CHINA EVERBRIGHT INTERNATIONAL LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 257)

2006 RESULTS ANNOUNCEMENT

The board of directors ("the Board") 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 2006 with comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2006 HK$'000	2005 (restated) HK$'000
Turnover	3&10	235,859	132,855
Direct costs and operating expenses		(71,645)	(39,332)
		164,214	93,523
Other revenue	4	26,016	12,413
Other income	4	353,964	–
Administrative expenses		(92,103)	(55,284)
Valuation gains on investment properties		5,831	25,230
Profit from operations		457,922	75,882
Finance costs	5(a)	(52,631)	(32,090)
		405,291	43,792
Share of profits of associates	6	32,658	68,045
Profit before taxation	5	437,949	111,837
Income tax	7	(9,899)	11,037
Profit for the year		428,050	122,874
Attributable to:			
Equity shareholders of the Company		409,347	106,808
Minority interests		18,703	16,066
Profit for the year		428,050	122,874
Dividends payable to equity shareholders of the Company attributable to the year:	8		
Interim dividend declared during the year		18,371	15,311
Final dividend proposed after the balance sheet date		18,456	15,311
Special dividend proposed after the balance sheet date		12,304	–
		49,131	30,622
Earnings per share	9		
Basic		HK14.15 cents	HK4.19 cents
Diluted		HK13.85 cents	HK4.13 cents

CONSOLIDATED BALANCE SHEET

	Note	2006 HK$'000	2006 HK$'000	2005 (restated) HK$'000	2005 (restated) HK$'000
Non-current assets					
Fixed assets					
– Investment properties			168,308		262,194
– Other property, plant and equipment			1,209,741		1,031,827
– Interest in leasehold land held under operating leases			242,583		76,045
			1,620,632		1,370,066
Intangible assets			66,412		34,433
Goodwill			48,318		48,236
Interest in associates			442		413,304
Other financial assets			62,976		51,931
Finance lease receivables			789,177		131,701
Deferred tax assets			18,625		16,433
			2,606,582		2,066,104
Current assets					
Inventories		3,445		–	
Debtors, other receivables, deposits and prepayments	*11*	123,319		109,023	
Finance lease receivables		14,643		2,384	
Pledged bank deposits		99,314		89,197	
Deposits with bank		10,909		907	
Cash and cash equivalents		756,763		408,566	
		1,008,393		610,077	
Current liabilities					
Secured bank loans		88,448		40,227	
Amount due to minority shareholder		586		575	
Creditors, other payables and accrued expenses	*12*	538,445		233,219	
Current taxation		1,515		2,138	
		628,994		276,159	
Net current assets			379,399		333,918
Total assets less current liabilities			2,985,981		2,400,022
Non-current liabilities					
Secured bank loans		802,584		572,016	
Loans from ultimate holding company		98,828		535,628	
Deferred tax liabilities		26,276		21,163	
			927,688		1,128,807
NET ASSETS			2,058,293		1,271,215
CAPITAL AND RESERVES					
Share capital			307,601		255,181
Reserves			1,633,737		923,154
Total equity attributable to equity shareholders of the Company			1,941,338		1,178,335
Minority interests			116,955		92,880
TOTAL EQUITY			2,058,293		1,271,215

NOTES:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2005 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 2006, but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement, balance sheet, cash flow statement and other significant related disclosure items as previously reported for the year ended 31 December 2005.

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 31 December 2005

	2005 (as previously reported) *HK$'000*	**Effect of HK(IFRIC) 4 (increase/ (decrease) in profit for the year)** *(note 2(c))* *HK$'000*	**2005 (as restated)** *HK$'000*
Turnover	133,823	(968)	132,855
Direct costs and operating expenses	(43,161)	3,829	(39,332)
	90,662	2,861	93,523
Other revenue	12,413	–	12,413
Administrative expenses	(55,284)	–	(55,284)
Valuation gains on investment properties	25,230	–	25,230
Profit from operations	73,021	2,861	75,882
Finance costs	(32,090)	–	(32,090)
	40,931	2,861	43,792
Share of profits of associates	68,045	–	68,045
Profit before taxation	108,976	2,861	111,837
Income tax	11,868	(831)	11,037
Profit for the year	120,844	2,030	122,874
Attributable to:			
Equity shareholders of the Company	105,330	1,478	106,808
Minority interests	15,514	552	16,066
Profit for the year	120,844	2,030	122,874
Earnings per share			
Basic	HK4.13 cents	HK0.06 cent	HK4.19 cents
Diluted	HK4.07 cents	HK0.06 cent	HK4.13 cents
Other significant disclosure items:			
Waste-water treatment revenue	56,340	(56,340)	–
Revenue from waste-water treatment plants operation services	–	51,413	51,413
Finance lease income	–	3,676	3,676
Rental income	14,245	283	14,528
Depreciation	(22,293)	3,829	(18,464)

Consolidated balance sheet at 31 December 2005

	2005 (as previously reported)	Effect of HK(IFRIC) 4 (increase/ (decrease) in net assets for the year) *(note 2(c))*	2005 (as restated)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Fixed assets			
– Investment properties	262,194	–	262,194
– Other property, plant and equipment	1,163,052	(131,225)	1,031,827
– Interest in leasehold land held under operating leases	76,045	–	76,045
	1,501,291	(131,225)	1,370,066
Intangible assets	34,433	–	34,433
Goodwill	48,236	–	48,236
Interest in associates	413,304	–	413,304
Other financial assets	51,931	–	51,931
Finance lease receivables	–	131,701	131,701
Deferred tax assets	16,832	(399)	16,433
	2,066,027	77	2,066,104
Current assets			
Debtors, other receivables, deposits and prepayments	109,023	–	109,023
Finance lease receivables	–	2,384	2,384
Pledged bank deposits	89,197	–	89,197
Deposits with bank	907	–	907
Cash and cash equivalents	408,566	–	408,566
	607,693	2,384	610,077
Current liabilities			
Secured bank loans	40,227	–	40,227
Amount due to minority shareholder	575	–	575
Creditors, other payables and accrued expenses	233,219	–	233,219
Current taxation	2,138	–	2,138
	276,159	–	276,159
Net current assets	331,534	2,384	333,918
Total assets less current liabilities carried forward	2,397,561	2,461	2,400,022

	2005 (as previously reported)	Effect of HK(IFRIC) 4 (increase/ (decrease) in net assets for the year) *(note 2(c))*	2005 (as restated)
	HK$'000	*HK$'000*	*HK$'000*
Total assets less current liabilities brought forward	2,397,561	2,461	2,400,022
Non-current liabilities			
Secured bank loans	572,016	–	572,016
Loans from ultimate holding company	535,628	–	535,628
Deferred tax liabilities	20,732	431	21,163
	1,128,376	431	1,128,807
NET ASSETS	1,269,185	2,030	1,271,215
CAPITAL AND RESERVES			
Share capital	255,181	–	255,181
Reserves	921,676	1,478	923,154
Total equity attributable to equity shareholders of the Company	1,176,857	1,478	1,178,335
Minority interests	92,328	552	92,880
TOTAL EQUITY	1,269,185	2,030	1,271,215

Consolidated cash flow statement for the year ended 31 December 2005

	2005 (as previously reported)	Reclassification	Effect of adoption of HK(IFRIC) 4 *(note 2(c))*	2005 (as restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from operating activities	55,020	50,293	(968)	104,345
Net cash used in investing activities	(445,007)	1,135	968	(442,904)
Net cash generated from financing activities	225,372	(51,428)	–	173,944
Net decrease in cash and cash equivalents	(164,615)	–	–	(164,615)

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

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement, balance sheet, cash flow statement and other significant related disclosure items for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Effect on the consolidated financial statements

Estimated effect on the consolidated income statement for the year ended 31 December 2006

	Estimated effect of HK(IFRIC) 4 (increase/(decrease) in profit for the year) *(note 2(c))* *HK$'000*
Turnover	(6,486)
Direct costs and operating expenses	26,619
Profit before taxation	20,133
Income tax	(3,966)
Profit for the year	16,167
Attributable to:	
Equity shareholders of the Company	15,131
Minority interests	1,036
Profit for the year	16,167
Earnings per share	
Basic	HK0.52 cent
Diluted	HK0.51 cent
Other significant disclosure items:	
Waste-water treatment revenue	(117,388)
Waste treatment revenue	(14,148)
Electricity income	(20,561)
Revenue from waste-water treatment plants operation services	99,604
Revenue from waste-to-energy power plant operation services	18,404
Revenue from methane-to-energy power plant operation services	1,204
Finance lease income	21,450
Rental income	4,949
Depreciation	26,619

Estimated effect on the consolidated balance sheet at 31 December 2006

	Estimated effect of HK(IFRIC) 4 (increase/(decrease) in net assets) *(note 2(c))* *HK$'000*
Non-current assets	
Other property, plant and equipment	(780,299)
Finance lease receivables	789,177
Deferred tax assets	(1,192)
	7,686
Current assets	
Finance lease receivables	14,643
Net current assets	14,643
Total assets less current liabilities	22,329
Non-current liabilities	
Deferred tax liabilities	3,718
NET ASSETS	18,611
CAPITAL AND RESERVES	
Exchange reserve	371
Retained profits	16,609
Total equity attributable to equity shareholders of the Company	16,980
Minority interests	1,631
TOTAL EQUITY	18,611

Estimated effect on the consolidated cash flow statement for the year ended 31 December 2006

	Estimated effect of adoption of HK(IFRIC) 4 *(note 2(c))* *HK$'000*
Net decrease in cash from operating activities	(6,486)
Net increase in cash from investing activities	6,486
Net change in cash and cash equivalents	–

(c) **Lease arrangement (HK(IFRIC) 4: Determining whether an arrangement contains a lease)**

In prior years, the Group recognised its waste-water treatment plants under the build-operate-transfer ("BOT") and transfer-operate-transfer ("TOT") arrangements as property, plant and equipment and recognised the waste-water treatment revenue and depreciation of waste-water treatment plants on a straight-line basis over their estimated useful lives.

With effect from 1 January 2006, the Group assesses each BOT and TOT arrangement in accordance with the requirements of HK(IFRIC) 4, in order to determine whether the arrangement contains a lease. As a result, the Group has determined that certain BOT and TOT arrangements, although they do not take the legal form of a lease, convey to the customer a right to use certain specific assets owned by the Group in return for a series of receipts and therefore contain leases that should be accounted for in accordance with HKAS 17, Leases.

The change in accounting policy has been applied retrospectively with comparatives restated. As a result of the change, certain BOT and TOT arrangements identified as containing lease elements are classified as finance leases. Consequently, waste-water treatment plants, waste-to-energy power plant and methane-to-energy power plant under the BOT and TOT arrangements are derecognised as property, plant and equipment and the fair values of the waste-water treatment plants, waste-to-energy power plant and methane-to-energy power plant are recognised as finance lease. The lease receivables are reduced when lease payments, being a portion of the waste-water treatment revenue, waste treatment revenue and electricity income, are received and an imputed finance lease income on the lease receivables is recognised using an estimate of the lessee's incremental borrowing rate of interest. Apart from the above, the leasehold land on which the waste-water treatment plants are situated was also identified as containing lease elements and the Group classified the lease as an operating lease. Rental income, being a portion of the waste-water treatment revenue, is recognised in profit or loss in equal instalments over the periods covered by the lease term.

The adjustments for each financial statement line affected for the years ended 31 December 2005 and 2006 are set out in notes 2(a) and 2(b).

3. TURNOVER

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

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

	2006	**2005**
		(restated)
	HK$'000	*HK$'000*
Toll bridge revenue	72,584	59,824
Revenue from waste-water treatment plants operation services	99,604	51,413
Revenue from waste-to-energy power plant operation services	18,404	–
Revenue from methane-to-energy power plant operation services	1,204	–
Finance lease income	21,450	3,676
Gross rentals from investment properties	14,082	14,245
Other rental income	4,949	283
Property management fee income	3,582	3,414
	235,859	132,855

4. OTHER REVENUE AND OTHER INCOME

	2006	**2005**
	HK$'000	*HK$'000*
Other revenue		
Interest income	17,612	9,072
Dividend income from listed securities	3,149	–
Dividend income from unlisted securities	1,677	1,135
Others	3,578	2,206
	26,016	12,413
Other income		
Profit on sale of associate	310,000	–
Profit on sale of investment properties	16,083	–
Profit on sale of available-for-sale securities	11,542	–
Excess of interest in fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination	16,339	–
	353,964	–

5. PROFIT BEFORE TAXATION

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

		2006	2005
			(restated)
		HK$'000	*HK$'000*
(a)	Finance costs:		
	Interest on bank advances wholly repayable within five years	3,758	986
	Interest on other bank advances	42,671	23,540
	Interest on loans from ultimate holding company	24,016	17,141
	Total borrowing costs	70,445	41,667
	Less: borrowing costs capitalised into construction in progress*	(17,814)	(9,577)
		52,631	32,090

* The borrowing costs have been capitalised at rates of 6.1% – 6.8% (2005: 6.1% – 6.4%) per annum.

		2006	2005
(b)	Staff costs:		
	Contributions to defined contribution retirement plan	2,971	1,146
	Equity-settled share-based payment expenses	6,027	–
	Salaries, wages and other benefits	48,781	29,547
		57,779	30,693
	Less: Staff costs capitalised into construction in progress	(17,601)	(10,314)
		40,178	20,379
(c)	Other items:		
	Amortisation		
	– land lease premium	4,651	283
	– intangible assets	1,485	115
	Depreciation		
	– assets held for use under operating leases	732	1,018
	– other assets	22,904	17,446
	Net foreign exchange loss/(gain)	6,587	(1,151)
	Auditors' remuneration		
	– audit services	2,440	1,825
	– other services	300	5
	Net loss/(gain) on sale of other property, plant and equipment	847	(587)
	Operating lease charges: minimum lease payments		
	– hire of waste-water treatment facilities	976	959
	– hire of premises	1,610	649
	Rentals receivable from properties less direct outgoings of HK$2,252,000 (2005: HK$1,149,000)	(16,779)	(13,379)

6. SHARE OF PROFITS OF ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
Share of profits of associates before taxation	38,246	78,738
Share of associates' taxation	(5,588)	(10,693)
	32,658	68,045

7. INCOME TAX

Income tax in the consolidated income statement represents:

	2006 *HK$'000*	2005 (restated) *HK$'000*
Current tax – the People's Republic of China ("PRC") income tax		
Provision for the year	6,847	4,748
Over-provision in respect of prior years	–	(50)
	6,847	4,698
Deferred tax		
Origination and reversal of temporary differences	3,052	(15,735)
	9,899	(11,037)

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

	2006 *HK$'000*	2005 *HK$'000*
Interim dividend declared and paid of HK0.6 cent per ordinary share (2005: HK0.6 cent per ordinary share)	18,371	15,311
Final dividend proposed after the balance sheet date of HK0.6 cent per ordinary share (2005: HK0.6 cent per ordinary share)	18,456	15,311
Special dividend proposed after balance sheet date of HK0.4 cent per ordinary share (2005: Nil)	12,304	–
	49,131	30,622

The final dividend and the special dividend proposed after the balance sheet date have 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

	2006 *HK$'000*	2005 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.6 cent per ordinary share (2005: HK0.6 cent per ordinary share)	15,311	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$409,347,000 (2005 (restated): HK$106,808,000) and the weighted average number of 2,892,282,933 ordinary shares (2005: 2,550,669,234 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2006	**2005**
	'000	*'000*
Issued ordinary shares at 1 January	2,551,812	2,548,812
Effect of ordinary shares issued	338,137	–
Effect of share options exercised	2,334	1,857
Weighted average number of ordinary shares at 31 December	2,892,283	2,550,669

(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$409,347,000 (2005 (restated): HK$106,808,000) and the weighted average number of 2,955,671,923 ordinary shares (2005: 2,588,143,435 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2006	**2005**
	'000	*'000*
Weighted average number of ordinary shares at 31 December	2,892,283	2,550,669
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	63,389	37,474
Weighted average number of ordinary shares (diluted) at 31 December	2,955,672	2,588,143

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 project operation	The operation of waste-water treatment plants, waste-to-energy power plant and methane-to-energy power plant to generate revenue from operation services, finance lease income as well as rental income.
Environmental protection project management and consultancy	The provision of management and consultancy services to environmental protection projects to generate management and consultancy fee income.

	Infrastructure investment and operation		Property investment and management		Environmental protection project operation		Environmental protection project management and consultancy		Inter-segment elimination		Consolidated	
	2006	2005	2006	2005	2006	2005 (restated)	2006	2005	2006	2005	2006	2005 (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	72,584	59,824	17,664	17,659	145,611	55,372	–	–	–	–	235,859	132,855
Inter-segment revenue	–	–	–	–	–	–	136,789	37,110	(136,789)	(37,110)	–	–
Other revenue and other income from external customers	310,762	131	17,065	952	24,542	236	1,134	590	–	–	353,503	1,909
Unallocated other revenue and other income	–	–	–	–	–	–	–	–	–	–	26,477	10,504
Total	383,346	59,955	34,729	18,611	170,153	55,608	137,923	37,700	(136,789)	(37,110)	615,839	145,268
Segment results	361,423	41,310	33,391	37,181	78,691	16,737	50,202	25,979	(57,126)	(30,479)	466,581	90,728
Unallocated operating income and expenses											(8,659)	(14,846)
Profit from operations											457,922	75,882
Finance costs											(52,631)	(32,090)
Share of profits/(losses) of associates	32,838	68,034	–	–	(180)	11	–	–	–	–	32,658	68,045
Income tax											(9,899)	11,037
Profit after taxation											428,050	122,874
Depreciation and amortisation for the year	16,286	14,175	2,203	2,210	9,276	990	1,395	1,155				
Valuation gains on investment properties	–	–	5,831	25,230	–	–	–	–				
Segment assets	675,801	640,275	239,568	346,791	2,201,384	927,296	33,742	52,996	–	–	3,150,495	1,967,358
Interest in associates	–	412,702	–	–	442	602	–	–	–	–	442	413,304
Unallocated assets											464,038	295,519
Total assets											3,614,975	2,676,181
Segment liabilities	2,374	2,158	6,199	6,589	453,069	209,935	35,681	4,649	–	–	497,323	223,331
Unallocated liabilities											1,059,359	1,181,635
Total liabilities											1,556,682	1,404,966
Capital expenditure incurred during the year	152	33	11	7	1,033,381	620,745	585	15,242				

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.

	2006	2005 (restated)
	HK$'000	*HK$'000*
Revenue from external customers:		
Hong Kong	2,473	3,955
Other parts of the PRC	233,386	128,900
	235,859	132,855

	2006	2005
		(restated)
	HK$'000	*HK$'000*
Segment assets:		
Hong Kong	462,694	467,094
Other parts of the PRC	3,152,281	2,209,087
	3,614,975	2,676,181

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure incurred during the year:		
Hong Kong	1,314	767
Other parts of the PRC	1,034,129	636,025
	1,035,443	636,792

11. **DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Included in debtors, other receivables, deposits and prepayments of the Group are trade debtors of HK$40,434,000 (2005: HK$14,343,000), of which HK$6,001,000 (2005: HK$4,595,000) is due from a minority shareholder. The trade debtors are current and not yet due for payment and represent toll bridge revenue and revenue from waste-water treatment plants, waste-to-energy power plant and methane-to-energy power plant operation services 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$3,798,000 (2005: HK$1,393,000) which is payable to an associate. The balance is due within one month and represents service fee for operation of waste-water treatment plants.

Apart from the above, there are other payables to related companies and a minority shareholder of HK$45,759,000 (2005: HK$32,012,000) and HK$21,606,000 (2005: HK$18,756,000) respectively as at 31 December 2006. The amounts are unsecured, interest free and expected to be settled within one year.

13. **COMPARATIVE FIGURES**

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

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended a final dividend of HK0.6 cent per share (2005: HK0.6 cent) and a special dividend of HK0.4 cent per share (2005: Nil) for the year ended 31 December 2006 to shareholders whose names appear on the register of members of the Company on Monday, 23 April 2007. Subject to the approval of the final dividend and the special dividend at the forthcoming annual general meeting of the Company, dividend warrants will be despatched to shareholders on or about Thursday, 3 May 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 April 2007 to Thursday, 26 April 2007 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the final dividend and the special 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, 20 April 2007.

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, 22 March 2007

website address: www.ebchinaintl.com

CHAIRMAN'S STATEMENT

The PRC government has put environmental protection high on the agenda under the "Eleventh Five-year Plan" while the economy has been growing rapidly. The aim is to ensure the sustainability of the country's development and to further emphasize the importance of environmental protection. The rising awareness of environmental issues and the government measures to foster environmental protection business have generated huge opportunities. With vision, the Group made environmental protection business one of its core businesses back in 2003, and has been adopting the strategy of focusing on areas with stronger economy and market potential. As a result, the Group has established footholds and market leadership in Shandong and Jiangsu provinces. In the past three years, the Group's environmental protection business explored possibilities and developed footholds in key markets. The endeavours paid off and started yielding profit in 2005. In 2006, the Group finished construction or acquisitions of a number of environmental protection projects, and launched them into operation. The environmental protection business began reaping harvest and became a growth driver of the Group.

In the year under review, profit attributable to equity shareholders of the Group was HK$409,347,000, an increase of 283% as compared with the restated HK$106,808,000 in 2005. The growth was due to the expansion of profit base in the environmental protection business, and the one-off gains from the disposal of the Group's 15% equity stake in Shenzhen Mawan Power Company Limited and the sale of an investment property in Lippo Centre. Basic earnings per share for 2006 were HK14.15 cents, a rise of 238% as compared with the restated basic earnings per share of HK4.19 cents in 2005.

In view of the Group's good results and healthy financial position, the Board proposed to pay a final dividend of HK0.6 cent per share and a special dividend of HK0.4 cent per share, bringing the total dividend per share for 2006 to HK1.6 cents (interim dividend for 2006: HK0.6 cent per share) (Total dividend per share for 2005: HK1.2 cents).

The Group's environmental protection business continued to seize the huge opportunities by making significant progress in five projects in Jiangsu and Shandong provinces. They are: expansion of Qingdao Maidao Waste Water Treatment Plant, machinery upgrade of the Southern and Northern Waste Water Treatment Plants in Zibo, the commercial operation of Suzhou Waste-to-energy Project Phase I and Suzhou Methane-to-energy Project and the acquisition of Jinan No. 1 and No. 2 Waste Water Treatment Plants. These projects started operation and began contributing revenue in the year under review, expanding the Group's income source. The success of the projects enabled the Group to achieve the capacities of treating more than one million tonnes of sewage per day and processing more than one million tonnes of industrial and urban solid wastes per year two years ahead of schedule. Meanwhile, the Group has eight new projects in the pipeline: the waste-to-energy projects in Yixing, Jiangyin and Changzhou, Suzhou Solid Waste Disposal Project, the overall upgrade of the Southern and Northern Waste Water Treatment Plants in Zibo, Hanmiao Waste Water Treatment Project at Zibo High-tech Industrial Development Zone, the machinery upgrade of Jinan No. 1 and No. 2 Waste Water Treatment Plants and Suzhou Waste-to-energy Project Phase II. These projects are expected to be completed and to start operation in 2007 and 2008. They will expand the Group's income source and sustain its fast development.

With the strong support of the parent company, China Everbright Holdings Company Limited, and the competent management team of the Group, the Group has succeeded in launching and operating a number of environmental protection projects. This has enabled the Group to develop "Everbright Environment" into a well-established brand and build a good corporate image. In 2006, the Group received honours and recognitions from a number of organizations and the PRC government for its achievements in environmental protection business. It will fully take advantage of its brand to win more projects and develop the market. It will also grasp every opportunity to sustain its stable growth.

In early 2006, the Company set up a technology research and development center to enhance its core technology and competitive strengths in environmental protection sector. The Group planned to carry out 16 research projects into key issues of environmental protection both by itself and through partnership at the technology research and development center. With an aim of lifting technological standards, the Group formed strategic partnerships separately with leading academic bodies and research institutes from home and abroad to develop environmental protection technology and train staff. The partners include North Carolina China Centre, Tsinghua University and Tongji University. To fully utilize the resources of research and development in the PRC, the Group planned to establish Everbright Environmental Technology Research Centre in Beijing. The center will enable the Group to collect information about the country's environmental protection sector, trends of development and government policies and regulations more efficiently and thus benefit the development of its core technology and enhance its competitive strengths.

Environmental protection business benefits society and satisfies the demand generated by the country's economic development. It also enables the Group to sustain its growth. The Group will increase its commitment to research and development of environmental protection technology and step up its efforts to train and develop its technological and management teams. With an aim of reinforcing its market leadership in the PRC's environmental protection sector, the Group will strive to enhance its competitive strengths through innovations.

I would like to take this opportunity to express my gratitude to the shareholders, directors of the Board, the management and the whole staff. Their efforts have contributed to the great progress of the Group. We will continue to work hard for the good returns to the shareholders.

Wang Mingquan
Chairman

Hong Kong, 22 March 2007

CHIEF EXECUTIVE OFFICER'S REPORT

OPERATING RESULTS

2006 was the first year in the PRC's Eleventh Five-year Plan. Against the backdrop of rapid economic growth, the Central Government has stressed the importance of sustainable development, conservation of resources and energy and environmental protection. As the country becomes more aware of the environmental issues, the Central Government has stepped up policies to support and encourage development of the environmental protection industry. These developments have bred huge business opportunities. During the year under review, the Group actively developed its environmental protection business by securing a number of new projects and launching some into operation. As a result, the Group met the target of treating over one million tonnes of sewage per day and processing over one million tonnes of industrial and household solid waste per year two years ahead of schedule. In 2006, environmental protection business developed into a main source of income, and contributed 62% of the Group's turnover, up from the 42% in 2005.

During the year under review, a number of environmental protection projects came on stream and became new growth drivers, expanding the Group's income source. The Group also continued to adjust its assets structure and made one-off gains by disposing of its 15% equity stake in Shenzhen Mawan Power Company Limited ("Mawan Power") and an investment property in Lippo Centre, boosting the profit attributable to equity shareholders of the Company. For the year ended 31 December 2006, the Group's consolidated turnover amounted to HK$235,859,000, representing an increase of 78% from the restated turnover of HK$132,855,000 in 2005. Profit attributable to equity shareholders was HK$409,347,000, an increase of 283% as compared with HK$106,808,000 as restated in 2005. Basic earnings per share for 2006 were HK14.15 cents, an increase of HK9.96 cents as compared with HK4.19 cents for the previous year.

While taking into account the Group's future development plans, the Board proposed to pay a final dividend of HK0.6 cent per share and a special dividend of HK0.4 cent per share to the equity shareholders of the Company in recognition of their support. Together with the interim dividend of HK0.6 cent per share for 2006, the total dividend for the year amounted to HK1.6 cents per share (2005: HK1.2 cents per share).

ENVIRONMENTAL PROTECTION BUSINESS

The Group continued to actively develop its environmental protection business, which included a dozen projects in Jiangsu and Shandong provinces with a total investment of more than HK$3 billion. During the year under review, the Group secured six new projects, including the Jiangyin Waste-to-energy Project in Jiangsu province ("Jiangyin Project"), the Jinan Waste Water Treatment Project in Shandong province ("Jinan Project"), the Changzhou Waste-to-energy Project in Jiangsu province ("Changzhou Project"), the Hanmiao Waste Water Treatment Project at the Zibo High-tech Industrial Development Zone, Shandong province ("Zibo High-tech Zone Hanmiao Project"), the overall upgrade of the Southern and Northern Waste Water Treatment Plants in Zibo ("Zibo Southern and Northern Plants Project") and Suzhou Waste-to-energy Project Phase II ("Suzhou Project Phase II"). During the year, Suzhou Waste-to-energy Project Phase I ("Suzhou Project Phase I") and Suzhou Methane-to-energy Project ("Methane Project") commenced operation. The Group also took management control of Jinan No.1 and No. 2 Waste Water Treatment Plants. Revenue from the environmental protection business grew 163% to HK$145,611,000 in 2006, and accounted for 62% of the Group's turnover (2005: 42% of the Group's turnover). Operating profit before deduction of interest and tax from the business segment increased by 486% to HK$71,767,000 in 2006. Recording strong and healthy development and promising tremendous growth potential, the environmental protection business will support strong revenue growth of the Group.

Waste-to-energy Projects

Suzhou Project Phase I

The Group's first wholly owned environmental protection project, Suzhou Project Phase I, completed a full load trial run and started supplying electricity to the power grid on 20 June 2006. It began commercial operation on 18 July 2006. In October 2006, the Shanghai branch of the globally renowned independent inspection company, SGS Group from Switzerland, conducted an emission test on the boiler exhaust gas and found the results meeting the PRC's national emission control standards and the emission level of boiler and dioxin met the Euro I Standard and the Euro II Standard respectively. The project not only will bring in stable income for the Group in the long run, but will also help enhance the Group's brand name in the field of waste-to-energy operation. During the year, the project obtained Jiangsu Province Price Department's approval to raise its up-loading tariff from RMB0.50 per kilowatt-hour to RMB0.575 per kilowatt-hour, benefiting from the country's policy that favoured the development of environmental protection business. As a new growth driver, the project contributed a net profit of HK$12,592,000 to the Group in 2006. It will make a full-year profit contribution in 2007.

Yixing Project

During the year under review, construction of the Yixing waste-to-energy project ("Yixing Project") in Jiangsu province progressed satisfactorily, with the site ready for boiler installation in March 2006. The construction of the "Everbright Road" was completed in April 2006. At the end of June 2006, the project's boiler passed the water pressure test and inspection of the Quality Supervision Centre of Jiangsu province. The accompanying dormitory was ready for use in October. The project succeeded in its trial run on power transmission in November. The project is expected to be completed in the second quarter of 2007, and will be a new income source of the Group, generating profit in 2007.

Jiangyin Project

In January 2006, the Group won the tender for the Jiangyin Project, which required a total investment of approximately RMB388,744,000. Construction will take place in two phases, with phase I having a daily processing capacity of 800 tonnes of waste. The Group is entitled to an exclusive right to operate the project for 30 years on BOT basis. Foundation stone of the project was laid in March 2006, and construction has been progressing smoothly since it started on 28 June 2006. Major imported facilities have arrived in Jiangyin city and are ready for installation in the second quarter of 2007. The project is expected to commence commercial operation in the second quarter of 2008.

Changzhou Project

On 5 June 2006, the Group signed a framework agreement with Changzhou Municipal Administration Bureau in Jiangsu province to obtain the right to construct a waste-to-energy project in Changzhou on BOT basis as well as an exclusive right to operate the project for 25.5 years. Investment in the project will amount to RMB412,560,000. The plant will have capacity to process 800 tonnes of waste per day. Preliminary work, project registration and injection of capital were completed in September 2006 and foundation stone was laid on 15 December 2006. Tendering of major equipment has been finished and civil engineering work has begun in the first quarter of 2007. The project is the Group's fourth waste-to-energy project in Jiangsu province and is expected to begin operation in 2008. The Group will be able to centralize the management of this project and the other three, namely Suzhou Project, Yixing Project and Jiangyin Project, which are close to each other. As a result, the Group will be able to save cost. Investment in the project has enhanced the Group's advantageous position within Jiangsu province and reinforced its market leadership in the waste-to-energy sector of the country.

Suzhou Project Phase II

The Group signed an agreement with Suzhou Municipal Urban Utility Bureau in December 2006 to construct phase II of the Suzhou Waste-to-energy Project with capacity to process 500 tonnes of waste per day at an investment of approximately RMB220,000,000. Suzhou Project Phase II will adopt the same operation model and construction standards as those of phase I. The new phase will be equipped with imported advanced equipment including incinerators and systems for emission control, automation and online monitoring. The project's dioxin emission will meet the Euro II standard. Construction of the project will begin in the second half of 2007, and is expected to be finished by the end of 2008. Together with Suzhou Project Phase I, which has already been in operation, the expanded power plant will be able to process more than 1,500 tonnes of waste per day and generate about 150 million kilowatt hours of electrical power per year for the power grid. When phase II commences operation, the Suzhou Project will be one of the largest waste-to-energy projects in the country.

Integrated environmental protection project – Suzhou Everbright Environmental Protection Industrial Zone
In July 2005, the Group signed a cooperative framework agreement with the government of Mudu town, Wuzhong district, Suzhou city, Jiangsu province to construct the Suzhou Everbright Environmental Protection Industrial Zone ("the Zone"). The project will be the country's first integrated zone for environmental protection to showcase centralized disposal of urban and industrial waste. The Zone is high on the agenda of the State Environmental Protection Administration and backed by the Suzhou Municipal Government. The Zone is dubbed a "vein" in its Chinese name as it functions as such for the PRC's economic development in the way the vein does for the human body – to gather used materials or waste, process them in a harmless manner for reuse. The "vein"-type industry is defined as an industry that maximizes utilization of resources, minimizes environmental pollution, promotes recycling as a viable economic pursuit and encourages conservation in land use. Of no less than 2.5 sq. km., the Zone will be completed in phases within three to five years at a total investment of around HK$1.5 billion. It contains waste-to-energy plants (Suzhou Project I and II), a methane-to-energy plant (Methane Project) and a centre for industrial solid waste disposal ("Solid Waste Disposal Project"). As the country's first integrated zone for environmental protection to showcase centralized disposal of industrial and urban solid wastes, the Zone will also be developed into a scenic base for environmental education in Suzhou.

After Suzhou Project Phase I started commercial operation on 18 July 2006, the methane-to-energy plant began to supply electricity to the power grid on 20 August 2006 and contributed a net profit of HK$1,322,000 to the Group in 2006. Currently, the two 1,250 kilowatt generators of the Methane Project are operating at full load.

Furthermore, the Group has signed an agreement with Suzhou Environmental Protection Administration to build and operate a solid waste landfill site in Suzhou City. The Solid Waste Disposal Project will serve the entire Suzhou city (including all districts in its jurisdiction), providing support to the city's industrial development. Construction of the project has been progressing smoothly since it began on 31 August 2006 and the project is expected to be completed and start operation in mid-2007.

With the gradual roll-out of different projects, the Zone has begun to take shape. Currently, the Group and the Suzhou Municipal Government are in discussion over the plan of the Zone and other projects there, including a leachate treatment plant and sludge treatment center. The Group's ultimate aim is to build the Zone into the PRC's first integrated zone for environmental protection to showcase centralized processing of urban and industrial solid wastes which will enhance the "Everbright Environment" brand.

Waste Water Treatment Projects

Qingdao Project
The Group's first environmental protection project in Shandong province, the Qingdao waste water treatment project ("Qingdao Project"), processed 52,152,000 tonnes of sewage in 2006 and generated HK$16,272,000 in net profit attributable to the Group. Expansion of the Maidao Waste Water Treatment Plant started in late June 2005. It commenced operation in June 2006, ahead of schedule, to make way for the Qingdao International Regatta that took place in August 2006. Currently undergoing trial runs, the project is expected to gradually increase its daily sewage treatment capacity from around 150,000 tonnes to 220,000 tonnes after it starts commercial operation in the second half of 2007. In 2006, the project company embarked on 33 improvement works for the Haibohe Waste Water Treatment Plant. Efforts to upgrade the facilities of the plant have significantly enhanced the project's processing capability.

Zibo Southern and Northern Plants Project
The Zibo Project in Zibo city (including the Southern Plant and Northern Plant) has been in stable performance since it started operation in December 2005. In 2006, it processed 77,374,000 tonnes of sewage and contributed a net profit of HK$14,490,000 to the Group. Machinery upgrade of the two plants was completed on 28 April 2006. The completion of this work on schedule not only ensured the smooth operation of the project, but also earned for the Group the trust of the municipal government and citizens of Zibo. On 28 August 2006, the Group signed an agreement with the Zibo Municipal Government to invest RMB130,221,000 in an overall upgrade of the two plants, with the aim of improving the quality of the processed sewage to Grade 1A (reusable water grade). The upgraded Southern and Northern plants will command a sewage treatment fee of RMB0.98 per tonne, up from the previous RMB0.75 per tonne, bringing higher return to the Group.

Zibo High-tech Zone Hanmiao Project
On 13 July 2006, the Group signed a "Concession Right Agreement for constructing a new waste water treatment plant in the Zibo High-tech Industrial Development Zone" and a "Waste Water Treatment Service Agreement" with the Zibo Municipal Government. The new project will have a processing capacity of 300,000 tonnes of sewage per day. Phase I of the project, which will have a daily processing capacity of 100,000 tonnes, calls for an investment of RMB150,000,000, and will be ready for commercial operation by the end of June 2007. It is the Group's first waste water treatment project on BOT basis, and the PRC's first waste water treatment project in a city to adopt the Grade 1A standard, which is a high standard for sewage treatment. As such, the project is a milestone in the Group's development in the field of sewage treatment sector. Since securing the project, the Group has obtained concession rights to manage all sewage treatment projects in Zibo and the city's high-tech zone. This project will not only enhance the Group's development in Shandong, but also allow the Group to realize resources sharing, boosting overall management and operational efficiency of the different projects in Zibo.

In December 2006, the Zibo project company received three accreditations certifying that its quality, environmental protection, occupational health and safety management systems have met international standards (GB/T19001, GB/T24001 and GB/T28001 respectively). It also obtained the China Laboratory Quality Assurance Certificate. In January 2007, it was named a "Role Model of Labor Protection and Integrity" in 2006 by the Labor Bureau of Zibo city in recognition for its continuous efforts to safeguard the well-being of its staff while enhancing management standards. This achievement has laid a solid foundation for the Group to build the Zibo project into a "benchmark enterprise in Shandong and an environmental education base in Zibo".

Jinan Project
On 23 June 2006, the Group signed a "Cooperative Agreement" with the Jinan Municipal Government to acquire all assets of the Jinan No. 1 and No. 2 Waste Water Treatment Plants by way of TOT at RMB400,000,000. The two plants have a combined daily sewage processing capacity of 420,000 tonnes, and the Group is entitled to an exclusive right to operate the project for 30 years. The formal concession right agreement was signed on 31 October 2006 and operation began after the handover on 18 November 2006. The project serves as a solid foundation for the Group's pursuit of future opportunities in Jinan's market for environmental protection and municipal public works. It is an integral part in the Group's strategic plan for its development in Shandong. The Jinan project company was named one of Jinan's "ten best foreign-invested companies" by the Jinan Municipal Government in recognition of its efforts to uphold the principles of "integrity, high efficiency and pragmatism" in the acquisition of the two sewage treatment plants. Presently, the Group has made investment to improve the technology and equipment of the two plants with an aim of enabling them to reach full-load operation with stable performance and comply with effluent standards. When the improvement work is completed in the first half of 2007, the plants will reach their designed capacity for sewage treatment and will become a new income source of the Group.

Environmental Protection Engineering
Everbright Environmental Protection Engineering (Shenzhen) Company Limited ("Everbright Environmental Engineering"), a wholly-owned subsidiary of the Group, has a professional, efficient and dedicated technical management team, which is fully involved in all of the Group's environmental protection projects. During the year under review, it recorded a net profit of HK$48,263,000, representing an increase of 99% over HK$24,206,000 in 2005. Everbright Environmental Engineering is the main contractor of the Group's projects and a member of the Group, and as such, its management and consultancy fee income is not credited to the Group's consolidated income statement but reflected as reduction in construction costs of the different projects.

In January 2006, Everbright Environmental Engineering received the "Main Contractor for Municipal Public Works Certificate" and three quality accreditations, 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. It also obtained the "Shenzhen High-tech Enterprise Certificate" in October. All these achievements made in just three years enabled it to enter the field of engineering and construction management of public works sector, they are also proof of the Group's ability to develop its environmental protection operations. This will greatly expand the scope of business of the Group.

The roll-out of the Suzhou Project Phase I, Methane Project, Qingdao Project, Zibo Project and Jinan Project marked the Group's successful transformation into a professional environmental protection enterprise. After three years' hard work, the Group has built footholds in the markets of Jiangsu and Shandong provinces. To ensure it is able to meet the challenges in development, the Group began research and development on environmental protection technologies.

ENHANCED CAPABILITIES FOR RESEARCH AND DEVELOPMENT ON ENVIRONMENTAL PROTECTION

Strategic Partnerships

Apart from securing and operating different environmental protection projects, the Group has been trying to carry out research and development on related technologies and in forging complementary partnerships with internationally famous enterprises. In addition to the strategic alliance with Keppel Seghers, in the year under review, the Group carried out exchanges and cooperated in research projects with institutes such as the North Carolina China Centre, Tsinghua University and Tongji University of Shanghai with an aim of boosting its research and development capabilities, which is its core competitive edge.

Research and Development Facility

In early 2006, Everbright Environmental Engineering set up a technology research and development center specializing in research on technology of waste-to-energy operation and sewage treatment and sludge treatment. The aim of these endeavors is to boost the Group's core technology and thus its competitive strengths. The Group has also required each project company to set up its own technological innovation team. It has also introduced policies and provisions such as an environmental expert data base, a research and development project development fund and research and development project management guidelines to standardize research and development efforts. The Group plans to set up an Everbright Environmental Protection Technology Research Institute in Beijing to provide funding to research projects and serve as a base for experiments. It will provide laboratories for experiments on technologies of solid waste treatment, sewage treatment and integrated environmental protection technology.

Patent

In the year under review, China Everbright's research and development center planned to carry out 16 research projects into key issues of environmental protection, including domestic production of incinerators, leachate treatment and recycling of processed sewage. Until the first quarter of 2007, the center completed 6 of the projects. Four projects are in progress and 6 more will begin soon. The Group has also applied for 8 patents for technologies on waste-to-energy operation and sewage treatment.

INFRASTRUCTURE INVESTMENT

Toll Bridge

In the year under review, traffic on the Qingzhou Bridge continued to grow and generated steady cash flow. For the year ended 31 December 2006, the average daily traffic on the bridge increased to 26,267 standard vehicles, 18% more than in 2005. Operating profit before tax for 2006 was HK$39,583,000, an increase of 37% over that in 2005. Taking into account the deferred tax and the profit attributable to minority shareholders, the project generated HK$28,531,000 in net profit attributable to the Group in 2006.

As scheduled in the city development plan of Fuzhou Municipal Government, the highway to the Fuzhou airport was opened in late 2006 and boosted economy in neighbouring areas. Meanwhile, the municipal government has also invested considerably to have the east-to-west road system upgraded. These development and initiatives to improve roads and government policies to clamp down on overloading of vehicles and charging for road use by weight of load will boost traffic on Qingzhou Bridge and the toll revenue.

Energy Supply

Mawan Power is 15% held by the Group since 1998 and has been one of the major profit sources of the Group. However, after operating for 17 years, the plant's power generators are worn out and more frequent repairing is expected for them in the future. With such factors as mounting maintenance cost, easing of the power shortage in the PRC in recent years, implementation of the West-to-East power transmission project, price competition in supplying electricity to power grids and high coal and oil prices, Mawan Power is expected to face growing pressure. And, as the proportion of profit contribution from environmental protection projects is increasing, that of Mawan Power is expected to gradually diminish. In view of these developments, the Group decided to exit the investment in Mawan Power in the year under review and focus on developing environmental protection business.

On 28 August 2006, the Group signed an agreement with a subsidiary of Shenzhen Energy Group Company Limited to dispose of its 15% interest in Mawan Power at a consideration of approximately HK$657,708,000. The disposal constituted a major transaction for the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The transaction was completed on 14 December 2006. During the year under review, the project generated a net profit of HK$342,838,000 for the Group, including an attributable net profit of HK$32,838,000 and a gain of HK$310,000,000 from the disposal. In 2006, the Group received a total of HK$746,340,000 from the Mawan Power, including the cash dividend paid for 2005 and prior years in the amount of HK$88,632,000 and the aforesaid consideration of the disposal. The Group had used approximately HK$440,480,000 of the net proceeds from the transaction to repay liabilities and the remaining HK$305,860,000 as working capital for investments in environmental protection and municipal public works businesses.

PROPERTY INVESTMENT

The PRC

In the PRC, the Group owns a four-storey commercial complex with a shopping arcade in Shenzhen Zhongshan Garden for lease. The property has been a source of steady rental income and cash flow for the Group. Its major tenants include Walmart, Park'n Shop and McDonald's, and its occupancy rate during 2006 was 99%. During the year under review, the Group recorded a net profit of HK$8,351,000 from this property, representing a growth of 25% from HK$6,675,000 in 2005.

In 2006, the Group's 95%-held Shenzhen Zhongshan Property Management Limited recorded an attributable net profit of HK$388,000.

The Group's 14%-held Shanghai Trade Square and International Apartments continued to generate steady income and yielded a dividend income of HK$1,677,000 in 2006.

In addition, the Group recorded valuation gains of HK$5,831,000 because of the rise in value of its investment properties in the PRC.

Hong Kong

Hong Kong's economy continued to boom in 2006, boosting demand for Grade A offices and causing a big rise in both rent and property prices. The Group made a rental income totaling HK$2,171,000 during the year. On 13 April 2006, the Group signed an agreement to sell the investment property on the 8th floor of Tower I, Lippo Centre, Hong Kong at a consideration of HK$122,098,000. The transaction was completed on 18 May 2006 and brought a gain of HK$16,083,000 from the disposal. Approximately HK$54,154,000 of the proceeds from the disposal had been used to settle relevant bank borrowings and the transaction cost, and the remaining HK$67,944,000 was used as general working capital for the Group's environmental protection business.

HONOURS AND RECOGNITIONS

Guided by the operation principles of "integrity, pragmatism, high efficiency and innovation", the Group's achievements in environmental protection business in just three years are well recognized. The awards won by the Group during 2006 are listed below:

Date	Organizer	Awards
May 2006	*Capital* Magazine	"Outstanding Environmental Protection Corporation Award" of "The 1st *Capital* Outstanding China Enterprise Awards"
28 June 2006	Chinese Association of Productivity Science, Association of China Economic Press and Forum for International Competitiveness of Chinese Enterprises	"Most Socially Responsible and Honest Enterprise in 2006"
6 August 2006	Chinese Association of Productivity Science	Ranked 15th among the "Top 100 Most Dynamic Enterprises in China in 2006"

PROSPECTS

"Protecting the natural environment and establishing a society that conserves energy and is friendly to the environment" is the theme of the PRC's Eleventh Five-year Plan (2006 to 2010). To realize the goals, the Central Government has encouraged and pledged support to the development of environmental protection business. In 2007, the State Environmental Protection Administration will step up its efforts in environmental protection, including perfecting the mechanism to monitor pollutant emission, preventing illegal discharges in drinking water protection zones and industrial parks, developing an economic model for recycling, encouraging ecology-friendly design and improvement of industrial parks and reducing discharge of waste water from the chemical, brewing and printing and dyeing industries.

The Central Government has planned to invest RMB1.4 trillion to improve the quality of water and air as well as the solid waste treatment in the next five years. A series of government measures are: setting the target of having at least 60% of the country's sewage processed by 2010; gradually opening up the water supply market to foreign enterprises and privately owned domestic enterprises; and providing support to energy-saving power generation projects by allowing waste-to-energy plants to charge a higher tariff for their supply to power grids.

Riding on the strong support of its parent company, China Everbright Holding Company Limited ("Everbright Group") and the well-established "Everbright Environment" brand, the Group will seek to seize business opportunity in the booming environmental protection industry. It will actively pursue different projects that convert waste to energy and recycle processed sewage.

In accordance with the PRC's industrial development policies and scientific development approach, and its overall goal of establishing an energy-saving and environment-friendly society, the Group will grow its environmental protection business following the direction of "development, consolidation and enhancement". It will continue to maintain stable growth, actively explore new markets and secure new projects. With the support of Everbright Group and the brand advantage underscored by integrity, pragmatism, high efficiency and innovation, the Group will strive to secure and develop new projects in more affluent regions in the country, explore new markets to drive growth. It will also upgrade existing projects and lift the management and operational standards to consolidate business foundation. On the technological research and development front, the Group will invest more resources in environmental protection research and development and strengthening training of the key technical staff. It will also seek to form strategic partnerships with leading academies and research institutes from home and abroad to enhance its core competitive strength and reinforce its leadership in the environmental protection industry. Meanwhile, the Group will continue to consolidate its infrastructure and property investment businesses to ensure steady income. The Company will continue to contribute to the well-being of society and maximize returns to shareholders.

FINANCIAL RESULTS

Consolidated turnover of the Group amounted to HK$235,859,000 in 2006, representing an increase of 78% as compared with the restated turnover of HK$132,855,000 in 2005. The increase was mainly attributable to the revenue contribution from the Zibo Project that commenced operation in December 2005. The other environmental protection projects that commenced operation during the year have also started generating revenue. The increased toll revenue of the Qingzhou Bridge and the one-off gains from the disposal of the 15% interest in Mawan Power and the sale of the investment property in Lippo Centre also boosted profit growth for the year. Profit attributable to equity shareholders of the Company for the year amounted to HK$409,347,000, representing an increase of 283% as compared with the restated profit of HK$106,808,000 in 2005. In 2006, basic earnings per share amounted to HK14.15 cents, an increase of 238% as compared with HK4.19 cents in 2005.

FINANCIAL POSITION

As at 31 December 2006, the Group had total assets of approximately HK$3,614,975,000. Net assets attributable to equity shareholders of the Company amounted to HK$1,941,338,000 and the net assets per share attributable to equity shareholders of the Company were HK$0.631, representing an increase of 37% as compared with HK$0.462 as at the end of last year. As at 31 December 2006, the gearing ratio (calculated by dividing total liabilities by total assets) was 43%, representing a decrease of 9 percentage points as compared with 52% as at the end of last year.

The Group generally finances its operations with internally generated cash flow, loan facilities from banks and from its ultimate holding company. As at 31 December 2006, the Group had an aggregate cash balance of approximately HK$866,986,000, representing an increase of HK$368,316,000 as compared with HK$498,670,000 as at the end of last year. At present, the Group has ample cash on hand to fulfill its contracted capital commitments of approximately HK$310,623,000. As at 31 December 2006, the Group had outstanding borrowings of approximately HK$989,860,000, representing a decrease of HK$158,011,000 as compared with HK$1,147,871,000 as at the end of last year. The borrowings comprised secured bank loans of HK$891,032,000 and loans from ultimate holding company of HK$98,828,000.

FOREIGN EXCHANGE RISK

The Group's foreign exchange risk is minimal as the majority of the Group's assets, borrowings and major transactions are denominated in Renminbi, which has a relatively stable exchange rate against the Hong Kong Dollar. Thus, the risk of being impacted by exchange rate fluctuations is relatively low for the Group. The Group mainly settles the expenses of its business in the PRC with Hong Kong dollar-remittance and income in Renminbi. It has not used any financial instruments to hedge against its bank borrowings in Renminbi, which are used mainly to meet the capital requirements of the Group's business in the PRC.

PLEDGE OF ASSETS

As at 31 December 2006, the Group had pledged revenues from the operations of toll bridge, waste water treatment plants and waste-to-energy power plant, finance lease receivables, bank deposits, mortgages on fixed assets and shares of a subsidiary to secure bank loans. The aggregate net book value of the pledged assets was approximately HK$919,947,000.

CAPITAL COMMITMENTS

As at 31 December 2006, the Group's contracted capital commitments amounted to HK$310,623,000.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no contingent liabilities.

SHARES PLACEMENT

On 25 April 2006, Guildford Limited ("Guildford"), a shareholder of the Company entered into a placing agreement with Deutsche Bank AG to place 510,000,000 shares of the Company at HK$0.66 per share. According to the subscription agreement made on the same day, Guildford subscribed for 510,000,000 new ordinary shares of the Company at HK$0.66 per share. The net proceeds of the share placement were approximately HK$321,723,000 (after deducting relevant expenses). The Group intended to spend approximately HK$200,000,000 of the net proceeds as general working capital for existing environmental protection projects and construction of new projects, and spend the balance of HK$121,723,000 on new environmental protection projects. As at 31 December 2006, HK$214,864,000 of the net proceeds had been used in the development of the Group's environmental protection business, while the balance of HK$106,859,000 was held as bank deposits.

INTERNAL MANAGEMENT

The Group adheres diligently to a management principle that stresses "care for people, honesty, pragmatism, creativity and standardized management" and is committed to building a solid risk management culture. During the reporting year, it adopted a series of measures to strengthen the Group's risk response strategy, raise risk awareness and set up a risk prevention mechanism. It adjusted the membership of the Risk Management Advisory Committee and the Engineering Technical Management Committee to reinforce their roles and responsibilities as well as authority. In addition, the Group set up a Budget Approval Management Committee to improve budget management, control expenses of project companies and project construction costs. This endeavor will help to assure the Group's long-term, stable and sustainable development. With its two major strategic markets Jiangsu and Shandong taking shape, the Group will push on at full steam with promoting interaction and connection among the different projects developing in the regions. Its aim is to realize overall operational integration, which will give it maximum regional competitive advantage and allow it to maximize returns from human and material resources application.

CORPORATE GOVERNANCE

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

For the year ended 31 December 2006, the Company had complied with 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 2006 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 in the Model Code during the twelve months ended 31 December 2006.

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 Group. 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 auditors, the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters, including a review of the annual results for the year ended 31 December 2006.

HUMAN RESOURCES

The Group devotes much attention to human resources management and developing the potential of each employee to make sure it has a high quality team that can support its business development in the long run. To strengthen the Group's financial management capabilities and the standard of staff with financial responsibilities, the Group organized a comprehensive training programme for finance staff during the year under review. The programme covered topics such as the new business accounting standards in the PRC, internal auditing, budgeting and budget management, tax planning, the differences between accounting standards in Hong Kong and the PRC, etc. and the lectures were given by accounting and tax specialists from Hong Kong and Shenzhen. In early 2007, the Group also organized training for its management staff with the Guanghua School of Management of the Peking University. The training course has helped managers of the Group to familiarize with modern management concepts and in turn enhanced the Group's management standard.

As at 31 December 2006, the Group had approximately 840 employees in Hong Kong and the PRC. The employees 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. Since 2007, the average pay rise of the employees in Hong Kong will be 5%. According to the share option scheme approved at the Company's extraordinary general meeting on 26 May 2003, the Board has the authority to grant share options as performance incentives to any employees, including directors. On 3 August 2006, options for 66,000,000 shares at HK$0.85 per share were granted to executive directors of the Company, key management and technical personnel and staff of the Group to reward and encourage their dedication in helping the Group achieve stable and sustainable development.

By Order of the Board
Chen Xiaoping
Chief Executive Officer

Hong Kong, 22 March 2007

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