

## 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 period from 1 April 2003 to 31 December 2003 (the "Period").

### FINANCIAL RESULTS

During the Period, the Group recorded a consolidated turnover of approximately HK\$27.8 million which represented a decrease of 36.6% over that of the last year. The decrease is due to the fact that the Period only accounted for the operating results of nine months from April 2003 to December 2003, and that the global economy has not yet recovered. Facing the difficult economic environment, the Group's trading businesses are vulnerable to severe attack. The gross profit ratio fell from 13.5% to 4.5%. For the Period under review, the net profit of the Group attributable to shareholders is HK\$25.2 million (year ended 31 March 2003: a net loss of HK\$5.4 million).

### DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Business Review

During the Period, the Group confronted stern challenges posed by the economic environment. In Hong Kong, the outbreak of Severe Acute Respiratory Syndrome ("SARS") epidemic prolonged the time for recuperation of the local economy. The consumer market had not yet been revived. Externally, the conflicts of the Middle East escalated and intensified the plight. This slowed down the pace of recovery of many Asian markets. The repercussions upon the Group inevitably are the suffering from shrinkage in turnover and profitability of the garment business.

The annualised turnover of the Group's garment business for the Period showed a decrease of 6% when compared with the corresponding period of last year. In order to survive in the declining market, the Group resorted to cutting down the price of the products on the one hand and enhancing the product quality on the other hand. As a result, the gross profit ratio slid down from 13.5% to 4.5%.

In the Period, the fur and leather business of the Group remained stagnant. In view of the persisting poor performance of this business segment, the Directors are contemplating some alternative measures with a view to securing the returns to the Shareholders of the Company.

During the Period, Bravo Industrial Limited ("Bravo"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with Clear Vision Investments Limited ("Clear Vision"), a wholly-owned subsidiary of Shougang Concord Century Holdings Limited whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Pursuant to the Agreement, Bravo agreed to sell its long term investment in the 3,174,000 shares in Online Investments Limited ("Online") and assign a shareholder's loan of US\$541,384.62 owing by Online to Bravo to Clear Vision for a cash consideration of HK\$58,012,337.22 (herein defined as the "Transaction").

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As a result of the Transaction, the Group realised a gain of HK\$18.9 million, which constitutes a significant contribution to the net profit of HK\$25.2 million attributable to Shareholders.

The Period also saw the out performance of Longyan Hengfa Electric Industry Co., Limited (the "Power Plant"), in which the Company holds an aggregate indirect 39.6% attributable interest. The operating results of the Power Plant have been equity accounted for as investment in associates. During the Period, the Group shared on an equity accounting basis a net profit before and after tax of HK\$25.7 million and HK\$17.1 million respectively. This outstanding performance, which is in line with the Directors' expectation, is attributed to the increasing demand for electricity in the Mainland China in accompany with the latter's strong economic growth.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the movements in share capital were as follows:

### (a) Repurchase of shares

In October 2003, prior to the share consolidation in (b) below, the Company repurchased and cancelled 5,000,000 of its ordinary shares of HK\$0.01 each on the Stock Exchange at a total consideration of HK\$100,000.

The premium of HK\$50,000 paid on the repurchase of such shares was debited to the share premium account and an amount of HK\$50,000 was transferred from retained profits of the Company to the capital redemption reserve.

### (b) Share Consolidation

Pursuant to the ordinary resolution passed in a special general meeting on and effective from 16 December 2003, the Company consolidated all the issued and unissued ordinary shares of the Company on the basis of every 20 ordinary shares of HK\$0.01 each into one ordinary share of HK\$0.20 each. The authorised capital of the Company was adjusted from HK\$200,000,000 divided into 20,000,000,000 ordinary shares of HK\$0.01 each to 1,000,000,000 ordinary shares of HK\$0.20 each, and the issued share capital was also adjusted from HK\$75,173,000 divided into 7,517,252,284 ordinary shares of HK\$0.01 each to HK\$75,173,000 divided into 375,862,614 ordinary shares of HK\$0.20 each. The consolidated shares rank pari passu in all respects with the then issued share capital of the Company. Further details of the share consolidation are also set out in a circular of the Company dated 24 November 2003.

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As at 31 December 2003, the net asset value of the Group is HK\$257.2 million (31 March 2003: HK\$232.1 million) and the total cash and bank balances is HK\$23.6 million (31 March 2003: HK\$5.7 million).

The Group's total bank borrowings decreased from HK\$20.7 million as at 31 March 2003 to HK\$17.7 million as at 31 December 2003. The borrowings were denominated in Hong Kong dollars. Out of the total bank borrowings, HK\$9 million (31 March 2003: HK\$10.5 million) is repayable within one year and the remaining HK\$8.7 million (31 March 2003: HK\$10.2 million) repayable beyond one year. The interest rates of these are fixed by reference to the Hong Kong Dollars Prime Rate.

The Group's gearing ratio, as a ratio of long term liabilities to shareholders' funds, was 3.4% as at 31 December 2003, showing a 1% decrease from the 4.4% as at 31 March 2003.

### Prospects

The Directors believe that the Group has entered a new phase of positive growth and development. In the power utility market of the Mainland China, the Group is well positioned to tap into the prosperity of the market. The operating result of the Power Plant for the coming year is anticipated to be much better than that attained in the Period under review.

The Directors will actively explore valuable investment opportunities so as to diversify and broaden the revenue sources. The Directors are committed to a proactive and yet prudent plan for continuing the returns to the Shareholders of the Company in the years ahead.

### EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2003, the Group has a total of 23 (31 March 2003: 23) employees located in Hong Kong and the Mainland China. 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.

### 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  
27 April 2004