

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 2005.

FINANCIAL RESULTS

During the year, the Group recorded a consolidated turnover of approximately HK\$187m which represented an increase of 57.1% over the year of 2004. The increase is mainly due to consolidating the results of Longyan Hengfa Electric Industry Co., Limited (Longyan Hengfa) into the Group's for the year ended 31 December 2005. In mid 2004, the Group acquired further shares in Longyan Hengfa to increase its equity interest in Longyan Hengfa from 39.6% to 53.1% and since then, Longyan Hengfa has become a subsidiary of the Company. Longyan Hengfa 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.

The gross profit has significantly decreased by 25.4% to HK\$25.0m (In 2004: HK\$33.5m). The decrease was primarily due to the fluctuation in the quality of coal supply and the high cost in purchasing coal from third parties. After taking the operational expenses into account, the group arrived at a breakeven result for the year.

The Group recorded a net loss of HK\$59.2m as the final result for the year. The change from a breakeven operational result to a significant net loss was mainly due to the impairment adjustment of HK\$59.0m. For 2005, the net loss of the Group attributable to shareholders was HK\$63.0m (In 2004: a net profit of HK\$14.7m).

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

The performance of the Power Plant was in line with the Directors' expectation. The high coal price continued to affect the net profit of the Company. The future plan of the Group is to concentrate its business operations and development in the field of natural resources and related businesses.

To this end, the Group has identified a project which is involved in coal processing in China (the "Possible Acquisition"). However, negotiations with respect to the Possible Acquisition, which may constitute a very substantial acquisition under the Listing Rules are at a preliminary stage and no final terms and conditions have yet been agreed upon as this stage. In the event that the Possible Acquisition materializes, the Company may consider raising funds through various means, which include the issue of new shares of the Company, Convertible bonds and/or debts.

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On 24 April 2006, Royce Group Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Meta Investments (China) Limited (the "Purchaser"), a company which is beneficially and wholly-owned by sisters of Mr. Chan Chun Keung, the Chairman and a substantial shareholder of the Company, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase (a) the Group's entire equity interest, which represents 85% of the issued share capital of, Goodfield Development Limited, a subsidiary of the Company; and (b) certain outstanding loans of Goodfield Development Limited, at an aggregate consideration of approximately HK\$88,609,589 (the "Disposal"). The Disposal constitutes a major disposal and connected transaction of the Company under the Listing Rules and will be subject to the approval by independent shareholders of the Company at a special general meeting to be convened by the Company. For further details, reference is made to an announcement to be issued by the Company with respect to the Disposal in due course.

Apart from the future business plan as discussed above, the Company will continue to put efforts on the aspects of operational improvement and cost-effectiveness enhancement in order to achieve steady growth and higher returns to shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the net asset value of the Group is HK\$310.6 million. (31 December 2004: HK\$365.3 million) and the total cash and bank balance is HK\$27.2 million (31 December 2004: HK\$50.4 million)

As at 31 December 2005, the Group's total bank and other borrowings has decreased to HK\$138.8 million (2004: HK\$167.7 million). Out of the total borrowings, HK\$52.5 million is repayable within one year and the remaining HK\$86.3 million repayable beyond one year. The interest rates of these borrowings are fixed by reference to the local prime rates.

All the bank and other borrowings are denominated in Hong Kong dollars, United States dollars and Renminbi.

The Group's gearing ratio, as a ratio of long term liabilities to shareholders' funds, was 42.0% as at 31 December 2005, showing an increase of 5.9% from the 36.1% as at 31 December 2004.

The high gearing ratio was mainly attributable to the increase of long term liabilities as a result of Power Plant Acquisition in previous year. In view of this gearing ratio level and to maintain the Group's healthy net liquid cash position, the directors will continue to pay extra care in the cashflow management and also strive to restructure the bank loans in an appropriate manner.