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 December 2004.

FINANCIAL RESULTS

During the year, the Group recorded a consolidated turnover of approximately HK$120 million which represented an increase of 332.3% over that of the period from 1 April 2003 to 31 December 2003. The increase is attributable to the consolidation of turnover of Longyan Hengfa Electric Industry Co., Limited ("Longyan Hengfa") for the period from July 2004 to December 2004 after the Group has completed the further acquisition of 13.5% attributable interests in Longyan Hengfa, which is a coal-fired power plant (the "Power Plant") located in the Fujian Province, the People's Republic of China, and engaged in the generation and sale of electricity. Since then, Longyan Hengfa has become a 53.1% owned subsidiary of the Company.

The turnover of the Power Plant accounted for HK$118.7 million which represented 98.9% of the consolidated turnover. The remaining 1.1% of the consolidated turnover, which amounted to HK$1.3 million, is contributed by the discontinued garment business of the Group. The Group discontinued the garment business in accompany with its disposal of a 51% owned subsidiary in October 2004. In the Disposal, the Group made a gain of HK$2.9 million.

The gross profit significantly leaped by HK$31.2 million for the year under review. The gross profit ratio also rises by 22.5%. During the year, the gross profit increased from HK$1.3 million for the period from 1 April 2003 to 31 December 2003 to HK$32.5 million for the year. The increase in gross profit is contributed by the operation of the Power Plant.

This year, the net profit of the Group attributable to shareholders is approximately HK$14.7 million (period from 1 April 2003 to 31 December 2003: HK$25.2 million). The net profit is lower than that of the period from 1 April 2003 to 31 December 2003. The decrease is mainly due to the fact that the Group did not make such a gain from the disposal of long term investment as it did last year.

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the Group further acquired 15% equity interests in its associate, Concade Assets Ltd ("Concade"), from a company beneficially and wholly owned by myself for a cash consideration of HK$54,500,000 (the "Acquisition").

Prior to the Acquisition, the Group held a direct 44% equity interest in Concade and an indirect 39.6% attributable interest in its subsidiary named Longyan Hengfa Electric Industry Co., Limited ("Longyan Hengfa"), which is a coal-fired power plant (the "Power Plant") located in the Fujian Province, the People's Republic of China, and engaged in the generation and sale of electricity in the Fujian Province.

CHAIRMAN'S STATEMENT

The Acquisition was completed on 13 July 2004. After the Acquisition, the Group owned a direct 59% equity interests of Concade and an indirect 53.1% attributable interest in Longyan Hengfa. Accordingly, the operating results of Concade and the Power Plant (collectively the "Concade Group") have been consolidated on an acquisition accounting basis by the Group since July 2004.

In 2004, the performance of the Power Plant was in line with the Directors' expectation. During the year, the Group consolidated the turnover of the Power Plant of HK$118.7 million. The gross profit of the Group also increased from HK$1.3 million to HK$32.5 million.

China's economy continued to grow steadily and there was a strong demand for electricity. This brought about good opportunities for the business of the Power Plant. In the first half year, the Group shared on an equity accounting basis a net profit before tax of HK$23.3 million from the Concade Group. However, in the second half year, many difficulties appeared to challenge the Group. Continued coal shortage, declining coal quality and rise of coal price posed great problems for the Power Plant. As a result, the net profit before tax of the Power Plant is far below that of the first half year.

In view of these difficulties, the Group continued to strengthen its management, control costs and enhance efficiency by focusing on economic benefits and on the basis of safe operation.

During the year, the Group discontinued the operation of its garment business. In October 2004, a wholly owned subsidiary of the Company disposed of its 51% equity interests in Royalink Industrial Limited, which is engaged in the trading and sale of garment products and accessories. In the disposal, the Group made a profit of approximately HK$2.9 million. The Directors believe that the disposal is for the best interests of shareholders as the Company thereafter can concentrate much more time and resources on the management of the Power Plant with higher returns to shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the net asset value of the Group is HK$266.1 million (31 December 2003: HK$257.2 million) and the total cash and bank balance is HK$50.4 million (31 December 2003: HK$23.6 million).

The Group's total bank and other borrowings increased from HK$17.7 million as at 31 December 2003 to HK$167.7 million as at 31 December 2004. Within the anticipation of the directors, the drastic increase of the total borrowings is an accompanying corollary of the Power Plant Acquisition. As at 31 December 2004, the Power Plant and its holding company, Everbest Century Ltd ("ECL"), carry total bank and other borrowings of approximately HK$148.4 million. In order to maintain the Group's healthy net liquid cash position, the directors will not only pay extra care in the cashflow management but also strive to restructure the bank loans in an appropriate manner.

All the bank and other borrowings are denominated in Hong Kong dollars, United States dollars and Renminbi. Out of the total bank and other borrowings, HK$71.6 million is repayable within one year and the remaining HK$96.1 million repayable beyond one year. The interest rates of these borrowings are fixed by reference to the local prime rates.

The Group's gearing ratio, as a ratio of long term liabilities to shareholders' funds, was 36.1% as at 31 December 2004, showing a significant increase of 32.7% from the 3.4% as at 31 December 2003.

Such an increase in long term liabilities was mainly attributable to the Power Plant Acquisition as the Power Plant and ECL carry long term bank and other borrowings of approximately HK$77.4 million as at 31 December 2004. In view of this higher growing ratio, the management will pay caution to manage the ratio.