



Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I am pleased to present the annual report of Everbest Century Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2002.

FINANCIAL RESULTS

The effort of the Group's management in streamlining the Group's operations and improving its performance was rewarded with returns in this year. For the year ended 31 March 2002, the net profit attributable to shareholders amounted to HK\$14.4 million, a significant improvement as compared to the loss of HK\$1.3 million incurred in the corresponding year of 2001.

DIVIDEND

No interim dividend was paid during the financial year. The Directors recommend the payment of HK0.05 cent per share as final dividend.

REVIEW OF OPERATIONS, MANAGEMENT ANALYSIS AND DISCUSSION

Business Review

During the year under review, the Group's leather garment and fur and leather trading businesses were still maintained at a condensed scale due to the management's cautiousness on the market situation. In order to leverage on its established customers network in garment industry, the Group acquired a 51% interest of a casual garment trading company in Hong Kong at a consideration of approximately HK\$1 million in April 2001. As a result, the turnover of the Group leaped from the amount of HK\$43 million of last year to that of HK\$72 million for the year under review. Furthermore, the Group continued to implement cost cutting measures to minimize administrative costs, such as imposing stringent control on entertainment expenses and staff salaries with a view to increase its long term competitiveness.

The Directors also explored other business opportunities that could enhance the Group's future performance and return to shareholders. In August 2001, the Company further acquired from a company owned by myself an indirect 27% attributable interest in a coal-fired power plant (the "Power Plant") in the Fujian Province, the People's Republic of China, named Longyan Hengfa Electric Industry Co., Limited ("Longyan Hengfa"), at a cash consideration of HK\$90 million (the "Acquisition"). The Group now holds an aggregate indirect 39.6% attributable interest in the Power Plant. Accordingly, the interests in the Power Plant have been equity accounted for as investment in associates since the Acquisition.

The performance of the Power Plant was in line with the Directors' expectation, having made a substantial contribution to the Group's profit for the year. Prior to the Acquisition, the Power Plant contributed a dividend income of approximately HK\$4.4 million to the Group's total revenue. After the Acquisition, the Group shared on an equity accounting basis a net profit before tax of HK\$19.7 million from the Power Plant. The Directors believe the Group can continue to tap more contributions made by the Power Plant.



REVIEW OF OPERATIONS, MANAGEMENT ANALYSIS AND DISCUSSION (Continued)

Capital Structure, Liquidity and Financial Resources

The directors consider it to be important for the Group to enhance its financial position by raising capital so that it can derive additional financial resources to pursue new investment opportunities, which would contribute to the future growth and development of the Group. Therefore, the Group pursued the following transactions during the year to further enlarge its capital base:

- a. In June 2001, the Company completed an open offer of 3,108,001,142 shares of HK\$0.01 each at a subscription price of HK\$0.025 per share on the basis of one offer share for every existing share held by qualifying shareholders. The gross proceeds of the offer of approximately HK\$78 million was subsequently used in funding the Acquisition as referred in the above.
- b. In June 2001, the Company's substantial shareholder, Century Enterprise Investments Inc. ("Century Enterprise") entered into a subscription agreement with the Company to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, which rank pari passu with the existing ordinary shares of the Company in issue in all respects, at a price of HK\$0.025 per share ("First Subscription"). The gross proceeds of such subscription of approximately HK\$15 million was partially used for funding the Acquisition, as referred in the above, and partially for general working capital of the Group.
- c. Subsequent to the First Subscription, Century Enterprise entered into a second subscription agreement with the Company in June 2001 to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, which rank pari passu with the existing ordinary shares of the Company in issue in all respect, at a price of HK\$0.04 per share ("Second Subscription"). The gross proceeds of the Second Subscription of approximately HK\$24 million was reserved for funding future possible investment opportunities and for general working capital of the Group.

After the aforesaid series of capital expansion exercises, as at 31 March 2002, the net asset value of the Group lifted to HK\$239.6 million, an increase of 1.2 times as compared to HK\$110.8 million at 31 March 2001.

The Group's total bank and other borrowings were further reduced from HK\$16.3 million as at 31 March 2001 to HK\$14.8 million as at 31 March 2002. The borrowings were denominated in Hong Kong dollars. Out of the total bank and other borrowings, only HK\$4 million is repayable within one year. The interest rate of these are fixed by reference to the Hong Kong Dollars Prime Rate.

Chairman's Statement (Continued)



REVIEW OF OPERATIONS, MANAGEMENT ANALYSIS AND DISCUSSION (Continued)

Capital Structure, Liquidity and Financial Resources (Continued)

The Group's gearing ratio, as a ratio of long term liabilities to shareholders' funds, was 4.5% as at 31 March 2002, showing a continuous improvement from the 9.9% of last year.

Prospects

As reflected in the current year's financial result, the Group has fully recovered from the adverse impact of the Asian economic crisis and returned to a healthy financial condition.

In the coming years, the Group will continue to diversify and strengthen its earnings base by exploring suitable investment opportunities in the Mainland China. With the management's tactful experience and strong network in the Mainland, the Group is well poised to capitalize on the increasing demand of the consumers as well as of the energy markets. The Directors believe and are committed to the Group continuing its strong growth and generating a higher return to shareholders in the coming years.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2002, the Group has a total of 57 employees located in Hong Kong and the PRC. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover and a Mandatory Provident Fund. A share option scheme was adopted by the Company on 15 April 1997 to enable the Directors to grant share options to staff and directors as incentive. During the year, no share options were granted.

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to our shareholders, and various parties for their continuing support, and our directors and staff for their dedication and hard work.

Chan Chun Keung

Chairman

Hong Kong
26 July 2002