At 31 December 2009**

	<i>Note</i>	<b>2009</b>		<b>2008</b>	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Total assets less current liabilities</b>			<b>7,479,448</b>		<b>5,274,441</b>
<b>Non-current liabilities</b>					
Bank loans					
- Secured		<b>1,326,383</b>		1,178,690	
- Unsecured		<b>926,179</b>		<u>604,862</u>	
			<b>2,252,562</b>		1,783,552
Other loans		<b>39,715</b>		68,064	
Loans from ultimate holding company		<b>112,707</b>		212,958	
Deferred tax liabilities		<b>144,698</b>		<u>78,826</u>	
			<b>2,549,682</b>		<u>2,143,400</u>
<b>NET ASSETS</b>			<b><u>4,929,766</u></b>		<b><u>3,131,041</u></b>
<b>CAPITAL AND RESERVES</b>					
Share capital			<b>363,932</b>		314,378
Reserves			<b><u>4,208,900</u></b>		<u>2,505,237</u>
<b>Total equity attributable to equity shareholders of the Company</b>			<b>4,572,832</b>		2,819,615
<b>Minority interests</b>			<b><u>356,934</u></b>		<u>311,426</u>
<b>TOTAL EQUITY</b>			<b><u>4,929,766</u></b>		<b><u>3,131,041</u></b>

**Condensed consolidated cash flow statement**  
**For the year ended 31 December 2009**

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<b>(374,381)</b>	(1,086,767)
Net cash generated from investing activities	<b>45,225</b>	159,320
Net cash generated from financing activities	<u><b>1,710,719</b></u>	<u>911,133</u>
Net increase/(decrease) in cash and cash equivalents	<b>1,381,563</b>	(16,314)
Cash and cash equivalents at 1 January	<b>562,132</b>	554,863
Effect of foreign exchange rates changes	<u><b>90</b></u>	<u>23,583</u>
Cash and cash equivalents as at 31 December	<u><b>1,943,785</b></u>	<u>562,132</u>

**Notes :**

**1. Basis of preparation**

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2008 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 2009, but is derived from those financial statements.

**2. Changes in accounting policies**

The Hong Kong Institute of Certified Public Accountants has issued the following new Hong Kong Financial Reporting Standards ("HKFRS"), Interpretations and amendments to HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment - vesting conditions and cancellations*
- HK(IFRIC) 15, *Agreements for the construction of real estate*
- HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*

## 2. Changes in accounting policies (continued)

The improvements to HKFRSs (2008), amendments to HKAS 27, HKAS 23 and HKFRS 2 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the improvements, amendments and interpretations were consistent with policies already adopted by the Group or were not relevant to the Group's operation. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have also been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been adjusted to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

### 3. Turnover

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

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

	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue from environmental water project construction services	<b>530,516</b>	505,460
Revenue from environmental energy and alternative energy project construction services	<b>268,078</b>	595,006
Revenue from environmental water project operation services	<b>325,890</b>	241,642
Revenue from environmental energy and alternative energy project operation services	<b>206,501</b>	138,362
Finance income	<b>319,986</b>	254,206
Toll bridge revenue	<b>113,737</b>	107,589
Gross rentals from investment properties	<b>1,288</b>	15,825
Property management fee income	-	4,419
	<b><u>1,765,996</u></b>	<u>1,862,509</u>

The Group has transactions with the People's Republic of China ("PRC") local government authorities which in aggregate exceeded 10% of the Group's revenues. In 2009 revenues from environmental water project construction and operation services, environmental energy and alternative energy project construction and operation services and finance income derived from local government authorities in the PRC amounted to HK\$1,650,971,000 (2008: HK\$1,734,676,000). The revenues are included in "Environmental energy and alternative energy project construction and operation" and "Environmental water project construction and operation" segments as disclosed in note 10.

Further details regarding the Group's principal activities are disclosed in note 10.



#### 4. Other revenue and other (loss)/income

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b><i>Other revenue</i></b>		
Bank interest income	8,809	7,515
Dividend income from listed securities	2,577	1,186
Government grant*	6,412	-
Value-added tax refund**	27,699	13,307
Others	16,596	6,811
	<u>62,093</u>	<u>28,819</u>
<b><i>Other (loss)/income</i></b>		
Profit on disposal of subsidiaries	-	51,778
Net (loss)/gain on sale of other property, plant and equipment	(31)	600
	<u>(31)</u>	<u>52,378</u>

\* Government grant of HK\$6,412,000 (2008: HK\$Nil) was granted during the year ended 31 December 2009 to subsidise one of the Group's environmental water project in the PRC, of which the entitlement was unconditional and under the discretion of the relevant authority.

\*\* Value-added tax refund of HK\$27,699,000 (2008: HK\$13,307,000) was recognised during the year ended 31 December 2009 in relation to environmental energy project operations in the PRC. The entitlement of the value-added tax refund was unconditional and under the discretion of the relevant authorities.

#### 5. Profit before taxation

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	42,314	28,502
Interest on other bank advances and other loans	126,642	116,192
Interest on loans from ultimate holding company	1,306	2,494
	<u>170,262</u>	<u>147,188</u>

## 5. Profit before taxation (continued)

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(b) Staff costs:		
Contributions to defined contribution retirement plan	9,412	6,446
Equity-settled share-based payment expenses	-	2,385
Salaries, wages and other benefits	101,344	95,339
	<u>110,756</u>	<u>104,170</u>
(c) Other items:		
Amortisation of intangible asset	24,079	23,843
Depreciation	14,619	12,922
Net foreign exchange loss/(gain)	4,012	(20,853)
Auditors' remuneration		
- audit services	2,500	3,348
- other services	6	325
Operating lease charges: minimum lease payments		
- hire of premises	2,396	1,579
Research and development	2,984	1,188
Rentals receivable from properties less direct outgoings of HK\$313,000 (2008: HK\$1,087,000)	<u>(975)</u>	<u>(14,738)</u>

## 6. Share of profit of associate

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Share of profit of associate before taxation	588	-
Share of associate's taxation	<u>-</u>	<u>-</u>
	<u>588</u>	<u>-</u>

7. **Income tax**

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current tax – PRC income tax</b>		
Provision for the year	<b>36,492</b>	23,460
(Over)/under-provision in respect of prior years	<u>(7,304)</u>	<u>194</u>
	<b>29,188</b>	23,654
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>69,872</u>	<u>71,507</u>
Actual tax expense	<u><b>99,060</b></u>	<u>95,161</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purpose during 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.

Included in over-provision in prior years of the Group are tax credits of HK\$4,615,000 (2008: HK\$Nil) recognised by a PRC subsidiary in respect of the purchase of domestically manufactured equipment pursuant to CaiShuiZi [2000] No. 49 Notice on Relevant Issues Concerning the Offset or Exemption of Enterprise Income Tax for Foreign Investment Enterprises for Investment in the Purchase of Domestically Made Equipment.

## 8. Dividends

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

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid of HK1 cent per ordinary share (2008: HK0.6 cent per ordinary share)	<b>31,507</b>	18,843
Final dividend proposed after the balance sheet date of HK1.2 cents per ordinary share (2008: HK1 cent per ordinary share)	<u><b>43,672</b></u>	<u>31,447</u>
	<u><b>75,179</b></u>	<u>50,290</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability 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*

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1 cent per ordinary share (2008: HK1 cent per ordinary share)	<u><b>31,447</b></u>	<u>31,367</u>

## 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\$371,898,000 (2008: HK\$339,018,000) and the weighted average number of 3,264,504,000 ordinary shares (2008: 3,138,338,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009 '000	2008 '000
Issued ordinary shares at 1 January	3,143,778	3,134,721
Effect of ordinary shares issued	115,726	-
Effect of share options exercised	<u>5,000</u>	<u>3,617</u>
Weighted average number of ordinary shares at 31 December	<u><b>3,264,504</b></u>	<u><b>3,138,338</b></u>

### (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\$371,898,000 (2008: HK\$339,018,000) and the weighted average number of 3,322,968,000 ordinary shares (2008: 3,202,232,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009 '000	2008 '000
Weighted average number of ordinary shares at 31 December	3,264,504	3,138,338
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>58,464</u>	<u>63,894</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><b>3,322,968</b></u>	<u><b>3,202,232</b></u>

## 10. Segment reporting

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

Environmental energy and alternative energy project construction and operation	The construction and operation of waste-to-energy power plants, methane-to-energy power plants and industrial solid waste landfill to generate revenue from construction services, revenue from operation services as well as finance income.
Environmental water project construction and operation	The construction, upgrade and operation of waste-water treatment plants to generate revenue from construction and upgrading services, revenue from operation services as well as finance income.
Environmental technology and construction management	The conduct of environmental protection technology research projects and the provision of construction management services to generate management and consultancy fee income.
Infrastructure construction and operation	The construction and operation of a toll bridge to generate revenue from construction service and toll fee revenue.
Property investment and management	The leasing and management of office premises and shopping arcades to general rental and management fee income and to gain from the appreciation in the properties' values in the long term.

### (a) *Segments results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, investments in other financial assets, goodwill, intercompany receivables and other corporate assets. Segment liabilities include current taxation, deferred tax liabilities, creditors, other payable and accrued expenses attributable to the activities of the individual segments and borrowings managed directly by the segments, with the exception of intercompany payables.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment provision of construction management services, assistance provided by one segment to another, including technical know-how, is not measured.

The measure used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation". To arrive at EBITDA, the Group's earnings are further adjusted for share of profit of associate and items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning EBITDA, management is provided with segment information concerning revenue (including inter-segment revenue from construction management services), interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

## 10. Segment reporting (continued)

### (a) Segments results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Environmental energy and alternative energy project construction and operation		Environmental water project construction and operation		Environmental technology and construction management		Infrastructure construction and operation		Property investment and management		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue from external customers	615,254	844,616	1,035,717	890,060	-	-	113,737	107,589	1,288	20,244	1,765,996	1,862,509
Inter-segment revenue	-	-	-	-	32,544	105,773	-	-	-	-	32,544	105,773
<b>Reportable segment revenue</b>	<b>615,254</b>	<b>844,616</b>	<b>1,035,717</b>	<b>890,060</b>	<b>32,544</b>	<b>105,773</b>	<b>113,737</b>	<b>107,589</b>	<b>1,288</b>	<b>20,244</b>	<b>1,798,540</b>	<b>1,968,282</b>
<b>Reportable segment profit (EBITDA)</b>	<b>302,031</b>	<b>292,148</b>	<b>345,661</b>	<b>229,644</b>	<b>17,505</b>	<b>47,755</b>	<b>107,427</b>	<b>98,928</b>	<b>5,730</b>	<b>12,637</b>	<b>778,354</b>	<b>681,112</b>
Interest income from bank deposits	2,395	1,949	2,187	1,326	1,133	426	1,966	1,600	11	86	7,692	5,387
Interest expense	71,345	67,175	85,396	60,414	-	-	15,163	16,116	-	-	171,904	143,705
Depreciation and amortisation for the year	3,059	1,969	5,134	4,084	3,048	3,205	24,198	24,026	4	159	35,443	33,443
Additions to non-current segment assets during the year	415,332	708,549	928,501	1,263,841	1,163	32,997	280	117	-	172	1,345,276	2,005,676
<b>Reportable segment assets</b>	<b>2,782,766</b>	<b>2,365,715</b>	<b>3,562,195</b>	<b>2,762,962</b>	<b>176,511</b>	<b>87,266</b>	<b>616,404</b>	<b>709,398</b>	<b>37,403</b>	<b>33,619</b>	<b>7,175,279</b>	<b>5,958,960</b>
<b>Reportable segment liabilities</b>	<b>1,397,226</b>	<b>1,256,827</b>	<b>1,736,652</b>	<b>1,063,934</b>	<b>25,570</b>	<b>32,488</b>	<b>327,908</b>	<b>417,089</b>	<b>3,230</b>	<b>2,092</b>	<b>3,490,586</b>	<b>2,772,430</b>

## 10. Segment reporting (continued)

### (b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<i>Revenue</i>		
Reportable segment revenue	1,798,540	1,968,282
Elimination of inter-segment revenue	<u>(32,544)</u>	<u>(105,773)</u>
Consolidated turnover	<u>1,765,996</u>	<u>1,862,509</u>
<i>Profit</i>		
Reportable segment profit	778,354	681,112
Elimination of inter-segment profits	<u>(31,351)</u>	<u>(58,308)</u>
Reportable segment profit derived from		
Group's external customers	747,003	622,804
Share of profit of associate	588	-
Depreciation and amortisation	(38,698)	(36,765)
Finance costs	(170,262)	(147,188)
Unallocated head office and corporate income	7,907	51,702
Unallocated head office and corporate expenses	<u>(39,001)</u>	<u>(30,001)</u>
Consolidated profit before taxation	<u>507,537</u>	<u>460,552</u>
<i>Assets</i>		
Reportable segment assets	7,175,279	5,958,960
Interest in associate	588	-
Non-current other financial assets	21,385	22,336
Goodwill	46,133	46,133
Unallocated head office and corporate assets	<u>1,423,883</u>	<u>273,249</u>
Consolidated total assets	<u>8,667,268</u>	<u>6,300,678</u>
<i>Liabilities</i>		
Reportable segment liabilities	3,490,586	2,772,430
Unallocated head office and corporate liabilities	<u>246,916</u>	<u>397,207</u>
Consolidated total liabilities	<u>3,737,502</u>	<u>3,169,637</u>



## 10. Segment reporting (continued)

### (c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, non-current portion of other receivables and deposits, intangible asset, non-current portion of gross amounts due from customers for contract work ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of other receivables and deposits, intangible asset and gross amounts due from customers for contract work.

	<i>Revenues from external customers</i>		<i>Specified non-current assets</i>	
	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong (place of domicile)	<b>306</b>	345	<b>63,374</b>	66,152
Other parts of the PRC	<b>1,765,690</b>	1,862,164	<b>5,569,476</b>	4,748,467
	<b>1,765,996</b>	1,862,509	<b>5,632,850</b>	4,814,619

## 11. Debtors, other receivables, deposits and prepayments

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Debtors	<b>197,877</b>	98,091
Other receivables, deposits and prepayments	<b>2,142,113</b>	1,709,633
	<b>2,339,990</b>	1,807,724
Less: Non-current portion		
– other receivables and deposits	<b>(1,736,218)</b>	(1,386,280)
Current portion	<b>603,772</b>	421,444

## 11. Debtors, other receivables, deposits and prepayments (continued)

Included in “Debtors, other receivables, deposits and prepayments” are debtors with the following ageing analysis as of the balance sheet date:

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<u>106,644</u>	<u>73,248</u>
Less than 1 month past due	<b>8,985</b>	7,670
1 to 3 months past due	<b>15,509</b>	3,732
More than 3 months but less than 12 months past due	<u>66,739</u>	<u>13,441</u>
Amounts past due	<u>91,233</u>	<u>24,843</u>
	<u><b>197,877</b></u>	<u>98,091</u>

Debtors past due of HK\$73,207,000 have been subsequently settled after 31 December 2009.

Debtors are due within 30 days from the date of billing.

Included in “Debtors, other receivables, deposits and prepayments” of the Group are debtors of HK\$197,877,000 (2008: HK\$98,091,000) of which HK\$7,169,000 (2008: HK\$6,994,000) and HK\$63,749,000 (2008: HK\$23,923,000) are due from a minority shareholder and a related company respectively. Debtors represent toll bridge revenue and revenue from waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plants and industrial solid waste landfill operation services. There was no recent history of default in respect of the Group’s debtors. Since most of the debtors are local government authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 31 December 2009 (2008: HK\$Nil).

“Debtors, other receivables, deposits and prepayments” include balances totalling HK\$1,919,206,000 (2008: HK\$1,544,037,000) which bear interest at rates ranging from 5.94% to 7.83% (2008: 6.12% to 7.83%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT (Transfer-Operate-Transfer) arrangements, among which HK\$141,001,000 (2008: HK\$123,097,000) and HK\$698,296,000 (2008: HK\$497,852,000) are due from a minority shareholder and a related company respectively. 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 2009 (2008: HK\$Nil).

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**

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract cost incurred plus recognised profits less anticipated losses	<b>4,014,699</b>	3,215,255
Less: Progress billings	<u>(537,310)</u>	<u>(270,191)</u>
Net contract work	<b><u>3,477,389</u></b>	<b><u>2,945,064</u></b>

***Representing:***

Gross amounts due from customers for contract work

- Non-current	<b>3,174,793</b>	2,686,012
- Current	<u><b>302,596</b></u>	<u>259,052</u>
	<b><u>3,477,389</u></b>	<b><u>2,945,064</u></b>

Included in “Gross amounts due from customers for contract work” are amounts of HK\$270,221,000 (2008: HK\$290,055,000) and HK\$181,671,000 (2008: HK\$161,290,000) which are due from a minority shareholder and a related company respectively.

“Gross amounts due from customers for contract work” represent revenue from construction under BOT (Build-Operate-Transfer) arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 5.94% to 7.83% (2008: 6.12% to 7.83%) 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**

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Creditors, other payables and accrued charges	<b><u>481,481</u></b>	<b><u>471,031</u></b>

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

Included in “Creditors, other payables and accrued expenses” are creditors with the following ageing analysis as of the balance sheet date :

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	58,861	55,682
Due after 1 month but within 3 months	45,129	22,629
Due after 3 months but within 6 months	52,368	7,246
Due after 6 months	<u>228,244</u>	<u>272,356</u>
	<u>384,602</u>	<u>357,913</u>

Included in “Creditors, other payables and accrued expenses” of the Group is an amount of HK\$3,719,000 (2008: HK\$6,982,000) 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, balances totalling HK\$374,518,000 (2008: HK\$343,329,000) represent construction payables for the Group’s BOT arrangements, among which HK\$4,594,000 (2008: HK\$6,295,000) and HK\$11,754,000 (2008: HK\$28,684,000) are due to related companies and minority shareholder respectively. The construction payables are current and not yet due for payment. The amounts due to related companies and minority shareholder are unsecured, interest free and expected to be settled within one year.

## **BUSINESS REVIEW AND PROSPECT**

### **OPERATING RESULTS**

In 2009, the Group has grasped the opportunities of the Central Government’s favorable policies on renewable energy and endeavored its effort on energy saving and emission reduction, providing green energy, and building better environment. The Group is now developing green environment and alternative energy business with high level of social responsibilities and spirit. During the year under review, the Group has further restructured its resources and established environmental protection and alternative energy businesses as its future investment direction and development focus. The Group’s environmental protection business is now classified into three sectors, namely Environmental Energy, Environmental Water and Alternative Energy. Hong Kong head office is the investment and management center of the Group. Subsidiaries in Shenzhen and Beijing are its project construction and technology development management centers. With the existing project bases located in Jiangsu and Shandong Provinces, the Group has also extended its foothold into markets nearby such as the Guangdong and Anhui Provinces. The Group aims at developing into an environmental protection conglomerate specializing in technology development, construction, operation and management.

In 2009, the Group took advantage of the reviving financial market to place shares and raised approximately HK\$1,433,035,000. This coupled with the US\$200,000,000 10-year loan facility provided by Asian Development Bank (“ADB”) have greatly strengthened the Group’s financial position. As at 31 December 2009, the Group had cash and bank balances of approximately HK\$2,024,272,000 (excluding the ADB loan facility). With abundant financial resources, the Group has a solid foundation for its

environmental protection business to march into the next round of robust growth.

During the year under review, a number of environmental protection projects of the Group commenced commercial operation, which has expanded the base of its operation service revenue. As for the construction service revenue, it was reduced as most of the construction projects completed in the first half year. With the signing of new projects of total worth approximately RMB2.8 billion during the year, the Group sees its construction activity entering a two-year peak period during which strong growth in construction service revenue will be achieved. In 2009, the consolidated turnover of the Group amounted to HK\$1,765,996,000, representing a decrease of 5% from HK\$1,862,509,000 in 2008. EBITDA on recurring basis was HK\$711,609,000, representing a growth of 20% from HK\$592,727,000 in 2008. The Group recorded valuation gains on investment properties of HK\$4,888,000 in 2009. In 2008, the Group recorded non-recurring profit of HK\$51,778,000 from the disposal of interests in two subsidiaries engaged in non-core property business. The income tax expense for 2009 was HK\$99,060,000, representing an increase of HK\$3,899,000 as compared to HK\$95,161,000 of 2008. Profit attributable to equity shareholders of the Company for the year was HK\$371,898,000, an increase of 10% when compared to HK\$339,018,000 of 2008. Basic earnings per share were HK11.39 cents, HK0.59 cent more than HK10.80 cents of last year.

To reward shareholders for their support and taking into consideration the long-term continual development of the Group, the Board has proposed to pay a final dividend of HK1.2 cents per share to shareholders of the Company. Together with the interim dividend of HK1 cent per share already paid, the total dividends for the year will be HK2.2 cents per share (2008: HK1.6 cents per share).

## **ENVIRONMENTAL PROTECTION BUSINESS**

During the year under review, the Group stepped up its effort in exploring new projects and secured 10 new projects that carried a total investment of approximately RMB2,766,531,000. As at 31 December 2009, the Group had 32 environmental protection and alternative energy projects commanding a total investment of approximately RMB7,816,640,000, of which the projects with construction completed had a total investment amounting to approximately RMB5,122,789,000 whereas those currently in construction worth a total of about RMB1,635,078,000. As for projects still in preparatory stage, their estimated investment cost totaled at approximately RMB1,058,773,000. Subsequent to 31 December 2009, the Group further secured three new projects including the Dangshan Biomass Power Generation Project, the Huaining Solar Photovoltaic Energy Project and the Zibo Reusable Water Project with total investment of approximately RMB436,470,000.

The increasing number of projects and rising processing volume and standard have boosted the Group's revenue base on operation service. During the year under review, turnover from environmental protection business amounted to HK\$1,650,971,000 (construction service revenue: 48%, operation service revenue: 32%, and finance income: 20%), a decrease of 5% when compared with 2008 and accounting for 93% of the Group's total turnover, similar to that in 2008. EBITDA amounted to HK\$634,434,000, an increase of 24% when compared with 2008 and accounting for 85% of total profit on recurring basis.

## Major operating and financial data of the environmental protection business in 2009:

	2009			2008		
	Environmental Energy and Alternative Energy projects <i>HKS'000</i>	Environmental Water projects <i>HKS'000</i>	Total <i>HKS'000</i>	Environmental Energy and Alternative Energy projects <i>HKS'000</i>	Environmental Water projects <i>HKS'000</i>	Total <i>HKS'000</i>
Turnover						
- construction service	268,078	530,516	798,594	595,006	505,460	1,100,466
- operation service	206,501	325,890	532,391	138,362	241,642	380,004
- finance income	140,675	179,311	319,986	111,248	142,958	254,206
	<b>615,254</b>	<b>1,035,717</b>	<b>1,650,971</b>	<b>844,616</b>	<b>890,060</b>	<b>1,734,676</b>
EBITDA*	<b>295,581</b>	<b>338,853</b>	<b>634,434</b>	<b>286,239</b>	<b>225,000</b>	<b>511,239</b>

\*After elimination of inter-segment profits

During the year under review, the Group has processed household and industrial waste of 1,724,000 tonnes and generated green electricity of 481,000,000 kilowatt-hour, which can fulfill the annual electricity consumption of 400,000 households and is equivalent to coal saving of 192,700 tonnes and reduction of carbon dioxide (CO<sub>2</sub>) emission of 564,100 tonnes. Meanwhile, the Group has processed waste water (including leachate from waste-to-energy project) of 400,000,000 m<sup>3</sup> and reduced COD emission of 143,700 tonnes. Since the operation of the first environmental protection project in 2005, the Group has processed accumulated household and industrial waste of 2,780,000 tonnes and generated green electricity of 957,000,000 kilowatt-hour, which can fulfill the annual electricity consumption of 800,000 households and is equivalent to coal saving of 380,000 tonnes and reduction of carbon dioxide emission of 1,200,000 tonnes. Meanwhile, the Group has processed accumulated waste water (including leachate from waste-to-energy project) of 1,200,000,000 m<sup>3</sup> and reduced COD emission of 490,000 tonnes.

## THREE CORE BUSINESS SECTORS

### 1. ENVIRONMENTAL ENERGY

The environmental energy sector encompasses waste-to-energy projects, industrial solid waste landfill project and environmental protection industrial park being developed. The Group currently has 11 projects. The designed total annual processing capacity is approximately 3,200,000 tonnes of household waste generating an average annual on-grid electricity of approximately 900,000,000 kilowatt-hour, and also approximately 200,000 m<sup>3</sup> of other wastes.

The Group secured the Suzhou Waste-to-energy Project in 2004 and five waste-to-energy projects commenced operation and processed up to 4,150 tonnes of wastes a day in the six years' time. In 2009, the Group secured five waste-to-energy projects including Jinan Waste-to-energy Project, Jiangyin Waste-to-energy Project Phase II, Zhenjiang Waste-to-energy Project, Suqian Waste-to-energy Project and Huidong Waste-to-energy Project. These projects have a total daily waste processing capacity of 4,600 tonnes which exceeds the total of projects secured in the prior six years. Construction of these environmental protection projects will gradually begin in 2010 and when all works are completed, it will notably raise the leading position of the Group in the environmental protection industry.

During the year under review, the environmental energy projects of the Group together processed 1,724,000 tonnes of household waste, 22,000 m<sup>3</sup> of solid waste and generated on-grid electricity of 365,120,000 kilowatt-hour, representing an increase of 84%, 57% and 96% as compared with last year. The environmental energy projects brought an EBITDA of HK\$284,826,000, representing an increase of 3% against last year. The increase in profit was mainly attributable to the increased contribution from the operating projects in Yixing, Jiangyin and Changzhou, which offset the decline in construction service revenue during the year.

In addition, the Group expanded the geographical footprint of its environmental energy projects in 2009 : 1) it secured the Suqian Project which allowed it to extend business reach from the southern part to the northern part of Jiangsu Province; 2) landing the Huidong Project in Guangdong Province marked the Group's entry into the Pearl River Delta region. The expanded footprint bears testament to the Group's leadership in the environmental energy sector.

Environmental energy business delivered outstanding performance during the year. The commencement of commercial operation of Suzhou waste-to-energy project Phase II together with the operation of the Phase I project has a designed total daily processing capacity of 2,050 tonnes. The Project is the largest waste-to-energy facility in the PRC and was dubbed the "Garden-like Waste-to-energy Plant" by CCTV recently.

Major operating and financial data of the environmental energy sector in 2009:

	Waste processing volume (tonne)		On-grid electricity (kWh)		EBITDA (HK\$'000)	
	2009	2008	2009	2008	2009	2008
- Suzhou Waste-to-energy Project ("Suzhou Project") Phase I and Phase II (1)	775,000	489,000	171,969,000	110,800,000	147,599	147,745
- Yixing Waste-to-energy Project ("Yixing Project") (2)	228,000	200,000	47,020,000	34,514,000	22,864	15,089
- Jiangyin Waste-to-energy Project Phase I ("Jiangyin Project Phase I") (3)	347,000	248,000	70,140,000	41,370,000	52,955	34,902
- Jiangyin Waste-to-energy Project Phase II ("Jiangyin Project Phase II") (4)	-	-	-	-	(122)	-
- Changzhou Waste-to-energy Project ("Changzhou Project") (5)	374,000	-	75,991,000	-	54,175	72,832
- Jinan Waste-to-energy Project (6)	-	-	-	-	(3,222)	-
- Zhenjiang Waste-to-energy Project ("Zhenjiang Project") (7)	-	-	-	-	(871)	-
	<b>1,724,000</b>	<b>937,000</b>	<b>365,120,000</b>	<b>186,684,000</b>	<b>273,378</b>	<b>270,568</b>
- Solid Waste Project (8) (m <sup>3</sup> )	<b>22,000</b>	<b>14,000</b>	<b>-</b>	<b>-</b>	<b>11,448</b>	<b>7,142</b>
					<b>284,826</b>	<b>277,710</b>

- (1) With the commencement of commercial operation of Suzhou Project Phase II in June 2009, the Suzhou Project became the largest waste-to-energy project in the PRC. It is expected that the operational efficiency will increase.
- (2) The increase in profit of Yixing Project was mainly attributable to the growth of waste processing volume and on-grid electricity which increased the operation service revenue.
- (3) The increase in profit of Jiangyin Project Phase I was mainly attributable to the growth of waste processing volume and on-grid electricity which increased the operation service revenue.
- (4) Construction work of Jiangyin Project Phase II is expected to commenced in the first half of 2010.

- (5) The decrease in profit of Changzhou Project was mainly attributable to the recognition of construction service revenue in 2008. The project started commercial operation in November 2008 and only recognised operation service revenue in 2009. The operational efficiency of the project is expected to increase.
- (6) Construction work of Jinan Waste-to-energy Project commenced in February 2010.
- (7) Construction work of Zhenjiang Project is expected to begin in the first half of 2010.
- (8) The increase in profit of Solid Waste Project was mainly attributable to the increase in solid waste treatment volume which increased the revenue of the Project.

### **Environmental protection industrial park**

Environmental protection industrial park is another environmental energy business which the Group has strived to expand. On the footing of waste-to-energy projects secured in different regions, the Group has moved on to forging stronger ties with local governments on environmental protection projects in terms of centralizing planning of those projects in the mode of the Environmental protection industrial park. With centralized management, the projects will enjoy greater economies of scale and synergies. Currently, the Group has agreements with the government in Suzhou, Zhenjiang and Suqian to develop industrial park.

In the Suzhou Veinous Industrial Park in Jiangsu Province, the completed projects included Phase I and II of the waste-to-energy project, Phase I and II of the methane-to-energy project and Phase I of the industrial solid waste landfill project. Projects in construction and preparatory stage include leachate treatment and leachate methane-to-energy projects. In 2010, the Group will discuss with the Suzhou Municipal Government about implementation of the environmental protection projects being planned including Phase III of the waste-to-energy project, a sludge treatment center, a solid waste technology development and research center, kitchen waste treatment and equipment manufacturing centre, etc.

In 2009, the Group signed an agreement with the Zhenjiang Municipal Government and the Suqian Municipal Government respectively to build in each locality an environmental protection veinous industrial park in two to five years. The Group will invest and operate the industrial parks in phases. The industrial parks will have various projects such as integrated treatment of kitchen waste, collection and recycling of used plastics, facilities for dismantling and recycling electronic wastes and used cars, recycling of residue food resources and sludge treatment, hazardous waste landfill, integrated use of incineration residues and construction wastes and methane-to-energy projects, etc.

## **2. ENVIRONMENTAL WATER**

This sector is made up of waste water treatment projects in Shandong and Jiangsu provinces. As at 31 December 2009, a total of 17 investment projects were secured and the total designed annual waste water treatment capacity is approximately 550,000,000 m<sup>3</sup>. In 2009, the Group secured new projects including the Jinan Xike Waste Water Treatment Project, the Ling County Waste Water Treatment Project and Xinyi BT (Build-Transfer) Waste Water Treatment Project, which is the Group's first BT waste water treatment project.

Taking a total investment of approximately RMB62,150,000 to build, Phase I of the Xinyi BT Waste Water Treatment Project is the Group's first project operating in BT mode. It has a designed waste water treatment capacity of 10,000 m<sup>3</sup> a day (the entire project has a waste water treatment capacity of 30,000 m<sup>3</sup> a day). The Group will be responsible for construction and, when construction is completed as scheduled for the fourth quarter of 2010, the project will be transferred to the Xinyi Municipal Government in return for payment by installments spread over four years (construction period inclusive).

During the year, the Group accomplished the targets set for the environmental water sector. They included acquisition of piping network for the Jiangyin Waste Water Treatment Project, adjustment of water charges in Qingdao Project, overall upgrading of the Jinan Project and construction and operation of the Jinan Licheng Project, assuring the urban areas of Jinan city meet Grade 1A waste water treatment standard. Currently, the Group accounts for 85% of COD emission reduction on waste water treatment in



Jinan and Zibo urban areas.

During the year under review, the Group's environmental water projects treated 388,012,000 m<sup>3</sup> of waste water, representing an increase of 7% as compared with the previous year. The projects brought an EBITDA of HK\$338,853,000, representing an increase of 51% against the previous year. The increase in profit was mainly attributable to the growth in operation service revenue by 35% as a result of the increase in waste water treatment fees of Jinan Project and Qingdao Project. The construction service revenue was also increased by 5% as a result of the upgrade works done for the Jinan Project and construction of the Jinan Licheng Project and Jinan Xike Project during the year.

Major operating and financial data of the environmental water sector in 2009:

	Waste water treatment volume (m <sup>3</sup> )		EBITDA (HK\$'000)	
	2009	2008	2009	2008
- Qingdao Waste Water Treatment Project ("Qingdao Project") (1)	67,252,000	69,172,000	31,634	20,430
- Zibo Waste Water Treatment Project (including Southern and Northern Plants) ("Zibo Southern and Northern Plants Project") (2)	81,559,000	83,659,000	28,832	17,019
- Zibo High-tech Zone Waste Water Treatment Project ("Zibo High-tech Zone Project")	34,124,000	34,607,000	13,719	13,682
- Jinan Waste Water Treatment Project ("Jinan Project") (3)	143,095,000	146,517,000	123,857	72,883
- Jinan Licheng Waste Water Treatment Project ("Jinan Licheng Project") (4)	11,694,000	-	23,939	15,419
- Jinan Xike Waste Water Treatment Project ("Jinan Xike Project") (5)	-	-	11,139	-
- Binzhou Boxing Waste Water Treatment Project ("Boxing Project") (6)	8,216,000	3,309,000	6,168	6,596
- Zhoucun Waste Water Treatment Project ("Zhoucun Project") (7)	9,557,000	-	1,766	7,978
- Jiangyin Waste Water Treatment Project ("Jiangyin Waste Water Project") (8)	32,515,000	26,648,000	97,799	70,993
	<b>388,012,000</b>	<b>363,912,000</b>	<b>338,853</b>	<b>225,000</b>

- (1) The increase in profit of the Qingdao Project was mainly attributable to the receipt of waste water treatment fee of RMB7,040,000 in respect of the previous year. Furthermore, approval was given during the year under review for waste water treatment fee to be increased from RMB1.06/m<sup>3</sup> to RMB1.11/m<sup>3</sup>.
- (2) The increase in profit of the Zibo Southern and Northern Plants Project was mainly attributable to the revision of waste water treatment fee from RMB0.75/m<sup>3</sup> to RMB0.98/m<sup>3</sup> after Grade 1A upgrade work was completed in May 2008.
- (3) The increase in profit of the Jinan Project was mainly attributable to the recognition of construction service revenue of overall upgrade works in the first half of 2009. The upgrade resulted in the treated water meeting Grade 1A standard and in turn an increase in waste water treatment fee from RMB0.75/m<sup>3</sup> to RMB1.012/m<sup>3</sup>.
- (4) Jinan Licheng Project commenced commercial operation in October 2009.
- (5) Jinan Xike Project commenced construction in July 2009.
- (6) Upgrade of Boxing Project Phase I and construction of Phase II were completed during the year under review. Trial run is underway and the project is expected to commence commercial operation after receipt of government approval.
- (7) The decrease in profit of the Zhoucun Project was mainly attributable to the recognition of construction revenue in 2008. The project commenced commercial operation in November 2009.
- (8) Operational efficiency of the Jiangyin Waste Water Project is expected to increase steadily following the completion of the sewage piping network and as waste water treatment volume gradually increases.

### 3. ALTERNATIVE ENERGY

The PRC has been relentless in pursuing and investing in environmental protection while pushing for economic development. Developing alternative energy coincides with the global trend and also the fundamental national policy for sustainable development of the country. In 2009, the Group also identified alternative energy as a key development area for future investment. As at 31 December 2009, the major alternative energy projects secured by the Group included Suzhou Methane-to-energy Project Phase I and Phase II ("Suzhou Methane Project"), the Zibo Waste Water Source Heat Pump Project and Xinyi Straw Cogeneration Project, commanding a total investment of approximately RMB436,800,000.

Suzhou Methane Project, the Group's first alternative energy project in operation, has achieved Gold Standard Voluntary Emission Reduction ("VER") Project registration from Switzerland's Gold Standard Foundation, the first VER project in China. During the year under review, the Suzhou Methane Project supplied 19,830,000 kilowatt-hour of electricity to the power grid and brought an EBITDA of HK\$10,990,000, representing an increase of 29% as compared with 2008. The Group is currently developing the leachate methane-to-energy projects in Suzhou, Yixing, Changzhou and Jiangyin and the Qingdao Sludge Methane-to-energy Project.

During the year, the Group also embarked on waste water source heat pump project, biomass cogeneration project. In November 2009, it signed an agreement with the Zibo Municipal Government in Shandong Province to provide heating and cooling services to the Zibo Science Park. The Group intends to implement the heat pump project in two phases. Phase I, which will span 125,000 m<sup>2</sup>, commands a total investment of approximately RMB57,887,000 of which RMB24,800,000 will be invested in internal air-conditioning of the building. The investment and work schedule of the Phase II will depend on the subsequent operation status of Phase I and market conditions. The initial estimated service area of Phase II when fully operational is approximately 1,500,000 m<sup>2</sup>.

In December 2009, the Group had successfully obtained the first biomass project, Xinyi Straw Cogeneration Project. The total investment of the project is approximately RMB338,000,000. The designed daily processing capacity of the project is 800 tonnes and the annual processing capacity is 260,000 tonnes. It will be equipped with two 15MW electricity generators and is expected to commence commercial operation in 2012. Securing this project has significant meaning in the development of the alternative energy sector of the Group.

In 2009, the Group has entered into Framework Agreements with Dupont and Huaining County People's Government with respect to Shenzhen photovoltaic energy project and Huaining photovoltaic energy on-grid project (both projects has obtained approval from the National Development and Reform Commission) respectively. The Group has also reached preliminary consent with Dangshan County People's Government with respect to biomass project. All these projects are now proceeding as planned.

The Group also signed cooperative framework agreements with the People's Government of Jiangyin City in Jiangsu Province, the Zibo High-tech Zone Management Committee in Shandong Province and The People's Government of Dezhou City in Shandong Province regarding development of alternative energy in the two provinces.

Furthermore, the Group signed a memorandum of understanding ("MOU") with Belgium-based 3E S.A. ("3E Company") on alternative energy technology development. 3E Company is an international renewable energy and energy conservation technology company. The objective of the MOU is for the two parties to establish long-term strategic relationship and combine strengths in exploring different energy-related initiatives.

## **ENVIRONMENTAL PROTECTION ENGINEERING**

Everbright Environmental Protection Engineering (Shenzhen) Limited ("Everbright Environmental Engineering") is the Group's engineering technology platform for environmental protection construction business development in China. Everbright Environmental Engineering holds a licence of "Main Contractor for Municipal Public Works" and ISO9001:2000 (Quality), ISO-14001 (Environment) and OHSMS28001 (Occupational Health and Safety) Management System accreditations. It is a "High-tech Enterprise".

Regardless of the scale of and size of investment in a project, Everbright Environmental Engineering has insisted on "Producing quality projects and building a quality brand" in carrying out its work. It upholds the operating philosophies of "Integrity, pragmatism, efficiency and innovation" and delivering work of

“First-class design, technology, equipment, construction and management”. Applying its strengths in technology, management and human resources, it boasts effective control on the quality, standard, technology and efficiency of its projects, developing a number of excellent projects for the community, which are recognized by governments at different level, and establishing a good image in the industry. Completed projects included construction of household waste-to-energy plants, solid waste landfills and methane-to-energy plants in Suzhou City, Changzhou City, Yixing City and Jiangyin City in Jiangsu Province, and construction and upgrading of waste water treatment plants in Jinan City and Zibo City in Shandong Province. Projects in progress included household waste-to-energy projects and waste water treatment projects in Jiangyin City of Jiangsu Province, Jinan City and Zibo City in Shandong Province.

In 2009, Everbright Environmental Engineering had six projects completed and commenced operation. For instance, Changzhou Project underwent a production assessment by an expert team of the Construction Ministry of Suzhou Province. It scored 98 points in overall grade and made Grade A rating. Construction of Suzhou Project Phase II took only 15 months to complete, attributable to the efficient management of construction works for the project by the Group. During the year, the Group completed upgrading of the Jinan Project and construction of Jinan Licheng Project. These plants have reached Grade 1A national waste water discharge standard. In addition, civil engineering construction of Jinan Xike Project was completed, and construction of the Ling County Waste Water Treatment Project is expected to commence commercial operation in mid-2010.

2010 will be a year in which the Group has the most projects in construction in the environmental protection business. Everbright Environmental Engineering will push forward at full strength the construction of different projects and ensure works progress smoothly and are carried out with effective safety, quality and cost control. In 2010, the Group will focused on the construction of ten major projects including five environmental energy projects in Jinan, Jiangyin (Phase II), Zhenjiang, Huidong and Suqian, two alternative energy projects in Xinyi and Dangshan and three waste water treatment projects in Jinan Xike, Xinyi and Ling County.

Guided by its emphasis on scientific development and business development strategies, Everbright Environmental Engineering will continue to learn from its experience, consolidate and enhance its capability in engineering technology, optimize management flow and develop human resources, with the aim of making critical contribution to building a resource efficient and environmentally-friendly society.

## **TECHNOLOGICAL RESEARCH AND DEVELOPMENT**

Everbright Environmental Protection Technology Development (Beijing) Limited (“Everbright Technology Development”) is the platform of cooperation with technology research institutions, international advance technology transfer and technological research and development of the Group.

During the year under review, the Group focused on the research and development of proprietary furnace bed of incinerators, furnace control system, biomass power, sludge dehydration, waste water source heat pump technology for heating and cooling service, high-grade reusable water, improvement of leachate treatment, photovoltaic energy and wind power generation. In addition, to facilitate development of alternative energy business, the Group conducted on-site market research on wind power, solar energy, biomass energy, geothermal energy, tidal power, waste water treatment and waste-to-energy in Jinan, Qingdao, Zibo, Binzhou, Weifang, Dongying and Rizhao, etc. In 2010, the Group identified ten major research and development topics including domestically developed grate furnaces and automatic control system, standardization of design of waste-to-energy and waste water treatment projects, technologies on waste-to-energy and waste water treatment in small to medium cities, technologies application on reusable water, solar energy, wind power, biomass power generation, establishment of sludge treatment and waste leachate treatment center.

During the year under review, the Group has submitted applications for 12 research projects and obtained government research and development funding in the total amount of RMB4,720,000. It also obtained 3 invention patents and 3 utility patents. Assessment of 9 other patent applications has entered public inspection stage.

The Group will continue to invest in technological innovations and enhance research and development capabilities, with the aim of lowering construction and operating costs and boosting the cost effectiveness and competitiveness of its projects. The Group will seek to commercialize patented technologies and strive to develop into a new environmental protection enterprise that employs “Top-notch techniques and high-end technologies”.

During the year under review, the Group worked with academic institutions including Tsinghua University, Tongji University and the Shandong Academy of Sciences on various initiatives including research and development projects, sourcing of government funding for research and organizing seminars on technological applications, etc. Furthermore, it continued to work with other strategic partners in the industry such as Guangzhou Design & Engineering Co., Ltd of China Light Industry, China Northeast Municipal Engineering Design and Research Institute, An Hui No.2 Electric Power Engineering & Construction Co. to share knowledge and information including new relevant government policies and new technologies, etc. In May 2009, the Group and the Shandong Academy of Sciences set up the “Everbright International-Shandong Academy of Sciences Environmental Protection and Energy Saving Engineering Technology Research Institute” in Beijing. The move marked the beginning of cooperation between the environmental protection industry and research institutes in the PRC to equip the industry with locally-made equipment and develop proprietary core technologies.

## **INFRASTRUCTURE**

### **TOLL BRIDGE**

The Qingzhou Bridge is at the center of the major transportation hub in Fujian Province. Traffic flow on the bridge has been increasing steadily since traffic commenced in 2003, thus has been a stable source of cash flow for the Group. In 2009, the average daily number of standard vehicles crossing the bridge increased to 35,408 or by 5% when compared with 2008. During the year under review, the project generated an EBITDA of HK\$107,427,000 to the Group, a 9% increase against 2008.

Looking forward, with the gradually recovering global economy bringing increasing truck traffic and the completion of Phase II of the North Airport Highway in Fuzhou, the traffic on Qingzhou Bridge is expected to keep rising.

## HONORS AND RECOGNITIONS

Awards won by the Group during the year under review are listed as follows:

Date	Organizer	Awards
29 April 2009	Hong Kong Environmental Protection Association	National Enterprise Environmental Achievement 08/09
21 June 2009	China Association for Promoting International Economic & Technical Cooperation	Top 10 Most Social Responsible Brand Enterprise in the PRC
21 June 2009	China Association for Promoting International Economic & Technical Cooperation	2009 Top 100 Innovation Enterprise in the PRC
July 2009	Mercomm Inc.	23 <sup>rd</sup> International ARC Awards 2009 – Silver award (Water Treatment Group)
8 December 2009	Economic Digest	2009 Outstanding Enterprises Award

## BUSINESS PROSPECTS

Putting scientific development into action, and with the PRC government hastening optimization of industries, environmental protection and green GDP have become guiding principles of the era. And development of power technology and low carbon economy, the promotion of wind power, solar energy and biomass energy, waste-to-energy, waste water treatment, reuse and reproduction of waste, energy saving and emissions reduction is set to become an integral part of people's life and at the same time will present enormous room for growth of the green industry.

The huge development potential of the green market in the PRC will continue to give strong impetus to the Group to develop its businesses. In the future, the Group will adhere to the operational philosophy of "producing quality projects and establishing a quality brand" and draw on past experience in tackling new projects, with the aim of expanding and strengthening its core businesses and enhancing the influence and presence of the "Everbright Environment" brand across the country.

In 2009, the Group shifted focus from developing individual projects to building environmental industrial chains and endeavored to "transform from a traditional environmental company into a new environmental protection enterprise that employs top-notch techniques and high-end technologies". And, developing alternative energy business is a realization of these strategies. In the coming years, development of new technologies, new materials and renewable energy business will be our focuses in striving for sustainable development.

The existing business structure of the Group is conducive to its foray into the alternative energy industry. The current environmental protection projects of the Group are located mainly in Jiangsu and Shandong, both of which have rich alternative energy resources as well as strong demand for alternative energy. Their alternative energy sectors are also developing the fastest in the country and have announced concrete development plans. Armed with the prominent "Everbright Environment" brand, the Group stands well in gaining government support in the two provinces in tapping the alternative energy field.

Furthermore, the Group has years of experience in project construction to serve as a fundamental capacity in developing alternative energy projects. The Group also has partners in specialized academic institutions who can provide it with research and development backup for entering the alternative energy industry.

The Group will apply its leadership advantages and follow the principle of "Implementing projects with one success followed by another", step up investment in and speed up pursuit of projects in the Yangtze

River Delta, Pearl River Delta and Bohai Coastal regions, so as to seize strategic high ground that can allow it to win in the next round of international competition.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL POSITION**

As at 31 December 2009, the Group had total assets amounted to approximately HK\$8,667,268,000, with HK\$4,572,832,000 worth of net assets attributable to equity shareholders of the Company, which amounted to HK\$1.257 per ordinary share, representing an increase of 40% as compared to HK\$0.897 per ordinary share for the year of 2008. As at 31 December 2009, gearing ratio (total liabilities over total assets) of the Group was 43%, 7 percentage points less than the 50% as at end of 2008.

### **FINANCIAL RESOURCES**

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. It primarily finances its operations with internally generated cash flow and loan facilities from banks and funds from its ultimate holding company. As at 31 December 2009, the Group had an aggregate cash balance of approximately HK\$2,024,272,000, representing an increase of HK\$1,325,217,000 as compared to HK\$699,055,000 at the end of 2008. The increase mainly came from the net proceeds of HK\$1,433,035,000 from placing of shares during the year. Currently, most of its cash, about 96%, are denominated in Hong Kong dollars and Renminbi.

### **BORROWINGS**

In 2009, the Group strived to increase its banking facilities to reserve sufficient funds for the development of its environmental protection business. During the year, the Group was granted a 10-year US\$200,000,000 loan facility from the ADB, US\$100,000,000 of which is a direct loan from ADB and the remaining US\$100,000,000 will come from commercial banks led by ADB. This is the first long-term loan provided by ADB to a Chinese enterprise, indicative of ABD's recognition for the high corporate governance, professional management and dedication to corporate social responsibility of the Group.

As at 31 December 2009, the Group had outstanding borrowings of approximately HK\$3,101,306,000, representing an increase of HK\$490,691,000 as compared to HK\$2,610,615,000 at the end of 2008. The borrowings comprised secured bank loans of HK\$1,706,778,000, unsecured bank loans of HK\$1,242,106,000, other loans of HK\$39,715,000 and loans of HK\$112,707,000 owed to the ultimate holding company. The borrowings are mainly, about 90%, denominated in Renminbi and the remaining are denominated in US dollars and Hong Kong dollars. Most borrowings have variable rates. In 2009, the average interest rate of the Group's borrowings dropped from 7% to 6%, which was mainly attributable to interest rate cut.

### **FOREIGN EXCHANGE RISK**

The Group's assets, borrowings and major transactions are mainly denominated in Renminbi. It mainly settles business expenses in the PRC with Hong Kong dollar remittance and income in Renminbi. It has not used any financial instruments to hedge against bank borrowings in Renminbi, which are used mainly to meet capital requirements of its business in the PRC. The Group will closely manage and monitor foreign currency risks given the increased loan balances in Hong Kong dollars and US dollars.

### **PLEDGE OF ASSETS**

As at 31 December 2009, certain banking facilities of the Group were secured by certain revenue and receivables in connection with the Group's service concession arrangement, bank deposits, mortgages on fixed assets and shares of a subsidiary of the Company. Such banking facilities, amounting to HK\$2,885,595,000 (2008: HK\$1,793,850,000), were utilised to the extent of HK\$1,706,778,000 of the facilities (2008: HK\$1,549,067,000) as at 31 December 2009. The aggregate net book value of assets

pledged amounted to HK\$4,055,137,000 as at 31 December 2009 (2008 : HK\$2,820,606,000).

## **COMMITMENTS**

As at 31 December 2009, the Group had outstanding commitments in connection with TOT arrangements in the amount of HK\$303,135,000 and HK\$248,097,000 of purchase commitments outstanding in connection with construction contracts.

## **CONTINGENT LIABILITES**

As at 31 December 2009, the Company had issued financial guarantees to five wholly-owned subsidiaries and a non-wholly owned subsidiary. 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 year end under the guarantees issued is the facility drawn down by the subsidiaries of HK\$956,044,000 (2008: HK\$530,786,000).

## **PLACING OF SHARES**

On 23 September 2009, the Company, its substantial shareholder Guildford Limited, and the placing agent Nomura International (Hong Kong) Limited signed a placing and subscription agreement. Pursuant to the agreement, the Company placed 480,000,000 shares to independent investors at HK\$3.03 per share and raised net proceeds amounted to approximately HK\$1,433,035,000, which will be used for the development of the environmental protection business and as general working capital.

The share placement significantly enhanced the capital position, liquidity of the Group, thus consolidated its financial condition. In addition, it also boosted funds of the Group for supporting future development of its environmental protection business and laid a solid foundation for growth of the business.

## **INTERNAL MANAGEMENT**

The Group adheres diligently to the management principle of focusing on “People, integrity, pragmatism, innovation and systematic 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 internal management including “Revised Target Management and Appraisal Policy for Environmental Protection Project Companies”, “Revised Remuneration Management Policy for Site Construction Team”, “Market and Project Development Management Policy” and “Budgetary Management Policy”, etc., to motivate staff in joining project construction and developing new markets and projects. With the help of the Risk Management Advisory Committee, the Engineering Technical Management Committee and the Budget Approval and Management Committee, the Group formulated strict regulations on investment in and construction and operation of environmental protection projects.

## **HUMAN RESOURCES**

The Group highly values its human resources. It believes realizing the full potential of its employees is crucial to its long term growth, thus it puts great efforts on staff training. In 2009, the Company co-organized a Master of Engineering program with the School of Environmental Science and Engineering of Tsinghua University to raise the staff’s engineering capabilities so as to help the transformation of Everbright Environment into a new environmental protection enterprise that employs top-notch techniques and high-end technologies. The aims of the program are to improve the professional skills of staff and their work efficiency, and in turn the overall quality of the Group.

As at 31 December 2009, the Group had approximately 1,100 employees in Hong Kong and mainland China. Employees of the Group are remunerated according to their qualifications, experience, job nature, performance and 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. According to the share option scheme approved by the Company’s extraordinary general

meeting on 26 May 2003, at the discretion of the Board, share options may be granted as performance incentives to any employees, including directors. During the year under review, no share option was granted.

## **CORPORATE GOVERNANCE**

The Group has been relentless in raising its corporate governance standard, which, it believes, is key to assuring healthy business development and safeguarding shareholders' interest. The Group upholds the management principle of "people interest, pragmatism, creativity and systematic management", and through a set of rules and regulations, continuously strengthens internal control and risk management. Furthermore, by full and timely public disclosure of information, the Group maintains transparency and accountability which align with its corporate values. The Board meets regularly and has set up an Executive Committee, an Audit Committee, a Remuneration Committee and a Management Committee. For risk management, the Group has set up a Risk Management Advisory Committee to monitor and assess risks regularly, raise related management standards and evaluate investment projects. Regarding technological risk management, the Group has in place an Engineering Technical Management Committee responsible for assessing the technologies used in different investment projects. For financial control, the Group insists on stringent budget management, and has set up a Budget Approval Management Committee that focuses on monitoring construction budgets. In addition, the Group also has set up an Internal Audit Department to perform internal audits on investment projects so as to help the Group raise its management standard.

The Code on Corporate Governance ("the Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") was duly adopted by the Board as the code on corporate governance practices of the Company.

For the year ended 31 December 2009, the Company had complied with the provisions of the Code and most of the recommended best practices as set out in the Code.

### **Executive Committee**

The Executive Committee comprises Mr. Tang Shuangning (Chairman), the Chairman of the Board, and six executive directors, namely Mr. Zang Qiutao, Mr. Li Xueming, Mr. Chen Xiaoping, Mr. Wang Tianyi, Mr. Raymond Wong Kam Chung and Ms. Zhang Weiyun. Its main duties include performing the duties assigned by the Board as well as exercising the authority and rights authorized by the Board. The general mandate in relation to the Executive Committee in written form has been established.

### **Audit Committee**

The Audit Committee, comprising the 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 Committee are disclosed on the website of the Company. The Audit Committee has reviewed with the management and KPMG, the Company's auditors, the accounting principles and practices adopted by the Group and discussed the Group's internal control and financial reporting matters, including review of the annual results for the year ended 31 December 2009.

### **Remuneration Committee**

The Remuneration Committee currently comprises Mr. Zang Qiutao (Chairman), the Vice-chairman of the Board, and the 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. Wang Tianyi, the General Manager of the Company, Mr. Raymond Wong Kam Chung, the Chief Financial Officer of the Company, the General Manager of Everbright Environmental Protection Engineering (Shenzhen) Limited, the General Manager of Everbright Environmental Protection Technological Development (Beijing) Limited, the person-in-charge of the Environmental Energy sector, the person-in-charge of the Environmental Water sector, the person-in-charge of the Alternative Energy sector and the person-in-charge of the Investment Development Department. The Management Committee makes decisions in relation to day-to-day operation of the Group and also carries out duties assigned by the Board as well as exercises 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. Specific enquiry was made with all the directors, who confirmed they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2009.

### **OTHER INFORMATION**

#### **Final Dividend**

The Board has proposed to pay a final dividend of HK1.2 cents per share (2008: HK1.0 cent per share) to shareholders whose names appear on the register of members of the Company on Friday, 7 May 2010. Subject to the approval of the shareholders of the final dividend at the forthcoming annual general meeting of the Company, dividend warrants will be dispatched to shareholders on or about Wednesday, 19 May 2010.

#### **Closure of Register of Members**

The register of members of the Company will be closed from Friday, 7 May 2010 to Wednesday, 12 May 2010 (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 Thursday, 6 May 2010.

#### **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, 10 March 2010

As at the date of this announcement, the Board comprises : (i) 7 executive directors, namely Mr. Tang Shuangning, Mr. Zang Qiutao, Mr. Li Xueming, Mr. Chen Xiaoping, Mr. Wang Tianyi, Mr. Raymond Wong Kam Chung and Ms. Zhang Weiyun; (ii) 1 non-executive director, Mr. Philip Fan Yan Hok; and (iii) 3 independent non-executive directors, namely Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar.