CHINA EVERBRIGHT INTERNATIONAL LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 257)

2005 RESULTS ANNOUNCEMENT

The board of directors ("the Directors") of China Everbright International Limited ("the Company") hereby presents the consolidated results of the Company and its subsidiaries (collectively, "the Group") for the year ended 31 December 2005 with comparative figures for the year ended 31 December 2004 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2005 HK$'000	2004 (restated) HK$'000
Turnover	3	133,823	65,244
Direct costs and operating expenses		(43,161)	(14,755)
		90,662	50,489
Other revenue	4	12,413	4,603
Administrative expenses		(55,284)	(35,463)
Other operating expenses		–	(6,097)
Valuation gains on investment properties		25,230	14,790
Profit from operations		73,021	28,322
Finance costs	5	(32,090)	(27,614)
		40,931	708
Share of results of associates	6		
Share of profits		68,045	80,888
Share of valuation gains on investment properties		–	4,294
Profit before taxation	5	108,976	85,890
Income tax	7	11,868	328
Profit for the year		120,844	86,218
Attributable to:			
Equity shareholders of the Company		105,330	86,776
Minority interests		15,514	(558)
Profit for the year		120,844	86,218
Dividends payable to equity shareholders of the Company attributable to the year:	8		
Interim dividend declared during the year		15,311	10,193
Final dividend proposed after the balance sheet date		15,311	15,293
		30,622	25,486
Earnings per share	9		
Basic		HK4.13 cents	HK3.41 cents
Diluted		HK4.07 cents	HK3.35 cents

CONSOLIDATED BALANCE SHEET

		2005		2004 (restated)	
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
– Investment properties			262,194		230,054
– Other property, plant and equipment			1,163,052		658,338
– Interest in leasehold land held for own use under operating leases			76,045		–
			1,501,291		888,392
Intangible assets			34,433		–
Goodwill			48,236		45,453
Interest in associates			413,304		435,479
Other financial assets			51,931		46,462
Deferred tax assets			16,832		–
			2,066,027		1,415,786
Current assets					
Debtors, other receivables, deposits and prepayments	*11*	109,023		49,911	
Pledged bank deposits		89,197		6,912	
Deposits with bank		907		5,854	
Cash and cash equivalents		408,566		572,358	
		607,693		635,035	
Current liabilities					
Secured bank loans		40,227		62,450	
Amounts due to minority shareholders		575		7,962	
Creditors, other payables and accrued expenses	*12*	233,219		18,123	
Current taxation		2,138		98	
		276,159		88,633	
Net current assets			331,534		546,402
Total assets less current liabilities			2,397,561		1,962,188
Non-current liabilities					
Secured bank loans		572,016		304,838	
Loans from ultimate holding company		535,628		545,206	
Amount due to ultimate holding company		–		9,186	
Deferred tax liabilities		20,732		20,822	
			1,128,376		880,052
NET ASSETS			1,269,185		1,082,136
CAPITAL AND RESERVES					
Share capital			255,181		254,881
Reserves			921,676		824,061
Total equity attributable to equity shareholders of the Company			1,176,857		1,078,942
Minority interests			92,328		3,194
TOTAL EQUITY			1,269,185		1,082,136

NOTES:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2004 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 2005, but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs" which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA) that are effective for accounting periods beginning on or after 1 January 2005.

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior periods:

– positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 31 December 2005. This has increased the Group's profit after taxation for the year ended 31 December 2005 by HK$2,442,000.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

According to HKFRS 3, the amount which would have been known as negative goodwill under the previous accounting policy is recognised immediately in the income statement as it arises. The carrying amount of negative goodwill existing at 1 January 2005 shall be derecognised, with a corresponding adjustment to the opening balance of retained profits. These have decreased the Group's profit after taxation for the year ended 31 December 2005 by HK$50,000 and net assets of the Group at 31 December 2005 have increased by HK$630,000.

(b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision. Other investments in securities (including those held for trading and for non-trading purposes) were stated at fair value with changes in fair value recognised in profit or loss.

With effect from 1 January 2005, and in accordance with HKAS 39, all investments, with the exception of securities held for trading purposes, dated debt securities being held to maturity and certain unquoted equity investments, are classified as available-for-sale securities and carried at fair value. Changes in the fair value of available-for-sale securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired.

The changes in accounting policies were adopted by way of an opening balance adjustment to retained earnings as at 1 January 2005 and net assets of the Group have decreased by HK$3,342,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

As a result of these new policies, there is no material impact on the Group's profit before taxation for the year ended 31 December 2005 and net income recognised directly in equity for the year ended 31 December 2005 has increased by HK$8,811,000.

(c) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity.

The Group has taken advantage of the transitional provisions set out in HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group's options were granted to employees after 7 November 2002 but which had vested before 1 January 2005, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the current and prior years.

(d) Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes - Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the income statement

In prior years movements in the fair value of the Group's investment property were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1 January 2005, the Group has adopted a new policy for investment property. Under this new policy, all changes in the fair value of investment property are recognised directly in the profit or loss in accordance with the fair value model in HKAS 40.

As the Group had no investment property revaluation reserve and deficits were recognised in the income statement previously, the adoption of this new policy has no impact on the Group's net assets and results for the current and prior years.

(ii) Measurement of deferred tax on movements in fair value

In prior years the Group was required to apply the tax rate that would be applicable to the sale of investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from 1 January 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model. The adoption of this new accounting policy has no impact on the Group's net assets and results for the current and prior years.

(e) Leasehold land and buildings (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses.

With effect from 1 January 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation and impairment losses. The adoption of this new policy has no impact on the Group's net assets and results for the current and prior years.

(f) Retranslation of goodwill on consolidation of a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

In prior years, goodwill arising on the acquisition of a foreign operation was translated at the exchange rates ruling at the transaction dates.

With effect from 1 January 2005, in order to comply with HKAS 21, the Group has changed its accounting policy relating to retranslation of goodwill. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and is retranslated at exchange rates ruling at the balance sheet date, together with the retranslation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and is only applied to acquisitions occurring on or after 1 January 2005. The adoption of this new policy to acquisitions occurring on or after 1 January 2005 has no material impact on the Group's net assets for the current year.

(g) Changes in presentation (HKAS 1, Presentation of financial statements)

(i) Presentation of shares of associate's taxation (HKAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the

Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated accordingly.

(ii) *Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)*

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. These changes in presentation have been applied retrospectively with comparatives restated accordingly.

(h) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, *Related party disclosures*, still been in effect.

3. TURNOVER

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

Turnover represents the toll bridge revenue, waste-water treatment revenue, property rental income, property management fee income and environmental protection project management and consultancy fee income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Toll bridge revenue	59,824	47,103
Waste-water treatment revenue	56,340	–
Property rental income	14,245	12,819
Property management fee income	3,414	2,721
Environmental protection project management and consultancy fee income	–	2,601
	133,823	65,244

4. OTHER REVENUE

	2005	**2004**
	HK$'000	*HK$'000*
Interest income	9,072	1,148
Dividend income from unlisted securities	1,135	266
Gain on disposal of associates	–	660
Gain on liquidation of subsidiary	–	555
Others	2,206	1,974
	12,413	4,603

5. PROFIT BEFORE TAXATION

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

	2005	**2004**
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	986	2,088
Interest on other bank advances	23,540	14,814
Interest on loans from ultimate holding company	17,141	10,712
	41,667	27,614
Less: borrowing costs capitalised into construction in progress*	(9,577)	–
	32,090	27,614

* The borrowing costs have been capitalised at a rate of 6.1% – 6.4% per annum (2004: Nil).

(b) Staff costs:

Contributions to defined contribution plans	1,146	525
Salaries, wages and other benefits	29,547	17,375
	30,693	17,900
Less: staff costs capitalised into construction in progress	(10,314)	–
	20,379	17,900

(c) Other items:

Amortisation of land lease premium	283	–
Amortisation (other than of land lease premium)		
– positive goodwill	–	1,881
– negative goodwill included in share of profits of associates	–	(674)
– other intangible assets	115	–
Depreciation		
– assets held for use under operating leases	1,018	1,018
– other assets	21,275	14,150
Net foreign exchange (gain)/loss	(1,151)	3,556
Auditors' remuneration		
– audit services	1,825	1,480
– other services	5	1,086
Loss on disposal of associate	–	660
Net gain on sale of fixed assets	(587)	(37)
Operating lease charges: minimum lease payments		
– hire of waste-water treatment facilities	959	–
– hire of premises	649	370
Rentals receivable from investment properties less direct outgoings of HK$1,149,000 (2004: HK$1,391,000)	(13,096)	(11,428)

6. SHARE OF RESULTS OF ASSOCIATES

	2005	**2004** (restated)
	HK$'000	*HK$'000*
Share of profits of associates before taxation	78,738	99,049
Share of associates' taxation	(10,693)	(18,835)
	68,045	80,214
Amortisation of negative goodwill	–	674
	68,045	80,888
Share of valuation gains on investment properties	–	4,294
	68,045	85,182

7. INCOME TAX

Income tax in the consolidated income statement represents:

	2005	**2004** (restated)
	HK$'000	*HK$'000*
Current tax – PRC income tax		
Provision for the year	4,748	1,211
Over-provision in respect of prior years	(50)	(3,208)
	4,698	(1,997)
Deferred tax		
Origination and reversal of temporary differences	(16,566)	1,669
	(11,868)	(328)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group sustained a loss for Hong Kong Profits Tax purposes 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.

8. DIVIDENDS

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

	2005 *HK$'000*	2004 *HK$'000*
Interim dividend declared and paid of HK0.6 cent per ordinary share (2004: HK0.4 cent per ordinary share)	15,311	10,193
Final dividend proposed after the balance sheet date of HK0.6 cent per ordinary share (2004: HK0.6 cent per ordinary share)	15,311	15,293
	30,622	25,486

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

	2005 *HK$'000*	2004 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.6 cent per ordinary share (2004: Nil)	15,293	–

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$105,330,000 (2004: HK$86,776,000) and the weighted average number of 2,550,669,234 ordinary shares (2004: 2,548,418,257 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2005 *'000*	2004 *'000*
Issued ordinary shares at 1 January	2,548,812	2,548,312
Effect of share options exercised	1,857	106
Weighted average number of ordinary shares at 31 December	2,550,669	2,548,418

(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$105,330,000 (2004: HK$86,776,000) and the weighted average number of ordinary shares of 2,588,143,435 shares (2004: 2,587,073,527 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2005 *'000*	2004 *'000*
Weighted average number of ordinary shares at 31 December	2,550,669	2,548,418
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	37,474	38,656
Weighted average number of ordinary shares (diluted) at 31 December	2,588,143	2,587,074

10. SEGMENT 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:

Infrastructure investment and operation	The operation of a toll bridge to generate 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.
Environmental protection investment and operation	The operation of waste-water treatment plants to generate waste-water treatment revenue and construction of waste-to-energy power plants.
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 and operation		Property investment and management		Environmental protection investment and operation		Environmental protection project management and consultancy		Inter-segment elimination		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
		(restated)		(restated)								(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*
Revenue from external customers	59,824	47,103	17,659	15,540	56,340	–	–	2,601	–	–	133,823	65,244
Inter-segment revenue	–	–	–	–	–	–	37,110	15,437	(37,110)	(15,437)	–	–
Other revenue from external customers	131	1,671	952	25	236	–	590	221	–	–	1,909	1,917
Unallocated other revenue	–	–	–	–	–	–	–	–	–	–	10,504	2,686
Total	59,955	48,774	18,611	15,565	56,576	–	37,700	18,259	(37,110)	(15,437)	146,236	69,847
Segment results	41,310	28,387	37,181	24,318	13,876	(3,947)	25,979	14,427	(30,479)	(15,437)	87,867	47,748
Unallocated operating income and expenses											(14,846)	(19,426)
Profit from operations											73,021	28,322
Finance costs											(32,090)	(27,614)
Share of profits of associates	68,034	72,633	–	7,593	11	662	–	–	–	–	68,045	80,888
Share of valuation gains on investment properties of associates	–	–	–	4,294	–	–	–	–	–	–	–	4,294
Income tax											11,868	328
Profit after taxation											120,844	86,218
Depreciation and amortisation for the year	14,175	13,283	2,210	2,330	4,819	561	1,155	509				
Valuation gains on investment properties	–	–	25,230	14,790	–	–	–	–				
Segment assets	640,275	646,726	346,791	319,106	924,435	143,486	52,996	47,097			1,964,497	1,156,415
Interest in associates	412,702	434,904	–	–	602	575	–	–			413,304	435,479
Unallocated assets											295,919	458,927
Total assets											2,673,720	2,050,821
Segment liabilities	2,158	2,537	6,589	6,762	209,935	8,141	4,649	1,242			223,331	18,682
Unallocated liabilities											1,181,204	950,003
Total liabilities											1,404,535	968,685
Capital expenditure incurred during the year	33	385	7	82	620,745	4,564	15,242	1,119				

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.

	2005	**2004**
	HK$'000	*HK$'000*
Revenue from external customers:		
Hong Kong	3,955	3,312
Other parts of the PRC	129,868	61,932
	133,823	65,244

	2005	**2004**
	HK$'000	*HK$'000*
Segment assets:		
Hong Kong	467,094	654,920
Other parts of the PRC	2,206,626	1,395,901
	2,673,720	2,050,821

	2005	2004
	HK$'000	*HK$'000*
Capital expenditure incurred during the year:		
Hong Kong	767	39
Other parts of the PRC	636,025	6,150
	636,792	6,189

11. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade, other receivables, deposits and prepayments of the Group are trade debtors of HK$14,343,000 (2004: HK$4,571,000), of which HK$4,595,000 (2004: Nil) is due from a minority shareholder. The trade debtors are current and not yet due for payment and represent toll bridge revenue and waste-water treatment revenue which are settled on a monthly basis.

12. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

Included in creditors, other payables and accrued expenses of the Group is an amount of HK$1,393,000 (2004: Nil) 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 other payables to related companies and a minority shareholder of HK$32,012,000 (2004: Nil) and HK$18,756,000 (2004: Nil) respectively as at 31 December 2005. The amounts are unsecured, interest free and expected to be settled within one year.

13. COMPARATIVE FIGURES

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

FINAL DIVIDEND

The Directors have recommended a final dividend of HK0.6 cent per share for the year ended 31 December 2005 (2004: HK0.6 cent) to shareholders whose names appear on the register of members of the Company on Monday, 24 April 2006. Subject to the approval of the final dividend at the forthcoming annual general meeting of the Company, dividend warrants will be despatched to shareholders on or about Thursday, 4 May 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 April 2006 to Thursday, 27 April 2006 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the final dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrars, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 April 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Wang Mingquan, Mr. Zang Qiutao, Mr. Li Xueming, Mr. Chen Xiaoping, Mr. Philip Fan Yan Hok, Mr. Huang Chaohua, Mr. Raymond Wong Kam Chung, Mr. Chen Shuang and Ms. Zhang Weiyun as executive directors and Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing, and Mr. Selwyn Mar as independent non-executive directors.

By Order of the Board
Chen Xiaoping
Chief Executive Officer

Hong Kong, 28 March 2006

website address: www.ebchinaintl.com

CHAIRMAN'S STATEMENT

The PRC economy achieved a rapid growth in 2005. Benefiting from the continuous growth in economy, the living standard of Chinese people has also been rising. The Central Government has formulated various environmental protection policies to encourage corporations to develop environmental protection business. Given the stable business environment and in the face of the said favorable opportunity, the Group, on the one hand, prudently managed and operated its infrastructure investment business and property investment business, and on the other hand, continued to create high quality environmental protection projects, so as to shift gradually from an investment management group to an investment group with more operational capabilities. The Group aims to expand its environmental protection business, making it one of its three main focuses of business development.

During the year under review, the Group continued to achieve improvement in its operating results. The overall financial position of the Group was sound. Apart from registering strong cash flow, the Group also recorded an increase in return on asset. Profit attributable to equity shareholders of the Company for the year amounted to HK$105,330,000, representing an increase of 21% over HK$86,776,000 of the previous year. The increase was mainly attributable to the steady growth in traffic flow of Qingzhou Bridge and the increase in profits on property investments. In addition to Qingdao Waste Water Treatment Project ("Qingdao Project"), the newly acquired Zibo Waste Water Treatment Project ("Zibo Project") also started to make profit contribution to the Group in December 2005, which has further enhanced the earning base of the Group.

Given the Group's healthy financial position and as a token of gratitude to the support of the equity shareholders of the Company, the Board proposed to pay a final dividend of HK0.6 cent per share to the equity shareholders of the Company. Together with the interim dividend of HK0.6 cent per share for 2005, total dividends for the year amounted to HK1.2 cent per share (2004: HK1 cent per share).

Envisaging that there is enormous potential for the development of environmental protection business, the Group has decided to develop the same as its core business and undertaken several new projects during the year under review. In April 2005, the Group entered into an undertaking to construct a waste-to-energy plant in Yixing City of Jiangsu Province on BOT basis. In September 2005, the Group acquired two waste water treatment plants in Zibo City of Shandong Province on TOT basis. In October 2005, the foundation laying of the methane-to-energy plant ("Methane-to-energy Project") in Suzhou Everbright Environmental Protection Industrial Zone ("the Zone") completed. In December 2005, the foundation laying of the disposal centre for industrial solid waste ("Solid Waste Disposal Project") in the Zone completed. In January 2006, the Group successfully obtained the exclusive rights of operation for the waste-to-energy plant in Jiangyin City of Jiangsu Province. Through the abovementioned new investments, the Group has successfully established a strong strategic position in Jiangsu Province, while commanding a leading market position in the industry.

Leveraging on its experience and expertise, the Group commenced to construct the first comprehensive environmental protection industrial zone for all types of urban solid waste in the PRC, i.e. the Zone, during the year under review. The Zone will comprise the first wholly-owned environmental protection project to be constructed by the Group, i.e. SuNeng Waste-to-energy Project ("SuNeng Project"), the said Methane-to-energy Project and Solid Waste Disposal Project which completed the foundation laying during the year and some other projects. Among which, SuNeng Project and Methane-to-energy Project are expected to commence commercial operation in the second half of 2006, while the commercial operation of Solid Waste Disposal Project is expected to start in the beginning of 2007. The Group believes that the Zone, which is expected to become the base for environmental education and promotion in Suzhou, will be the model for the development of related projects in the future.

The development of the Group's waste water treatment business has been satisfactory. Following the commencement of commercial operation of Qingdao Project during the year and the construction for the extension to Qingdao Maidao Waste Water Treatment Plant, the Group entered into an acquisition agreement with Zibo Municipal Government in September 2005 and formally took charge of Zibo Project in December 2005. Through investing in Qingdao Project and Zibo Project, the Group successfully established a solid business base in Shandong Province. The Group is now under negotiation with Jinan Municipal Government for cooperation in environmental protection projects, which is expected to further expand the business development of the Group in the region.

In 2004, China Everbright Holdings Company Limited ("CEH") duly positioned the environmental protection business as one of its three main focuses of business development. In compliance with the objective of building a compassionate society under the Eleventh Five-year plan implemented by the Central Government and to comply with the "Decision on the promotion of technological development and the enhancement of environmental protection" published by the State Council, the Group will, by leveraging on its strong competitiveness in the waste-to-energy, waste water treatment and other environmental-related areas and the strong support from CEH, continue to produce quality projects. While striving to develop itself as a leader in the environmental protection business and infrastructure investment in the PRC, the Group steadfastly endeavors to create an appealing communal living environment for the society.

Finally, on behalf of the Group, I would like to express my heartfelt gratitude for the unfailing support, trust and effort of all our equity shareholders, members of the Board, the management and staff members. With our persistent effort, I have full confidence that the Group will achieve steady growth in the future and provide satisfactory return for all shareholders.

Wang Mingquan
Chairman

Hong Kong, 28 March 2006

CHIEF EXECUTIVE OFFICER'S REPORT

OPERATING RESULTS

The PRC economy continued to achieve substantial growth in 2005. The gross domestic product for 2005 increased by 9.9%. Given the increasing concern over the ecosystem issue in the PRC, coupled with the continuous efforts of the Central Government in promoting environmental protection, the environmental protection industry has been developing at a rapid pace, resulting in enormous business opportunities in the market. As such, the Group has been actively exploring the environmental protection field to broaden its business base since 2003, so as to maximize returns to equity shareholders of the Company. During the year under review, the Group continued to prudently develop its environmental protection business and successfully secured a number of new environmental protection projects. Meanwhile, the environmental protection projects in operation have started to make profit contribution to the Group, becoming new profit drivers of the Group.

For the year ended 31 December 2005, the Group achieved satisfactory results, registering increase in turnover. The infrastructure investment business and the property investment business continued to be the Group's major profit contributors, their operating results increased as compared with the previous year. As regards the environmental protection business, it has started to make profit contribution to the Group and there is much room for its future growth. During the year under review, profit attributable to equity shareholders of the Company amounted to HK$105,330,000 (excluding the net profit of Everbright Environmental Protection Engineering (Shenzhen) Company Limited ("Everbright Environmental Engineering") of HK$24,206,000), representing an increase of 21% as compared with HK$86,776,000 of the previous year, amongst which: (i) Shenzhen Mawan Power Company Limited ("Mawan Power") contributed an attributable profit of HK$68,034,000; (ii) the traffic flow of Qingzhou Bridge continued to grow, recording an attributable profit of HK$27,427,000; (iii) the waste water treatment project in Qingdao ("Qingdao Project") contributed an attributable profit of HK$12,628,000; (iv) property investments contributed a profit after taxation of HK$11,530,000; and (v) the pick-up of property prices brought about valuation gains on investment properties of HK$25,230,000. Basic earnings per share for the year amounted to HK4.13 cents, representing an increase of HK0.72 cent as compared with HK3.41 cents for the previous year. During the year under review, the Group's consolidated turnover amounted to HK$133,823,000, representing an increase of 105% as compared with HK$65,244,000 of the previous year, which is mainly attributable to the profit contribution from environmental protection projects, as well as the continual growth in the toll bridge revenue of Qingzhou Bridge.

Given the Group's healthy financial position and as a token of gratitude to the support by the equity shareholders of the Company, the Board proposed to pay a final dividend of HK0.6 cent per share to the equity shareholders of the Company. Together with the interim dividend of HK0.6 cent per share for 2005, total dividends for the year amounted to HK1.2 cent per share (2004: HK1 cent per share). Based on the share price of HK$0.385 of the Company on 31 December 2005, the dividend yield is 3.12%.

INFRASTRUCTURE INVESTMENT

Energy supply

During the year under review, Mawan Power overhauled its machineries and facilities to enhance its operating efficiency. Apart from this, the maintenance period has also been shortened, which effectively extended the period for the sale of electricity. During the year ended 31 December 2005, Mawan Power generated a total of 5.37 billion kilowatt-hour of electricity, representing an increase of 4% as compared with 5.17 billion kilowatt-hour for the previous year. The ongoing surge in the prices of coal and fuel in the PRC during the year has brought pressure on the operating cost of Mawan Power. To deal with the situation, Mawan Power carried out strict cost control measures and exerted efforts to enhance production efficiency and operations management.

In addition to the above-mentioned, with effect from May 2005, Mawan Power increased the up-loading electricity tariffs following the government approval of fuel-cost adjustment mechanism, which successfully relieved the adverse effect and pressure arising from the drastic surge in the prices of coal and fuel. In 2005, attributable profit after taxation from Mawan Power amounted to HK$68,034,000. With a strong cash position and without any bank borrowings, Mawan Power maintained a very sound financial position and continued to make high dividend payout. During the year, Mawan Power paid cash dividend of HK$99,818,000 to the Group.

Looking ahead, as the growth momentum of the PRC economy is expected to continue, the demand for electricity is expected to be great. While making every endeavor to put operating cost under control, Mawan Power will rationalize its resources to achieve economy of scale, thereby increasing the total electricity generated to meet the huge demand in the market. It is expected that Mawan Power will continue to operate in full capacity to provide reliable, safe and efficient electricity supply, and will continue to serve as a major profit source for the Group in the future.

Toll bridge

During the year under review, Fuzhou City experienced frightful typhoon attack for four times. Against such unfavorable background, Qingzhou Bridge, by sticking to the operation principle of safety first, continued to have a healthy operation and achieved impressive development progress. Benefited from the continual growth in the traffic flow of the "Tungsan Expressway", the traffic flow of Qingzhou Bridge continued to rise significantly. Average daily traffic flow during the year ended 31 December 2005 increased to 22,186 standard vehicles, representing an increase of 23% as compared with 17,972 standard vehicles for the previous year. Operating profit before taxation for the year under review amounted to HK$28,880,000, representing an increase of 70% as compared with the previous year. Taking into account the deferred tax credit and the share of profit of minority shareholders, the Group's attributable profit after taxation for the year amounted to HK$27,427,000, representing an increase of 55% as compared with HK$17,748,000 of the previous year. It is expected that the traffic flow of Qingzhou Bridge will rise further upon the opening of the highway to Fuzhou Airport in 2006. In view of the implementation of stricter control by the PRC government to deal with overloading vehicles, coupled with the charging of toll fee according to vehicle weight and the promotion of the production of environmentally friendly and energy-saving vehicles, the Group anticipates that traffic flow will continue to grow, which will benefit the healthy development of road and bridge infrastructure in the long run. Looking forward, the Group will enhance the management of Qingzhou Bridge and will increase promotional activities for the same, with the goal of enhancing its profit contribution for the Group.

PROPERTY INVESTMENT

The PRC

The Group holds a four-storey commercial podium in Shenzhen Zhongshan Garden ("the Property") as one of its major investment properties. The Property has been generating steady rental income and cash flow to the Group, and its major tenants include Walmart, Park'n Shop, McDonald, Agricultural Bank etc,. During the year under review, as the Group increased the rent of certain major tenants pursuant to the lease agreements, rental income of the Property increased accordingly. The Property generated an operating profit of HK$6,675,000 to the Group during the year. Benefiting from the increase in rental income and the appreciation of Renminbi exchange rate, the Group recorded valuation gains on investment properties of HK$3,800,000 during the year. Besides, Shenzhen Zhongshan Property Management Limited, in which the Group holds 95% interest, recorded an attributable profit after taxation of HK$576,000 during the year under review. And Shanghai Trade Square and International Apartments, in which the Group holds approximately 14% interest, has contributed a dividend income of HK$1,135,000 to the Group.

Hong Kong

Stimulated by the continuing recovery of Hong Kong's economy and the development progress made by the finance, property and retail sectors in 2005, the demand for office premises increased. Due to the inadequate supply of new commercial premises, the prices for Grade A office buildings rebounded drastically during the year. Fuelled by the increase in rental and valuation, the Group recorded rental income of HK$3,955,000 and valuation gain on investment properties of HK$21,430,000 during the year under review. In 2005, the Group recorded a gain of HK$916,000 on disposal of an investment property which has been held for many years.

ENVIRONMENTAL PROTECTION BUSINESS

During the year under review, with a determination to construct high quality projects and to become an investment operation conglomerate, the Group, on the one hand, continued to closely monitor and strictly control the progress of projects, and on the other hand, restructured the management structure of its environmental protection business and enhanced the technological level of its projects, which further consolidated the foundation of its environmental protection business. In 2005, Everbright Environmental Protection Industry (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company, was formally renamed as Everbright Environmental Protection Engineering (Shenzhen) Company Limited ("Everbright Environmental Engineering"). Everbright Environmental Engineering has become the official contractor for the Group's environmental protection projects. Everbright Environmental Engineering has already established its own professional, efficient and dedicated technical management team, fully capable of handling environmental protection projects independently. During the year under review, Everbright Environmental Engineering recorded a net profit of HK$24,206,000. Given that Everbright Environmental Engineering acted as the main contractor for the Group's projects, its project management and consultancy fee income is only an inter-company revenue. Therefore, the profit is treated as a reduction of construction costs of the projects instead of crediting to the consolidated income statement as profit. The total contract sum obtained by Everbright Environmental Engineering acting in the capacity of main contractor amounted to HK$614,165,000.

In January 2006, Everbright Environmental Engineering received the licence of "Main Contractor for Municipal Public Works" and obtained three certificates, namely the ISO9001:2000 International Quality Management System Certificate, the ISO-14001 Environmental Management System Certificate and the OHSMS28001 Occupational Health and Safety Management System Certificate. The obtaining of the aforesaid licence and certificates demonstrates that the Group possesses the qualifications to participate in municipal public works, which can help further expand the municipal public works business of the Group.

China Everbright Environmental Energy Limited ("Everbright Environmental Energy") and China Everbright Water Investments Limited ("Everbright Water Investments") continued to explore new business opportunities in the environmental protection field in the PRC during the year, and successfully secured three projects in 2005, namely Suzhou Everbright Environmental Protection Industrial Zone Project ("the Zone"), Yixing Waste-to-energy Project ("Yixing Project") and Zibo Waste Water Treatment Project ("Zibo Project"), and one project in January 2006, namely Jiangyin Waste-to-energy Project ("Jiangyin Project"). Through the above, the Group has gradually built up its reputation and business network in the industry. The Group believes that the separate establishment of Everbright Environmental Engineering, Everbright Environmental Energy and Everbright Water Investments will provide a broad and solid platform for the Group to develop its environmental protection business, while enhancing its competitiveness.

SuNeng Waste-to-energy Project ("SuNeng Project") is the first wholly-owned environmental protection project to be constructed by the Group. To ensure the success of SuNeng Project, the Group determined to "create the project as a top quality, high standard, high effectiveness and hi-tech one based on imported equipment". Since the commencement of construction of SuNeng Project in October 2004, the Group has been devoting every effort to take care of every detail of the Project and has provided abundant human and financial resources for the same. The construction work has been progressing satisfactorily, with its quality, operational safety and progress under control. The company's stringent management of the Project received high recognition and great praise from the supervisory authority, experts and the industry. The construction work and installation work of SuNeng Project have already been completed, and test running for the Project commenced thereafter. SuNeng Project is expected to commence operation by June 2006.

Due to satisfactory progress of SuNeng Project and having won the confidence of Suzhou Municipal Government, the Group fully believes in the successful development of the Zone. In July 2005, the Group and Suzhou Municipal Government entered into a framework letter of intent in respect of the construction of the Zone, which will be the first comprehensive waste management zone for urban, industrial and household solid waste in the PRC. The parties aim at "establishing the area as a beautiful industrial zone, making it a base for environmental education and promotion in Suzhou". The Zone will comprise a number of environmental protection projects, including the aforesaid SuNeng project, a methane-to-energy plant ("Methane-to-energy Project"), a disposal centre for industrial solid waste ("Solid Waste Disposal Project"), a sludge treatment centre and a leachate treatment plant etc. The Zone is planned comprehensively and will be implemented in phases over 3 to 5 years at an estimated total investment of HK$1,500,000,000 . The project yields great advantages, including better utilization of land, extension of industry chain and centralization of management.

In addition to SuNeng Project, the foundation laying for Methane-to-energy Project and Solid Waste Disposal Project in the Zone also completed during the year. With a site area of 10 hectares, Methane-to-energy Project will be carried out on BOO basis at a total investment of Rmb27,940,000 and two generators with capacity of 1,250 kilo-watt each are intended to be installed in the plant. The foundation laying of Methane-to-energy Project completed in October 2005 and commercial operation is expected to commence by July 2006. Regarding

Solid Waste Disposal Project, it is the third project of the Zone, with a site area of 80 hectares and storage capacity 600,000 cubic metre. The storage capacity of Solid Waste Disposal Project phase I will be 100,000 cubic metre. The investment cost will be approximately Rmb78,260,000. The foundation laying of Solid Waste Disposal Project completed at the end of December 2005 and commercial operation of which is expected to commence in early 2007. With the implementation of the above-mentioned three projects, our Zone began to take shape.

In April 2005, the Group and the Construction Bureau of Yixing City entered into an undertaking in respect of the exclusive right to provide waste incineration service in Yixing City of Jiangsu Province. Pursuant to which a waste-to-energy plant will be constructed in Yixing City in 18 months on BOT basis. The total investment cost of the project will be approximately Rmb238,300,000 and the Group will have an exclusive right of operation for 25 years. The power plant will be constructed by Everbright Environmental Engineering in the capacity of main contractor pursuant to a turnkey contract. The Group aims at establishing Yixing project as a waste-to-energy pioneer project with daily handling capacity of 500 tonnes using domestically built equipment developed from imported technology, while striving to build up the brand name of "Everbright Environment" and to consolidate its leading position in the waste-to-energy field in Jiangsu Province as well as in the PRC. Both parties entered into the agreement for the project in April 2005 and a working team has been stationed in Yixing since May 2005. It took only four months for the Group to complete the necessary preliminary project approvals, including incorporation of company, project proposal and environmental review and the construction work duly commenced in September 2005. The Group's great efficiency in kicking off the project has set a good example in the industry and received positive feedback from local government and the industry. The development of Yixing Project has been progressing satisfactorily. The site foundation work for the boiler installation already commenced in March 2006 and commercial operation of the project is expected to commence in February 2007.

In January 2006, the Group successfully won the tender for Jiangyin Project of Jiangsu Province. With a gross handling capacity of 1,200 tonnes per day, Jiangyin Project will be constructed in two phases. The daily handling capacity of Phase I will be 800 tonnes. Jiangyin Project will be implemented on BOT basis at a total investment cost of Rmb388,740,000. The term of exclusive right of operation for such project will be 30 years. The foundation laying of the project completed in March 2006 and commercial operation is expected in March 2008.

Commenced commercial operation on 1 January 2005, Qingdao Project processed 54,370,000 cubic meters of waste water and contributed an attributable profit of HK$12,628,000 to the Group during the year. Regarding the construction of the Maidao Extension Facilities, the Group entered into the engineering, procurement and construction contract, the equipment supply contract and the service contract with the consortium led by Veolia Water Systems in March 2005. The total consideration for the aforesaid amounted to approximately Rmb206,268,000. The construction of the Maidao Extension Facilities commenced in June 2005. Civil works and equipment installation of the project are expected to complete by July 2006. It is expected that its daily treatment capacity will increase from 150,000 tonnes to 220,000 tonnes upon completion of the extension facilities.

Zibo Project is the Group's first wholly-owned waste water treatment project acquired on TOT basis. The acquisition agreement was executed on 28 September 2005. Thereafter it took only two months for the Group to complete the transfer of assets and staff and the handover of books and accounts. The Group formally took charge of the operation of the project on 1 December 2005 and the project soon became another profit generator of the Group. The refurbishment work on equipment for the Northern plant phase II and the Southern plant commenced in December 2005 and are expected to be completed by the end of April 2006. By then, the daily treatment capacity of the plant will be more than 220,000 tonnes. Pursuant to the concession right agreement entered into between the Group and the Zibo Municipal Government, the Group will operate the waste water treatment plants to provide waste water treatment service in certain specified areas in Zibo City of Shangdong Province in the coming 25 years. Additionally, the Group will be authorized to invest in, develop, operate and provide reusable water generation service, and will be responsible for the enhancement and maintenance of the facilities and equipment of the waste water treatment plant.

The Group has been focusing on developing its environmental protection business in the Yangtze River Delta, the Pearl River Delta Regions and Bohai Bay Area. After three years of efforts, the Group has secured a number of environmental protection projects in Jiangsu Province and Shandong Province. Through the said projects, the Group successfully extended its investment coverage to, and established a strategic foothold in such regions, which created synergistic effect of project management for its projects. The Group is now under negotiations with other municipal governments over cooperation in environmental protection projects, with a view to exploring new business opportunities, and have entered into framework agreements with Shenzhen Municipal Government and Jinan Municipal Government for long-term strategic cooperation. In February 2005, CEH entered into a framework agreement with Shenzhen Municipal Government for long-term strategic cooperation, under which both parties will, base on the principles of mutual benefit and mutual cooperation, cooperate in every aspect. It is stated in the aforesaid agreement that Shenzhen Municipal Government will support CEH, by way of BOT or TOT model, to invest in or acquire the waste-to-energy projects and the urban waste water treatment projects in Shenzhen, and to develop such environmental protection businesses as reusable water generation, flue gas desulphurization and desalination. Being the environmental protection flagship of CEH, the Group is well-positioned to benefit from the future opportunities brought by the above-mentioned cooperation. In August 2005, the Group entered into a framework agreement of cooperation with Jinan Municipal Government, with a view to enhancing their investment and cooperation in such areas as urban environmental protection and municipal infrastructural development in Jinan Municipal. Regarding the proposed environmental protection projects under negotiation, the Group will strictly comply with the relevant disclosure obligations under the Listing Rules.

Given the fact that there is great demand for environmental protection services, the environmental protection business has been regarded as a sustainable business. Besides, the provision of pollution control products and environmental services will not only create tremendous economic benefits, it will also bring in greater social and environmental benefits. Given the above favorable factors, the Group will continue to build up the environmental protection business as its long-term business focus and will strive to enhance its market recognition and corporate image. And on the operating principle of "creating quality projects to build our brand", the Group will exert efforts to further enhance the brand name of "Everbright Environment" to boost revenue growth for its environmental protection business. In 2005, the Group, as the sole supporter, jointly organized the 2005 PRC Environmental Cultural Festival under the lead of the National Environmental Protection Agency. Events of the Cultural Festival included "Everbright Environment Trophy: The First Environmental Arts, Photo and Calligraphy Exhibition in the PRC" and a soiree for award presentation – "Everbright Environment Soiree". Held in November 2005 in Beijing, the soiree was broadcasted over a network of more than seventy television stations in the PRC. Through the event, the Group projects a favorable image of "Everbright Environment" and promotes its corporate vision, which will be advantageous to the future development of the Group's environmental protection business.

BUSINESS OUTLOOK

The continual healthy growth of PRC economy, coupled with the faster pace of PRC's industrialization and urbanization, have led to a change in the spending pattern of the people in the PRC. At present, "shelter and transportation" rank higher on people's spending priority list. Not only will this change be a long-term trend, it will also become the driving force for future economic growth. Apart from the above, with the full support of the PRC Government to the promotion and implementation of technological development, the promotion of harmony between economic development and ecosystems, the continual improvement in the living standard of the people, and the increasing awareness of the importance of environmental protection, a positive operating environment has been created for the Group's core businesses, namely infrastructure investment, property investment and environmental protection businesses.

Looking ahead, the Group is quite optimistic about the future development of its core businesses and has set clear targets for the same. By capitalizing on the upcoming business opportunities in the PRC, the Group will strive to further consolidate the foundation of its infrastructure investment, property investment and environmental protection businesses, with a view to creating significant and stable income sources for the Group. And given the facts that market potential of environmental protection business in the PRC is great, the development of environmental protection business in the PRC is rapid, and Beijing Olympic Games and Shanghai Expo will be held in 2008 and 2010 respectively, investment in environmental projects and the demand for advanced environmental technology are expected to increase substantially. The Group will continue to build up the brand name of "Everbright Environment" by the principles of honesty, high efficiency, pragmatism, using advanced technology, high quality and competitive pricing, with a view to fostering the continual development of the Group. Realizing the importance of management enhancement to a business during its development, the Group will strive to enhance budget management and control the project costs in 2006, thereby ensuring the long-term stable development of its business. The Group will continue to develop itself into an investment operation company with outstanding core business and high economic efficiency at an ambitious pace, so as to realize its target of becoming a leading infrastructure investment and environmental protection conglomerate.

FINANCIAL RESULTS

In 2005, the Group's consolidated turnover amounted to HK$133,823,000, representing an increase of 105% as compared with HK$65,244,000 for the previous year. The increase is mainly attributable to the revenue contribution from Qingdao Project upon commencement of operation and the continual increase in the toll bridge revenue from Qingzhou Bridge. Profit attributable to equity shareholders of the Company for 2005 amounted to HK$105,330,000, representing an increase of 21% as compared with HK$86,776,000 for the previous year. During the year, basic earnings per share amounted to HK4.13 cents, representing an increase of HK0.72 cent as compared with HK3.41 cents for the previous year.

FINANCIAL POSITION

As at 31 December 2005, the Group had total assets of HK$2,673,720,000. Net assets attributable to equity shareholders of the Company amounted to HK$1,176,857,000 and the net assets attributable to equity shareholders of the Company per share was HK$0.46. As at 31 December 2005, the gearing ratio (calculated by dividing total liabilities by total assets) was 53%.

The Group generally finances its operations with internally generated cash flow and loan facilities from banks and from its ultimate holding company. As at 31 December 2005, the Group had an aggregate cash balance of approximately HK$498,670,000, representing a decrease of HK$86,454,000 as compared with HK$585,124,000 as at the end of the previous year. As at 31 December 2005, the Group had outstanding borrowings of approximately HK$1,147,871,000, representing an increase of HK$235,377,000 as compared with HK$912,494,000 as at the end of the previous year. The borrowings comprised secured bank loans of HK$612,243,000 and loans from ultimate holding company of HK$535,628,000. With respect to foreign exchange exposure, the risk is minimal as all of the Group's foreign currency assets and borrowings are denominated in Renminbi and US dollars, and the exchange rate of which are relatively stable against Hong Kong dollar. The impact of exchange rate fluctuations of these currencies is insignificant to the Group.

PLEDGE OF ASSETS

As at 31 December 2005, the Group pledged cash and fixed assets with an aggregate net book value of approximately HK$662,693,000 to secure general banking facilities granted to the Group. In addition, the shares of a subsidiary of the Group, the revenue of a waste water treatment plant, the Group's toll bridge revenue and the Group's revenue and franchising right of a waste-to-energy plant (which the construction has yet to be completed) have been pledged.

CAPITAL COMMITMENTS

As at 31 December 2005, the Group had capital commitments contracted for and authorised but not contracted for amounted to HK$289,081,000 and HK$19,667,000 respectively.

CONTINGENT LIABILITIES

As at 31 December 2005, the Group had no contingent liabilities.

INTERNAL MANAGEMENT

"People-oriented, honesty, practicality, creativity and management standardization" are the unchanged management principles of the Group. The Group upholds the management motto of acting and managing according to principles. The Group has already set up a series of measures on risk control management mechanisms. Regarding investment decision-making process, the Group, follows the principles of integrating power with responsibility and benefit, striking a balance between decision-making efficiency and risk control, to perfect the decision-making process for new investments. For environmental protection business, the Risk Management Advisory Committee and the Engineering Technical Management Committee, comprising senior consultants and key corporate management of the Group, have been duly established to evaluate the proposals from the business, legal and technical perspectives.

In terms of risk control management, the Group strives to establish a solid risk control culture as well as a risk management system. The Group has formed its risk management division, which is staffed with professional personnel specializing in regular risk control and inspection. The risk management division has established a risk control and internal control system, which covers such main areas as project identification, due diligence, tendering, contracting, construction and operation. The Group principally manages its investment projects by delegating appropriate directors or senior management to participate directly in project management, so as to protect the Company's interest.

Regarding financial control, the Group maintains strict budget management and established the Budget Approval Management Committee responsible for supervising the construction budget and operating budget of projects. The Group applies different control measures on different subsidiaries based on their nature of operation. As for projects at their construction stage, budget allocations are approved and made monthly, and all major bank accounts are directly controlled by the Hong Kong headquarters. As for project companies in operation, the Group exercises two-way supervision by way of closely monitoring of bank accounts and allocation of funds according to budget. A system has been established to carry out annual internal inspection within the Group to enhance the Group's management standard. Besides, the Group strives to develop a strong team to fit the needs of its developing environmental protection business. During the year, the Group carried out several recruitment exercises to recruit staff of excellent caliber. At present, the Group has built up a team of experienced and professional staff, with outstanding professional ethics.

CORPORATE GOVERNANCE

In November 2004, The Stock Exchange of Hong Kong Limited published the Code on Corporate Governance Practices ("the Code") and Rules on the Corporate Governance Report. The Code, with one exception, has become effective for accounting periods commencing on or after 1 January 2005. The exception is in respect of Code Provision C.2 (on internal controls and disclosure requirements in the Corporate Governance Report relating to listed issuers' internal controls), which will be implemented for accounting periods commencing on or after 1 July 2005. The Code sets out the principles of good corporate governance, and two levels of recommendations: (1) code provisions: Listed issuers are required to comply with. Where the listed issuer deviates from the code provisions set out in the Code, the issuer must give considered reasons as required; and (2) recommended best practices: for guidance only.

The Code has been duly approved and adopted by the Board.

For the year ended 31 December 2005, the Company has met the code provisions and some of the recommended best practices as set out in the Code except that Mr. Wang Mingquan, the Chairman of the Company, was unable to attend the 2005 Annual General Meeting of the Company, However, appropriate arrangements have been made accordingly before the holding of the Annual General Meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the model code ("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 have complied with the required standard of dealings as set out therein during the twelve months ended 31 December 2005.

REMUNERATION COMMITTEE

The Remuneration Committee comprises Mr. Wang Mingquan (Chairman), the Chairman of the Board, Mr. Zang Qiutao, the 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 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.

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 the internal control and financial reporting matters of the Company. The terms of reference of the Audit Committee are disclosed on the website of the Company. The Audit Committee has reviewed with the management and KPMG, the Company's auditor, the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters, including a review of the annual report for the year ended 31 December 2005.

HUMAN RESOURCES

The Group devotes much attention to human resources management, striving to establish a high quality team to support its business development in the long run. As at 31 December 2005, the Group had a total of approximately 470 employees in Hong Kong and the PRC. During the year under review, the Group's total staff costs were HK$30,693,000. Employees are remunerated according to their qualification, experience, job nature, performance, as well as 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 at the Company's extraordinary general meeting held on 26 May 2003, the board of directors of the Company was authorized to grant share options to any employees, including directors, as incentives. No option has been granted to any employee during the year under review.

By Order of the Board
Chen Xiaoping
Chief Executive Officer

Hong Kong, 28 March 2006

"Please also refer to the published version of this announcement in The Standard."