CHINA EVERBRIGHT INTERNATIONAL LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 257)

2003 RESULTS ANNOUNCEMENT

AUDITED RESULTS

The board of directors ("the Directors") of China Everbright International Limited ("the Company") hereby presents the audited consolidated results of the Company and its subsidiaries (collectively, "the Group") for the year ended 31 December 2003 with comparative figures for the year ended 31 December 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2003 HK$'000	2002 (restated) HK$'000
Turnover	1	83,613	261,049
Cost of sales		(54,697)	(214,192)
		28,916	46,857
Other revenue	2	12,022	3,471
Distribution costs		(1,305)	(8,004)
Administrative expenses		(30,311)	(33,339)
Other operating expenses		(50,559)	(34,405)
Loss from operations		(41,237)	(25,420)
Finance costs	3	(31,374)	(64,612)
		(72,611)	(90,032)
Share of results of associates	4		
Share of profits before taxation		109,891	108,157
Share of (deficit)/surplus on revaluation of investment properties		(13,322)	61
Share of profit of jointly controlled entity	5	31,982	2,132
Gain on sale of discontinued operation	6	19,576	–
Profit from ordinary activities before taxation	3		
Continuing operations		61,238	38,540
Discontinued operation		14,278	(18,222)
		75,516	20,318
Income tax			
Continuing operations	7	(17,848)	(18,366)
Profit from ordinary activities after taxation		57,668	1,952
Minority interests		(831)	(943)
Profit attributable to shareholders		56,837	1,009
Earnings per share	8		
Basic		HK$2.23 cents	HK$0.04 cent
Diluted		HK$2.23 cents	HK$0.04 cent

NOTES:

1. TURNOVER

The principal activities of the Group are manufacturing and sale of timber products, toll bridge operation, property investments, securities trading and investment holding.

Turnover represents the invoiced value of goods supplied to customers, toll bridge revenue, rental income and proceeds from securities trading. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003	**2002**
	HK$'000	*HK$'000*
Sale of timber products	49,270	245,892
Toll bridge revenue	19,916	–
Property rental	13,822	15,157
Securities trading	605	–
	83,613	261,049

2. OTHER REVENUE

	2003	**2002**
	HK$'000	*HK$'000*
Interest income	465	878
Write back of interest on other borrowings	9,379	–
Dividend income from unlisted securities	530	–
Gain on sale of other financial assets	223	–
Others	1,425	2,593
	12,022	3,471

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003	**2002**
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	7,150	24,424
Interest on other bank advances	4,742	–
Interest on loans from ultimate holding company	19,482	40,188
	31,374	64,612
(b) Staff costs:		
Contributions to defined contribution plans	701	1,783
Salaries, wages and other benefits	16,910	42,017
	17,611	43,800

(c) Other items:

Cost of inventories	45,613	214,192
Amortisation of investment in jointly controlled entity	2,747	6,592
Amortisation of positive goodwill	803	–
Amortisation of negative goodwill included in share of profits of associates	(674)	–
Exchange loss	139	1,849
Auditors' remuneration	1,365	1,635
Depreciation		
– assets held for use under operating leases	1,018	1,019
– other assets	12,260	18,541
Loss on sale of fixed assets	69	178
Operating lease charges for premises	660	2,079
Provision for diminution in value of other financial assets	29,495	11,400
Unrealised losses on listed securities in Hong Kong carried at fair value	–	440
Provision for bad and doubtful debts	–	3,602
Net deficit on revaluation of investment properties	17,046	4,394
Rentals receivable from investment properties less direct outgoings of HK$1,432,000 (2002: HK$1,421,000)	(12,390)	(13,736)

4. SHARE OF RESULTS OF ASSOCIATES

	2003	**2002** (restated)
	HK$'000	*HK$'000*
Share of profits of associates	109,217	108,157
Amortisation of negative goodwill	674	–
	109,891	108,157
Share of (deficit)/surplus on revaluation of investment properties	(13,322)	61
	96,569	108,218

5. INTEREST IN JOINTLY CONTROLLED ENTITY

Pursuant to the original co-operative joint venture agreement, Fuzhou Guang Min Road and Bridge Construction & Development Company Limited ("FZGM") was established under the laws of the People's Republic of China (the "PRC") to develop, construct, operate and maintain a toll bridge and a toll road and related facilities in Fuzhou, the PRC. Greenway Venture Limited ("Greenway"), a subsidiary of the Company and the foreign joint venture partner of FZGM, is committed to contribute the full amount of the total development and construction costs whilst 福州開發區國有資產營運有限公司 ("the PRC joint venture partner") will contribute the relevant toll road and toll bridge rights. The Group owns an 80% equity interest in Greenway.

Under the original joint venture agreement and the Articles of Association of FZGM, neither the Group nor the PRC joint venture partner has the required number of representatives in FZGM's board of directors in order for either one of them to control FZGM. In view of the above, FZGM was considered to be a jointly controlled entity.

In 1999, the construction work of the toll road was suspended as a result of a change in project plan. In view of this change in project plan, the Group negotiated new terms of the co-operation with the PRC joint venture partner. On 26 May 2003, Greenway entered into a revised co-operative joint venture agreement with the PRC joint venture partner. Pursuant to the revised co-operative joint venture agreement, Greenway controls 80% of the composition of FZGM's board of directors. Accordingly, the investment in FZGM was accounted for in the financial statements under the equity method up to 25 May 2003 and it has been consolidated into the financial statements thereafter.

6. DISCONTINUED OPERATION

On 21 March 2003, the Company entered into an agreement with China Everbright Technology Limited ("CE Technology"), an associate of the Group's ultimate holding company, to dispose of its entire 77.12% interest in Everbright Timber Industry (Shenzhen) Co., Ltd. representing the manufacture and sale of timber products segment ("the Timber Segment") for a cash consideration of HK$7,000,000. The disposal was completed on 28 March 2003 and the control of the Timber Segment effectively passed to CE Technology on the same day. The gain on sale of the Timber Segment of HK$19,576,000 has been credited to the consolidated profit and loss account.

The results of the Timber segment has been presented in note 10.

7. INCOME TAX

Income tax in the consolidated profit and loss account represents:

	2003	2002 (restated)
	HK$'000	*HK$'000*
Current tax – Provision for PRC income tax		
Tax for the year	4,306	974
Deferred tax		
Origination and reversal of temporary differences	206	–
Share of associates' taxation	13,336	17,392
	17,848	18,366

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 PRC operations is charged at the appropriate current rates of taxation ruling in the PRC.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$56,837,000 (2002 (restated): HK$1,009,000) and 2,548,311,700 ordinary shares (2002: 2,548,311,700 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of HK$56,837,000 (2002 (restated): HK$1,009,000) and the weighted average number of ordinary shares of 2,551,060,407 shares (2002: 2,548,311,700 shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

9. CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) "Income taxes" issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1 on the financial statements. As a result of the adoption of this accounting policy, the Group's profit for the year has been decreased by HK$Nil (2002: HK$5,764,000) and the net assets as at the year end have been decreased by HK$41,490,000 (2002: HK$41,490,000).

The new accounting policy has been adopted retrospectively, with the opening balances of accumulated losses and other reserves and their respective comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

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:

Manufacture and sale of timber products	The manufacture and sale of timber products.

Property investment and development	The leasing of office premises and shopping arcades to generate rental income and to gain from the appreciation in the properties' values in the long term and investment in associate which engages in property development projects.
Securities trading	The trading of securities to generate a profit from short term fluctuations in price or dealer's margin.
Infrastructure investment and operation	The operation of a toll bridge to generate toll fee revenue and investment in associates, jointly controlled entity and investment securities, which engage in infrastructure and power industry, to generate dividend income and gain from the appreciation in the investment value in the long term.
Environmental protection investment	The investment in associates which engage in environmental protection projects.

	Discontinued operation		**Continuing operations**									
	Manufacture and sale of timber products		**Property investment and development**		**Securities trading**		**Infrastructure investment and operation**		**Environmental protection investment**		**Consolidated**	
	2003	**2002**	**2003**	**2002** (restated)	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002** (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	49,270	245,892	13,822	15,157	605	–	19,916	–	–	–	83,613	261,049
Other revenue from external customers	1,068	2,916	66	5	79	–	9,379	–	8	–	10,600	2,921
Unallocated other revenue	–	–	–	–	–	–	–	–	–	–	1,422	550
Total	50,338	248,808	13,888	15,162	684	–	29,295	–	8	–	95,635	264,520
Segment results	(1,025)	2,677	(7,601)	6,679	(44)	(441)	(12,687)	(16,596)	(2,273)	–	(23,630)	(7,681)
Unallocated operating income and expenses											(17,607)	(17,739)
Loss from operations											(41,237)	(25,420)
Finance costs											(31,374)	(64,612)
Share of profits before taxation of associates	–	–	13,367	8,629	–	–	95,862	99,528	662	–	109,891	108,157
Share of (deficit)/surplus on revaluation of investment properties of associates	–	–	(13,322)	61	–	–	–	–	–	–	(13,322)	61
Share of profit of jointly controlled entity	–	–	–	–	–	–	31,982	2,132	–	–	31,982	2,132
Gain on sale of discontinued operation	19,576	–	–	–	–	–	–	–	–	–	19,576	–
Income tax											(17,848)	(18,366)
Minority interests											(831)	(943)
Profit attributable to shareholders											56,837	1,009
Depreciation and amortisation for the year	3,975	16,967	2,088	2,087	–	–	10,244	6,592	72	–		
Net deficit on revaluation of investment properties	–	–	17,046	4,394	–	–	–	–	–	–		
Significant non-cash expenses (other than depreciation and amortisation)	–	3,602	–	–	–	–	29,495	10,000	–	–		

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.

	2003 *HK$'000*	**2002** *HK$'000*
Revenue from external customers:		
Hong Kong	4,552	55,935
Other parts of the PRC	79,061	205,114
	83,613	261,049

11. POST BALANCE SHEET EVENT

On 2 March 2004, the Company's proposal for the reduction of share premium account was confirmed by an order made by the High Court of Hong Kong and became effective upon registration of the said order by the Registrar of Companies in Hong Kong on the same date.

12. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of change in accounting policy for deferred taxation, details of which are set out in note 9.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year (2002: Nil).

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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") issued by The Stock Exchange of Hong Kong Limited ("the Stock Exchange") except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

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

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk in due course.

The financial information set out above does not constitute the Group's financial statements for the year ended 31 December 2003 or 2002 but is derived from these financial statements.

By Order of the Board
Chen Xiaoping
Chief Executive Officer

Hong Kong, 14 April 2004

website address: www.ebchinaintl.com

CHAIRMAN'S STATEMENT

2003 was a year full of challenges. The outbreak of SARS in the first half of 2003 had seriously affected the business environment. However, with the concerted effort of the whole nation, the situation came under control later and the economy of China resumed its rapid growth. Hong Kong's economy also fully rebounded after July, following the signing of the Closer Economic Partnership Agreement and the introduction of "Individual Visit Scheme". During the year under review, the Group has made significant breakthrough and developments in terms of both overall business direction as well as operational progress. With years of effort and dedication, the Group finally completed its business and assets restructuring. Having disposed of the loss-making timber business, the Group made a tremendous effort in the development of environmental protection business, and clearly established the focus on environmental protection, infrastructure and property investment as its core businesses. Also, as a result of the disposal of the loss-making business, the Group retrieved a healthy financial position and made a court petition to eliminate the accumulated losses by the reduction of share premium account, which was approved by the High Court on 2 March 2004. The success of the reduction of share premium account signalled the resumption of the Group's capability of distribution of dividend and full confidence in its future business results.

The Group recorded encouraging financial results for 2003. Profit attributable to shareholders amounted to HK$56,837,000, a surge of 55.3 times over the previous year. The growth was mainly attributable to the disposal of loss-making business and the reflection of earnings from our normal businesses. During the year under review, Fuzhou Qingzhou Bridge, at its first year of operation, recorded satisfactory growth in daily traffic which foreshadows a promising future. Investment projects, such as Shenzhen Mawan Power Company Limited and Zhongshan Garden, continued to contribute steady revenue and cashflow that laid a solid foundation for the Group's future business development.

Being the environmental protection flagship of its parent company, China Everbright Holdings Company Limited, the Group managed to achieve significant breakthrough and success, particularly in the waste-to-energy incineration, urban sewage treatment and water supply segments with strong competitiveness and well-established reputation in the market. During the year under review, the waste-to-energy project in Hengtan, Shunde District of Foshan City, the Group's first environmental protection project, has commenced its construction as scheduled. The construction of the project is now close to completion and it is estimated to generate power in the second quarter of 2004. During the year, the Group has also entered into an agreement with a business partner and Suzhou Municipal Government to develop a waste-to-energy project in the city, which is expected to complete by the end of 2005. Urban sewage treatment is another key focus in the Group's agenda. During the year under review, the Group teamed up with the French Veolia Group and entered into an agreement with Qingdao Municipal Government to set up a sewage treatment joint venture, which has been designated as one of the supporting infrastructural projects in Qingdao for the 2008 Beijing Olympic Games.

Looking ahead for 2004, uncertainties still hover over the global economy, but there is a general trend of rebound and it is expected that China's economy and consumption power will continue its strong momentum of growth. As the market reform of public utilities in the cities of China continues to intensify and the demand for improvement of the quality of living environment grows, the environmental protection business will see a great potential in the future. With the tremendous support of the parent company and the business opportunities and solid foundation secured by the Group, we will continue to seek strategic cooperation with world-renowned enterprises in the field of environmental protection. The Group will actively develop environmental protection projects, create quality projects, and establish and enhance the brand name of "Everbright Environmental Protection". With all these efforts, the Group will develop itself as a leader in the environmental protection business and infrastructure investment in China.

On behalf of the Group, I would like to express the heartfelt gratitude for the unfailing effort, support and trust of all our shareholders, members of the Board, the management and staff members. With our persistent effort, I have full confidence that the Group will accomplish an even better business performance with steady growth in the future.

Wang Mingquan
Chairman

Hong Kong, 14 April 2004

CHIEF EXECUTIVE OFFICER'S REPORT

Business Review

Although the outbreak of SARS has caused inevitable challenges for the economies of both the PRC and Hong Kong during the first half of 2003, the situation has improved significantly and returned to normal shortly after July. Given its unique competitive advantages, the PRC market succeeded in picking up and booming again rapidly during the year under review. In particular, the demand for energy and transportation surges significantly when SARS is under control, which made a significant contribution to the development and revenue of our infrastructure businesses. Also environmental problem is becoming a concern in the PRC and the government has implemented numerous incentive policies to stimulate the development of environmental protection business. Moreover, the outbreak of SARS has not only heightened the public awareness of health and environmental protection, but also made it clear to the PRC Government the pressing need for the development of environmental protection projects. In addition, during the year under review, the PRC Government further intensified the reform of urban public utilities. The Group has timely responded to this situation and actively capitalized on the business opportunities in developing the environmental protection business, which resulted in a significant breakthrough for our development.

Operational Results

During the year under review, the Group completed its business restructuring by disposing of the loss-making timber business and expanded its foothold in the environmental protection regime, with infrastructure and property investment as its steady revenue backup. During the year under review, after a complete consolidation of businesses, the infrastructure and property investment businesses continued to serve as the main source of profit and cash inflow for the Group, while several new environmental protection projects have been signed, projecting a new income source and growth driver for the Group in future.

The Group's consolidated turnover for 2003 amounted to HK$83,613,000, a decrease of 68% as compared to HK$261,049,000 of last year. The decrease is mainly attributable to the disposal of the timber business. However, following the official commencement of operation of the Fuzhou Qingzhou Toll Bridge during the year and the establishment of environmental protection business, it is expected that turnover will gradually increase in the coming years. Profit attributable to shareholders for the year amounted to HK$56,837,000, a huge increase as compared to the restated profit of HK$1,009,000 of last year.

During the year under review, the Group has made substantial amount of provision in certain investments after a prudent review of existing businesses. These include the following: i) Notwithstanding the completion of debt restructuring of Hong Kong Construction (Holdings) Limited ("HK Construction"), which converted substantial amount of indebtedness into share capital, the Group has made a further provision of HK$29,495,000 on this investment in view of the uncertainties of its future operation. ii) Due to fluctuations in property prices during the year, the Group and its associate revalued its property investments and recorded revaluation deficit of HK$15,850,000 for Hong Kong properties and HK$14,518,000 for the PRC properties. Notwithstanding the provision and revaluation deficit have reduced the profit for the year, the Group believes that the quality of assets after provision has been completely enhanced that will provide room of growth for our future earnings.

Infrastructure Investment

During the year under review, Shenzhen Mawan Power Company Limited ("Mawan Power") generated a total of 5.22 billion kilowatt-hour of electricity, which represented an increase of 4.8% as compared to 4.98 billion kilowatt-hour of last year. Mawan Power underwent a comprehensive maintenance in 2003 and in January and February, maintenance work was carried out on all generation facilities. In March, the outbreak of SARS also inevitably affected the demand for electricity power from the tourism and transportation industries during the period and thus the sales of electricity for the first half of the year was affected too. However, the demand surged during the peak season in the second half of the year, which required full capacity of Mawan Power and the sales of electricity achieved a record high. As such, despite the downward adjustment of electricity tariff in

Guangdong province since 1 July 2002, attributable profits from Mawan Power still amounted to HK$82,910,000 for the year and it generated a cash inflow of HK$63,594,000 for the Group. As at 31 December 2003, Mawan Power recorded a strong financial health with cash on hand of Rmb1,316,496,000 and no bank borrowings, which made it well positioned to undertake new investment for expansion of revenue. During the year, Mawan Power successfully acquired 87.5% stake in Huizhou Natural Gas Company (惠州燃氣公司), which has started to contribute profit to Mawan Power. Looking ahead, the PRC's economy will continue to expand, pushing up demand for electricity power from commercial and residential users in the Pearl River Delta Region. With its excellent operational and managerial efficiency and stringent cost and safety control, Mawan Power will maintain its growth momentum and serve as a major revenue source for the Group.

Fuzhou Qingzhou Bridge commenced operation on 29 December 2002. During the year under review, the traffic flow achieved a significant increase of 95% and jumped from 7,992 standard vehicles per day in the beginning to 15,613 per day, among which the ratio of passenger to cargo vehicles was 61:39. Attributable operating profit from this investment totalled HK$10,213,000, together with a profit of HK$25,947,000 recognised on the recovery of prior years' pre-operating revenue, an attributable profit after taxation of HK$36,160,000 was recorded. This represented a significant increase of 16 times from HK$2,132,000 of last year. The daily traffic flow was significantly increased throughout the year, mainly attributable to the cessation of operation of Fuzhou Minjiang Bridge since July and the opening of the section of "Tungsan Expressway" in Fujian province, which spurred the overall cargo and passenger flow along our toll bridge. Following the completion of the section of "Tungsan Expressway" in Zhejiang province in 2004, the cargo flow on our toll bridge from the provinces of Zhejiang, Fujian and Guangdong is expected to grow rapidly. The Group is confident that the steady growth of traffic flow and efficient operational management will generate promising returns and cashflow for the Group.

Property Investment

Sino Villa Holdings Limited ("Sino Villa") holds a four-storey commercial podium in Shenzhen Zhongshan Garden, which generates steady rental income and cash flow to the Group. During the year under review, a total of 14,096 square meters of the property were leased to Walmart, Park'n Shop, McDonald, Agricultural Bank etc., contributing to an operating profit of HK$7,261,000 to the Group. After deducting the revaluation deficit of HK$1,196,000, Sino Villa showed a net profit amounted to HK$6,065,000. In view of the steady operation of Sino Villa, the Group acquired 95% interest in Shenzhen Zhongshan Property Management Company Limited (深圳中山物業管理有限公司) on 31 October 2003 at zero consideration in accordance with the option provided by the acquisition of Sino Villa in 1999. The legal registration of the above transaction was completed in March 2004. Through the acquisition of the management company, the Group believes it can enhance the property management of Sino Villa and further improve the overall operational efficiency.

The Group owns approximately 25% interest in Shanghai Kerry Everbright City, which comprises two towers for office and residential use and a shopping mall. During the year under review, the sold and leased areas for the office buildings increased as compared to that of last year, with 95% for Tower 1 (an increase of 7% as compared to last year's 88%), 97% for Tower 2 (an increase of 1% as compared to last year's 96%), and 100% for the shopping mall. Attributable profit from this project totalled HK$12,984,000 for the year. Although the Shanghai property market continued to achieve steady development and witnessed satisfactory demand, the Group cautiously evaluated the market value of Shanghai Kerry Everbright City during the year and hence, recorded a share of revaluation deficit of HK$13,322,000. The Group also holds approximately 14% interest in Shanghai Trade Square and International Apartments, in which the sold and leased areas was 94%, a decrease of 2% as compared to last year's 96%.

The property market in Hong Kong during the year was sluggish, with a downward adjustment for rental and valuation. Despite the rebound in the fourth quarter, the Group still recorded a revaluation deficit of HK$15,850,000.

Looking ahead, the Group is confident that the property market for major PRC cities has the potential for further growth and development, and rental occupancy and rental income are expected to remain steady. Following the signing of Closer Economic Partnership Agreement between Hong Kong and PRC and the introduction of “Individual Visit Scheme”, the property market in Hong Kong has recently seen a rebound after several years’ slump. The Group will grasp potential opportunities arising from the robust economic boom of the PRC market, so as to further solidify its property projects in different regions to generate steady long-term revenue for the Group.

Environmental Protection

During the year under review, the Group continued to develop the environmental protection business and obtained approvals from Shenzhen Municipal Government to establish Everbright Environmental Protection Industry (Shenzhen) Company Limited (光大環保實業（深圳）有限公司) (“Everbright Environmental Protection”) and Everbright Environmental Protection Venture Capital (Shenzhen) Company Limited (光大環保創業投資（深圳）有限公司) respectively, with a registered capital of US$10,000,000 each, to serve as platforms for various undertaking of investment and management of environmental protection business and hi-tech environmental entrepreneurial enterprises in the PRC. The Group strove to build up a competent project team in environmental protection business and nourish its core competency. During the year, the Group successfully set up a professional team with high caliber staff members to help develop environmental protection projects focusing on areas of waste-to-energy incineration, urban sewage treatment and water supply. Moreover, Everbright Environmental Protection entered into a cooperation agreement with the Shenzhen Branch of Agricultural Bank of China for a credit line of Rmb600,000,000 approved by the bank to support the future development of its environmental protection business.

During the year under review, the Group has made significant business achievements in both waste-to-energy incineration as well as urban sewage treatment. The waste-to-energy project in Hengtan, Shunde District of Foshan City, the Group’s first environment project, has commenced its construction as scheduled and it is expected to generate power in the second quarter of 2004. To further accelerate its growth in waste-to-energy incineration business, the Group also entered into an agreement with Suzhou Municipal Government to develop a waste-to-energy project in the city, which will be completed next year for commencement of operation in 2006. Also, the Group has entered into a conditional agreement with Wuhan Municipal Construction Committee (武漢市建設委員會) for the construction of a waste-to-energy plant in Wuhan. The terms of the formal agreement are in the process of negotiation.

In respect of urban sewage treatment business, during the year under review, we have teamed up with the French Veolia Group to enter into an agreement with Qingdao Municipal Government for setting up a sewage treatment joint venture in Qingdao. This project has been designated as one of the supporting infrastructural projects in Qingdao for the 2008 Beijing Olympic Games. In addition, the Group has a number of other environmental protection projects under negotiation at present, including Guangzhou, Zhongshan, Dalian and Changzhou.

Timber Business

Adversely affected by the severe competition in the PRC timber market in the past few years, Everbright Timber Industry (Shenzhen) Co., Ltd, (“SETI”) has demonstrated unsatisfactory performance and remained in a loss position. For the first quarter of 2003, the Group recorded an attributable loss of HK$5,534,000 from SETI. In view of this, the Group decided to dispose of the timber business and reallocated its resource to the infrastructure, property and environmental protection businesses.

On 21 March 2003, the Company entered into an agreement with China Everbright Technology Limited for the disposal of 77.12% interest in SETI for a cash consideration of HK$7,000,000. The disposal constituted a connected transaction as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the transaction was completed on 28 March 2003. Since SETI was in a net deficit position prior to the disposal, the Group recorded a gain on disposal of HK$19,576,000 from the transaction.

HK Construction

The Group holds approximately 10% interest in HK Construction as strategic long-term investment. HK Construction is a leading contractor in Hong Kong and the PRC and has participated in several renowned construction and infrastructure projects. Due to the slowdown of the construction industries in Hong Kong, HK Construction has been making losses since 1999. In 2002, it began to experience liquidity problems and failed to repay its loans when they were due. Since then, HK Construction initiated a debt restructuring proposal with its financial creditors. On 20 December 2003, the financial creditors entered into the Debt Transfer and Exchange Agreement with Creator Holdings Limited ("Creator") for the disposal of substantially all of the indebtedness owed by HK Construction to the financial creditors ("Indebtedness"). On 11 February 2004, Creator entered into the Debt Conversion Agreement and Yangpu Agreement ("Agreements") with HK Construction, under which HK Construction would fully settle the Indebtedness owed to Creator by the issue of 1,340,555,276 new shares and the granting of a call option to subscribe for an aggregate of up to 380,000,000 bonus shares, both as fully paid at HK$1.00 per share each. The Agreements were approved by the shareholders on the extraordinary general meeting on 3 April 2004. Upon completion of Agreements, the Group's interest in HK Construction will be diluted to 3.1%, and further to 2.6% after the exercise of the call option. In view of the uncertainties of the future operation of HK Construction, the Group has made a further provision of HK$29,495,000 for this investment. The net carrying value after the provision is HK$32,812,000. The Group believes that the completion of the debt restructuring, with the elimination of the Indebtedness and the introduction of a new controlling shareholder, will improve the working capital position and enhance the capital base of HK Construction, accordingly further downside risk in this investment is limited.

Reduction of Share Premium Account

After the disposal of the loss-making business, the management is full of confidence in the Group's future business development as the financial position of the Group has substantially improved with the reflection of normal business earnings in the financial statements. In view of this, the Group sought approval from shareholders in February 2004 for the reduction of share premium account to eliminate the accumulated losses of HK$2,372,172,824. The petition of the reduction of share premium account was approved by the High Court of Hong Kong on 2 March 2004. With the above reduction, it indicates that the Group has resumed the capability for distribution of dividend and hence the Group has turned a new page.

Financial Results

The Group's consolidated turnover for 2003 amounted to HK$83,613,000, a decrease of 68% as compared to HK$261,049,000 of last year. The decrease is mainly attributable to the disposal of the timber business. Profit attributable to shareholders for the year amounted to HK$56,837,000, a significant increase of 55.3 times as compared to the restated profit of HK$1,009,000 of last year. The substantial increase of profits is mainly attributable to (i) the disposal of the loss-making timber business, which provided the Group a profit of HK$19,576,000 from the disposal; (ii) the profits generated by the official commencement of operation of the Fuzhou Qingzhou Bridge this year and a profit of HK$25,947,000 recognized on the successful recovery of prior years' pre-operating revenue. During the year under review, the Group and its associate prudently reviewed its various investments and made a provision and revaluation deficit totalling HK$59,863,000 based on the prevailing market conditions. These comprised the revaluation deficit of HK$15,850,000 for Hong Kong properties, HK$14,518,000 for the PRC properties, and a provision of HK$29,495,000 for HK Construction. With the above provision and revaluation deficit, the Group further enhances the quality of its assets. Earnings per share were HK$2.23 cents for the year, a significant increase over HK$0.04 cent of last year.

Financial Position

As at 31 December 2003, the Group had total assets of approximately HK$2,069,604,000. The net assets were HK$1,000,396,000 and the net assets per share were HK$0.39. As at 31 December 2003, the gearing ratio (calculated by dividing the total liabilities by the total assets) was 52%. This represented a decrease of 7% over 59% of last year. As at 31 December 2003, the Group had total cash balance of HK$172,789,000.

The Group generally finances its operation with internally generated cash flow and loan facilities from banks and from its ultimate holding company. The Group strives to lower its debt level and finance costs. By the disposal of 77.12% interest in SETI and repayment of bank loans, the Group's debt level has been lowered substantially and interest cover improved. As at 31 December 2003, the Group had total outstanding borrowings of approximately HK$943,439,000, a decrease of 22% over HK$1,210,561,000 of last year. The borrowings comprised secured bank loans of HK$365,294,000, other loans of HK$90,481,000 and loans from ultimate holding company of HK$487,664,000. With respect to foreign exchange exposure, the risk is rather low as all of the Group's foreign currency assets and borrowings are denominated in Renminbi and US dollars, which are relatively stable against Hong Kong dollar. The impact of exchange rate fluctuations of these currencies is rather insignificant to the Group.

Pledge of assets

As at 31 December 2003, the Group pledged cash, unlisted investments and fixed assets with an aggregate net book value of approximately HK$288,816,000 (2002: HK$332,708,000) to secure general banking facilities to the Group.

Contingent Liabilities

As at 31 December 2003, there were contingent liabilities in respect of guarantees given to banks by the Company for end user financing guarantees and undertakings executed by an associate to banks amounting to HK$246,000 (2002: HK$4,396,000).

Employees and Remuneration

As at 31 December 2003, the Group had a total of approximately 40 employees located in Hong Kong and the PRC. Employees are remunerated according to qualification, experience, job nature and performance, as well as market conditions. Apart from discretionary performance bonus, the Group also provides other benefits such as medical insurance cover and provident fund scheme to the employees in Hong Kong. The share option scheme adopted by the Company on 30 September 1993 expired during the year. A new share option scheme was approved at the extraordinary general meeting held on 26 May 2003, under which the directors of the Company are authorized to grant share options to any employees including directors as incentives. Details of the share option granted to the employees during the year are disclosed in the annual report.

Corporate Governance

The Company has established an audit committee comprising of all three independent non-executive directors. The audit committee has reviewed with management the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters including a full review of the audited financial statements for the year ended 31 December 2003.

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to retirement in accordance with the Company's Articles of Association.

Business Outlook

Ever since its restructuring commenced in 2000, the Group leveraged on the support of the parent company, China Everbright Holdings Company Limited, as well as its management expertise, successfully completed its assets restructuring and reformulation of business strategies with major breakthrough in the development of environmental protection business. Having disposed of the loss-making timber business, the Group succeeded in returning to a healthy financial position, paving the way for strong future business growth, with a new corporate positioning as a conglomerate engaged in infrastructure investment, environmental protection, and property investment as its core businesses. We have clearly set our goal to become a leader in the segments of infrastructure investment and environmental protection.

With the global economic rebound starting from 2004, the PRC will maintain its strong momentum of economic growth and consumption power. Looking forward, while consolidating its existing businesses, the Group will further benefit from the growing demand for environmental protection and infrastructure. The Group will actively seek valuable investment opportunities in environmental protection projects in regions with rapid economic growth, including the Yangtze River Delta, the Pearl River Delta regions, and Bohai Bay Area (環渤海灣). Moreover, the Group will strengthen its management and technological expertise by forming strategic cooperation with internationally renowned corporations to jointly develop environmental protection projects. With the establishment and promotion of the Everbright Environmental Protection brand name, the Group is determined to build up substantial growth centers for generating profits that will not only create maximum return for shareholders but also make contribution to society.

By Order of the Board
Chen Xiaoping
Chief Executive Officer

Hong Kong, 14 April 2004

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