



CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The Directors of China Everbright Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2007 audited accounts. The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included in the interim report to be sent to shareholders. The interim financial report has also been reviewed by the Company's Audit and Risk Management Committee.

CONSOLIDATED INCOME STATEMENT

	Note	1 January to 30 June 2008 HK\$'000	1 January to 30 June 2007 HK\$'000
Turnover	2	1,934,389	1,769,681
Cost of sales		(1,971,002)	(1,215,548)
		(36,613)	554,133
Other income	2	1,195,916	393,549
Staff costs		(173,286)	(126,032)
Depreciation and amortisation expenses		(4,862)	(3,048)
Other operating expenses		(78,047)	(61,381)
Profit from operations		903,108	757,221
Finance costs		(10,125)	(55,108)
Gain on deemed disposal of interest in an associate		–	225,038
Share of profits less losses of associates		454,564	980,576
Profit before taxation		1,347,547	1,907,727
Income tax	3	(141,317)	(90,338)
Profit after taxation		1,206,230	1,817,389
Attributable to:			
Shareholders of the Company		1,169,712	1,716,322
Minority interests		36,518	101,067
		1,206,230	1,817,389
Dividends attributable to the period	4	127,190	–
Earnings per share	5		
– Basic		HK\$0.7365	HK\$1.0889
– Diluted		HK\$0.7338	HK\$1.0802

CONSOLIDATED BALANCE SHEET

		30 June 2008 HK\$'000	31 December 2007 HK\$'000
	Note		
Non-current assets			
Fixed assets		275,818	271,280
Investments in associates	6(a)	4,794,227	4,470,959
Available-for-sale securities	7	6,764,083	9,045,828
Financial assets designated at fair value through profit or loss	8	373,575	665,434
Intangible assets		1,250	1,250
		12,208,953	14,454,751
Current assets			
Advances to customers	9	786,963	1,600,458
Debtors, deposits and prepayments	10	914,183	1,346,319
Trading securities	11	1,017,037	1,057,748
Cash and cash equivalents		3,293,008	1,826,923
		6,011,191	5,831,448
Current liabilities			
Creditors, deposits received and accrued charges	12	(474,186)	(815,107)
Trading securities	11	(450,152)	(542,207)
Amounts due to associates		(438)	(438)
Provision for taxation		(586,650)	(489,055)
		(1,511,426)	(1,846,807)
Net current assets		4,499,765	3,984,641
Total assets less current liabilities		16,708,718	18,439,392
Non-current liabilities			
Notes payable		(106,560)	(42,787)
Deferred tax liabilities		(442,969)	(899,021)
		(549,529)	(941,808)
NET ASSETS		16,159,189	17,497,584
CAPITAL AND RESERVES			
Share capital	15	1,589,874	1,584,704
Reserves		13,903,824	14,774,268
Total equity attributable to shareholders of the Company		15,493,698	16,358,972
Minority interests		665,491	1,138,612
TOTAL EQUITY		16,159,189	17,497,584

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to the shareholders of the Company											Total equity
	Share capital	Share premium	Option premium reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2008	1,584,704	5,692,367	14,451	5,796,646	2,984	(924,395)	109,714	287,880	3,794,621	16,358,972	1,138,612	17,497,584
Exchange rate adjustments	-	-	-	-	-	-	-	25,785	-	25,785	-	25,785
Deficit on revaluation, net of deferred tax	-	-	-	(400,826)	-	-	-	-	-	(400,826)	58,065	(342,761)
Share options forfeited	-	-	(17)	-	-	-	-	-	17	-	-	-
Shares issued under share option scheme	5,170	19,579	(7,550)	-	-	-	-	-	-	17,199	-	17,199
Release upon disposal of available-for-sale securities	-	-	-	(1,387,823)	-	-	-	-	-	(1,387,823)	(403,201)	(1,791,024)
Increase in exchange reserve on interest in associate	-	-	-	-	-	-	-	281,986	-	281,986	-	281,986
Share of investment revaluation reserve of associate	-	-	-	(413,282)	-	-	-	-	-	(413,282)	-	(413,282)
Net investment by minority shareholders	-	-	-	-	-	-	-	-	-	-	(164,503)	(164,503)
Equity settled share based transactions	-	-	893	-	-	-	-	-	-	893	-	893
Dividends	-	-	-	-	-	-	-	-	(158,918)	(158,918)	-	(158,918)
Profit for the period	-	-	-	-	-	-	-	-	1,169,712	1,169,712	36,518	1,206,230
As at 30 June 2008	1,589,874	5,711,946	7,777	3,594,715	2,984	(924,395)	109,714	595,651	4,805,432	15,493,698	665,491	16,159,189
Representing:												
Company and subsidiaries	1,589,874	5,711,946	7,777	3,679,918	2,984	(924,395)	10,000	33,223	1,815,980	11,927,307	665,491	12,592,798
Associates	-	-	-	(85,203)	-	-	99,714	562,428	2,989,452	3,566,391	-	3,566,391
As at 30 June 2008	1,589,874	5,711,946	7,777	3,594,715	2,984	(924,395)	109,714	595,651	4,805,432	15,493,698	665,491	16,159,189

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 (Continued)

	Attributable to the shareholders of the Company											
	Share capital	Share premium	Option premium reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2007	1,569,003	5,641,148	28,702	1,097,537	2,984	(3,672,032)	109,714	62,602	1,535,662	6,375,320	254,847	6,630,167
Exchange rate adjustments	-	-	-	-	-	-	-	1,308	-	1,308	-	1,308
Surplus on revaluation, net of deferred tax	-	-	-	759,927	-	-	-	-	-	759,927	223,278	983,205
Shares issued under share option scheme	9,503	29,040	(12,039)	-	-	-	-	-	-	26,504	-	26,504
Release upon disposal of available-for-sale securities	-	-	-	(160,401)	-	-	-	-	-	(160,401)	-	(160,401)
Increase in exchange reserve on interest in associates	-	-	-	-	-	-	-	29,423	-	29,423	-	29,423
Share of investment revaluation reserve of associates	-	-	-	9,948	-	-	-	-	-	9,948	-	9,948
Net investment by minority shareholders	-	-	-	-	-	-	-	-	-	-	135,066	135,066
Equity settled share based transactions	-	-	4,252	-	-	-	-	-	-	4,252	-	4,252
Profit for the period	-	-	-	-	-	-	-	-	1,716,322	1,716,322	101,067	1,817,389
As at 30 June 2007	1,578,506	5,670,188	20,915	1,707,011	2,984	(3,672,032)	109,714	93,333	3,251,984	8,762,603	714,258	9,476,861
Representing:												
Company and subsidiaries	1,578,506	5,670,188	20,915	1,679,963	2,984	(3,672,032)	10,000	3,828	2,417,708	7,712,060	714,258	8,426,318
Associates	-	-	-	27,048	-	-	99,714	89,505	834,276	1,050,543	-	1,050,543
As at 30 June 2007	1,578,506	5,670,188	20,915	1,707,011	2,984	(3,672,032)	109,714	93,333	3,251,984	8,762,603	714,258	9,476,861

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	1 January to 30 June 2008 HK\$'000	1 January to 30 June 2007 HK\$'000
Net cash inflow/(outflow) from operating activities	499,226	(6,659,864)
Net cash inflow from investing activities	1,254,877	771,579
Net cash (outflow)/inflow from financing activities	(276,661)	5,182,914
Net increase/(decrease) in cash and cash equivalents	1,477,442	(705,371)
Cash and cash equivalents		
At beginning of the period	1,446,953	1,606,296
Effect of changes in exchange rate	(6,700)	1,323
At end of the period	2,917,695	902,248
Analysis of cash and cash equivalents		
Bank balance and cash – general accounts	3,293,008	976,458
Deposit pledged	(375,313)	(74,210)
At end of the period	2,917,695	902,248

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised by the Board for issuance on 22 August 2008.

The unaudited interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2007 annual financial statements.

2. TURNOVER AND OTHER INCOME

Turnover and other income recognised during the period are as follows:

	1 January to 30 June 2008 HK\$'000	1 January to 30 June 2007 HK\$'000
Turnover		
Sale of trading securities		
– equity securities	1,638,203	898,224
– debt securities	443	27,841
– derivatives and others	91,179	289,759
Net unrealised (loss) /gain on trading investments		
– trading securities	(191,979)	258,637
– derivatives	182,331	(22,735)
Brokerage commission and service income	98,703	125,395
Interest income		
– bank deposits	25,922	43,497
– advances to customers	47,858	82,556
– others	9,963	18,313
Dividend income		
– listed investments	28,560	38,186
– unlisted investments	2,703	9,172
Gross rental income from investment properties	503	836
	1,934,389	1,769,681
Other income		
Net gain on disposal of available-for-sale securities	1,364,096	237,212
Impairment loss on available-for-sale securities	(108,747)	–
Unrealised (loss)/gain on financial assets designated at fair value through profit or loss (Note)	(84,046)	146,686
Unrealised loss on note payable	(13,775)	–
Exchange gain, net	20,812	9,081
Gain on disposal of fixed assets	1,466	–
Others	16,110	570
	1,195,916	393,549

Note: To conform with 2007 annual financial statements presentation, the 2007 comparative amount has been reclassified from "Turnover" to "Other income".

3. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 June 2008. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

The amount of taxation charged to the consolidated income statement represents:

	1 January to 30 June 2008 HK\$'000	1 January to 30 June 2007 HK\$'000
Current taxation		
– Hong Kong profits tax	137,417	74,185
– Overseas taxation	20,107	11,453
Under provision in respect of Hong Kong profits tax in prior years	1	–
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(16,208)	4,700
	141,317	90,338

4. DIVIDENDS

	1 January to 30 June 2008 HK\$'000	1 January to 30 June 2007 HK\$'000
Dividends declared after the balance sheet date		
– Interim dividend, of HK 8 cents per ordinary share	127,190	–
	127,190	–

The directors declared an interim dividend of HK 8 cents per ordinary share (2007: Nil) for the six months period ended 30 June 2008. The proposed dividends are not reflected as dividend payable in the financial statements.

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months period ended 30 June 2008 is based on the profit attributable to shareholders of the Company of HK\$1,169,712,000 (six months ended 30 June 2007: net profit of HK\$1,716,322,000) and the weighted average number of 1,588,096,410 ordinary shares (six months ended 30 June 2007: 1,576,154,172 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months period ended 30 June 2008 is based on the profit attributable to shareholders of the Company of HK\$1,169,712,000 (six months ended 30 June 2007: net profit of HK\$1,716,322,000) and the weighted average number of 1,593,947,488 ordinary shares (six months ended 30 June 2007: 1,588,915,169 ordinary shares), adjusted for the effects of exercise of share options.

6. INVESTMENTS IN ASSOCIATES

(a) Investment in associates

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Investments, at cost		
Unlisted shares in		
– Hong Kong	40,458	40,458
– Overseas	1,784,460	1,784,460
Share of post-acquisition reserves	3,817,649	3,494,381
	5,642,567	5,319,299
Less:		
Provision for impairment charged against investment costs	(165,548)	(165,548)
Goodwill on acquisition	(682,792)	(682,792)
Carrying value, net	4,794,227	4,470,959

(b) As at 30 June 2008, particulars of the principal associate of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held directly
Everbright Securities Company Limited ("Everbright Securities") (i)	PRC	Securities operations	39.31%

- (i) For the six months ended 30 June 2008, Everbright Securities has recorded an after tax profit of RMB1.04 billion (according to Hong Kong Financial Reporting Standards) and the Group's share of profit, under equity accounting method, amounted to HK\$454 million.

The application for initial public offering and listing of Everbright Securities has been approved by China Securities Regulatory Commission Public Offering Review Committee on 30 June 2008.

7. AVAILABLE-FOR-SALE SECURITIES

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Listed equity securities at fair value:		
Listed in Hong Kong	563,495	2,494,642
Listed in PRC Mainland	1,608,722	2,715,673
Unlisted equity securities	4,591,866	3,835,513
	6,764,083	9,045,828

On 20 December 2005, the Group entered into a securities lending agreement with an independent third party to lend 18 million China Mobile (Hong Kong) Limited ("China Mobile") shares which entitles the Group to a stock lending fee of 0.5% per annum. The stock lending agreement may be terminated by either party giving the other not less than 5 days written notice. As at 30 June 2008, the number of China Mobile shares on loan was 3 million (31 December 2007: 6 million) which had a fair value of approximately HK\$314 million (31 December 2007: HK\$827 million).

Realised gain on disposal of certain financial assets above is subject to the payment of an estimated incentive project bonus to an Investment Team of HK\$175 million (see Note 17b).

The Group held the following principal available-for-sale securities as at 30 June 2008:

Company name	Place of incorporation	Principal activities	Effective equity interest held by the Group
China Everbright Bank Company Limited ("Everbright Bank") (i)	PRC	Banking operations	6.23%

- (i) At 30 June 2008, the carrying value of the interest in Everbright Bank exceeded 10% of the total assets of the Group.

8. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
At fair value:		
Hong Kong listed equity securities	126,916	277,473
Overseas unlisted equity securities	237,130	373,303
Overseas unlisted convertible preference shares	9,529	14,658
	373,575	665,434

Realised gain on disposal of unlisted financial assets above is subject to the payment of an estimated incentive project bonus to an Investment Team of HK\$37 million (see Note 17b).

9. ADVANCES TO CUSTOMERS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Term loans to customers	113,955	241,898
Amounts due from margin clients	678,865	1,364,417
	792,820	1,606,315
Less: impairment loss provision	(5,857)	(5,857)
	786,963	1,600,458

Term loans are secured by unlisted bonds issued by reputable financial institutions held as collateral. Amounts due from margin clients are secured by listed securities of margin clients held as collateral.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Accounts receivables, net	874,452	1,112,944
Deposit, prepayments and other receivables	39,731	233,375
	914,183	1,346,319

Details of the aging analysis of the accounts receivables are as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Within 1 month	864,469	1,104,229
Within 1 to 2 months	726	5,770
Within 2 to 3 months	501	1,192
Within 3 to 6 months	1,422	899
Over 6 months	7,334	854
	874,452	1,112,944

Accounts receivable mainly comprise amounts due from brokerage clients, brokers and clearing houses. These receivables are normally due two days after trade day, and the extension of credit requires management's approval on a case-by-case basis.

11. TRADING SECURITIES

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Current assets		
At fair value:		
Equity securities:		
– listed in Hong Kong	456,992	813,705
– listed overseas	97,155	83,275
	554,147	896,980
Debt securities		
– unlisted	422,800	372
	422,800	372
Derivatives:		
– equity-linked and options	20,750	160,396
– others	19,340	–
	40,090	160,396
	1,017,037	1,057,748
Current liabilities		
At fair value:		
Equity securities:		
– listed in Hong Kong	(121,311)	(47,002)
– listed overseas	(5,466)	–
Derivatives:		
– principal guaranteed note (i)	(127,097)	(434,098)
– equity linked	(196,278)	(61,107)
	(450,152)	(542,207)

- (i) On 21 December 2005, the Group purchased a principal guaranteed note ("PGN") from an independent third party for a total consideration of approximately HK\$693 million. The payment of consideration has been deferred and the Group is obliged to pay to the PGN issuer a finance charge of 3.65% per annum. According to the terms of the PGN, the purchase consideration is to be settled in six equal semi-annual payments. Each payment is either in cash or by 3 million shares in China Mobile, the ultimate form of settlement depends upon the closing share price of China Mobile two business days prior to payment date and the closing value of the Hang Seng Index on the payment date. Under the PGN, the Group is entitled to receive six semi-annual payments from the issuer and each payment is equal to one-sixth of the PGN amount plus an additional bonus, if applicable, based on the average appreciation of the China Mobile mid-week closing share price from the date of inception to payment date.

As at 30 June 2008, the fair value of the PGN was calculated with reference to the terms of the PGN and the closing share price of China Mobile as at 30 June 2008, adjusted by the underlying option value and taking into account the discounted net present value of the Group's payment obligations, including finance charge, under the PGN. Key parameters used in the PGN valuation include the volatility of the China Mobile's share price, the volatility of the Hang Seng Index and expected future interest rates.

12. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Accounts payable	283,622	605,621
Other creditors, deposits received and accrued charges	190,564	209,486
	474,186	815,107

Accounts payable are all due within one month and comprised principally of amounts due to brokerage clients, brokers and clearing houses.

13. MATURITY PROFILE

Maturity profile as at 30 June 2008

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
Assets						
– Advances to customers	763,062	–	23,901	–	–	786,963
– Debt securities	1,138	421,662	–	–	–	422,800
– Fixed deposits	–	2,675,389	–	–	–	2,675,389
	764,200	3,097,051	23,901	–	–	3,885,152
Liabilities						
– Notes payable	–	–	–	(106,560)	–	(106,560)

Maturity profile as at 31 December 2007

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
Assets						
- Advances to customers	1,536,293	-	64,165	-	-	1,600,458
- Debt securities	372	-	-	-	-	372
- Fixed deposits	-	1,251,106	-	-	-	1,251,106
	1,536,665	1,251,106	64,165	-	-	2,851,936
Liabilities						
- Notes payable	-	-	-	(42,787)	-	(42,787)

14. SEGREGATED ACCOUNTS NOT REFLECTED ON BALANCE SHEET

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Bank balances – segregated accounts	827,984	1,210,948
Receivable from clearing house and futures brokers	156,312	21,190
Amounts held on behalf of clients	(984,296)	(1,232,138)
	-	-

15. SHARE CAPITAL

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1.00 each	2,000,000	2,000,000
<i>Issued and fully paid:</i>		
Beginning of period/ year	1,584,704	1,569,003
Exercise of share options	5,170	15,701
End of period/year	1,589,874	1,584,704

16. RELATED PARTY TRANSACTIONS

The Group has entered into the following transactions with related parties during the period:

	1 January to 30 June 2008 HK\$'000	1 January to 30 June 2007 HK\$'000
Interest expenses paid to ultimate holding company	–	8,458
Rental expenses paid to wholly-owned subsidiaries of ultimate holding company	2,462	3,694
Investment performance fee received from ultimate holding company	4,038	10,751

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations ("state-owned entities"). Transactions with other state-owned entities include but are not limited to the following:

- investment holding in other state-owned entities;
- sale and purchase of securities and derivatives; and
- rendering and receiving of financial and intermediary services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established a pricing strategy and approval processes for major products and services. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

17. CONTINGENT LIABILITIES

(a) Corporate guarantee

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	170,000	170,000

The Group's subsidiaries have not utilised any of its banking facilities as at 30 June 2008. As at 30 June 2008, the Company had also issued corporate guarantees to certain financial institutions for trading facilities granted to a subsidiary which engages in leveraged foreign exchange trading and other subsidiaries which carry out derivatives transactions. The guarantee amounts vary and are dependent on the volume of transactions effected with the financial institutions.

(b) Incentive payment

According to an Incentive Agreement dated 25 May 2007, which was announced on the same date, the Group is obligated to pay incentive project bonus to an Investment Team, all the individual members of which are employees of the Group, on realisation of each project, whether in whole or in part, under SeaBright China Special Opportunities (I) Limited ("SOF I", the Group has a 78.9% equity interest in SOF I). The amount of incentive project bonus payable under the agreement is equal to 15% of profit realised from disposal of those investments plus the related amount of advisor fee income received less certain attributable project expenses and the investment team's operating expenses. The incentive project bonus is recognised on realisation of the relevant project. As at 30 June 2008, the accumulated unrealised gains associated with the relevant projects amounted to HK\$1.77 billion (31 December 2007: HK\$3.91 billion). In the consolidated financial statements, HK\$1.53 billion (31 December 2007: HK\$3.50 billion) of the fair value appreciation has been reflected in the investment revaluation reserve while the remaining HK\$0.24 billion appreciation has been accounted for in the income statement (for the year ended 31 December 2007: HK\$0.41 billion). If all relevant projects were disposed of on 30 June 2008 at their fair value, the amount of incentive project bonus payable to the Investment Team would be approximately HK\$212 million (31 December 2007: HK\$480 million).

18. COMMITMENTS

(a) Capital commitments

The Group has no capital commitments as at 30 June 2008 (31 December 2007: HK\$214,698,000).

(b) Operating lease commitments

Operating lease commitments as at 30 June 2008 amounted to approximately HK\$11,966,000 (31 December 2007: HK\$13,400,000) of which approximately HK\$6,519,000 (31 December 2007: HK\$7,931,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2008		31 December 2007	
	Properties HK\$'000	Others HK\$'000	Properties HK\$'000	Others HK\$'000
Not later than one year	6,352	167	7,918	13
Later than one year and not later than five years	5,430	17	5,469	–
	11,782	184	13,387	13

(c) Future operating lease arrangements

As at 30 June 2008, the Group had future aggregate minimum lease receipts under non-cancellable operating leases for investment properties as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Not later than one year	322	589
Later than one year and not later than five years	70	44
	392	633

(d) Off-balance sheet financial instruments

The fair values and the contractual or notional amounts of the Group's financial derivatives outstanding at 30 June 2008 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overseas futures	5,260	(1,990)	291,291	128,550
Forwards contracts	(188,033)	(59,118)	1,124,650	1,913,308
Principal guaranteed note	(127,097)	(434,098)	115,516	231,031
Stock options	5,804	–	47,000	–
Overseas index/equity swap	1,342	–	43,584	39,483
Hang Seng Index futures	4,490	–	172,615	–
	(298,234)	(495,206)	1,794,656	2,312,372

The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices of the underlying instruments relative to their terms.

Notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the credit or price risks.

19. FINANCIAL INSTRUMENTS

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The Group's risk management objective is to maximise shareholder value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

The Group's work in the area of risk management is facilitated by the Risk Management Group and the Credit Group while execution is carried out by the two groups supervising the Risk Management and Compliance Department. This functional structure has the role to advise and to assist management to identify and assess the main risks faced by the Group's business in a co-ordinated manner, also to assess, identify and document the Group's risk profile and to ensure that the business units focus, control and systematically avoid potential risk in various area of business. The following is a brief description of the Group's approach in managing these risks.

(a) Credit Risk

The Group's credit risk is primarily attributable to advances to customers, trade and other receivables, debt investments and unlisted derivative financial instruments.

In respect of advances to customers, the Group requires collateral from customers before advances are granted. Collateral normally takes the form of listed securities, cash deposits or debt financial instruments issued by entity with high credit rating. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Subsequent changes in the value and quality of the collateral is closely monitored in order to determine whether any corrective action is required.

Trade and other receivables mainly arise from the Group's brokerage business and investment activities. Receivables from security brokerage customers, brokers and counterparties are normally due two days after trade date while deposits with brokers/ counterparties are repayable on demand. The Group has established procedures in the selection of brokers/counterparties with sound credit rating.

Investments in debt instrument and unlisted derivative financial instrument are also governed by whether the issuer and the trade counterparty respectively have sound credit ratings.

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to limit its credit risk exposure and concentration. As at the balance sheet date, the Group does not have a significant concentration of credit risk other than (i) the provision of advances to customers, which are collateralised by unlisted debt securities issued by issuers with sound credit ratings, of approximately HK\$114 million (2007: approximately HK\$241 million) and (ii) the PGN (note 11(ii)) with a remaining notional amount of HK\$115 million (2007: approximately HK\$231 million) issued by a reputable third party with sound financial standing.

(b) Liquidity risk

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For subsidiaries with statutory liquidity requirements, the Group monitors closely their liquidity position. To ensure strict compliance, the Group maintains adequate cash reserves to prepare for immediate fund injection if required. If there is a medium-to-long term operation need, the management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

(c) Interest rate risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range. Most of the Group's interest bearing assets and liabilities are on a floating rate basis with maturity of one year or less.

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises in treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also relates to positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed rate loans. Interest rate risk is managed by the Treasury Department under the delegated authority of the Board of Directors. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives.

(d) Foreign currency risk

The Group's exposure to foreign currency risk primarily stems from holdings of monetary assets and liabilities denominated in foreign currencies, leveraged foreign exchange trading and net investment in foreign subsidiaries and associates. As most of the Group's monetary assets and liabilities and net investment in foreign subsidiaries and associates are denominated in Hong Kong dollars, United States dollars or Renminbi, management does not consider there is any significant currency risk. The Group has a policy not to maintain a significant net position on leveraged foreign exchange trading and the underlying exposure is monitored on a continuing basis. In respect of financial instruments denominated in other currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term in balance.

Overall, the management monitors the Group's foreign currency exposure closely and would consider hedging significant currency exposure should the need arise.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 11), available-for-sale (see note 7) and financial assets designated as fair value through profit or loss (see note 8). Other than unlisted securities held for medium-to-long term investment purposes, all of these investments are listed.

The Group's listed investments are mainly listed on the Stock Exchange of Hong Kong and the Shenzhen Stock Exchange. Decisions to buy or sell trading securities rest with assigned investment teams and each investment portfolio is governed by specific investment and risk management guidelines. Independent daily monitoring of each portfolio against the corresponding guideline is carried out by the Risk Management and Compliance Department. Listed investments held in the available-for-sale and financial assets designated as fair value through profit or loss portfolio have been chosen based on their medium-to-long term growth potential and are monitored regularly for performance against expectations.

The performance of the Group's unquoted investments is assessed, based on the limited information available to the Group, periodically against performance of similar listed entities.

20. SEGMENT INFORMATION

(a) Business segments

The Group conducts the majority of its business activities in three areas: short-term investments, financial services and long-term investments plus other operations. An analysis by business segment is as follows:

	Short-term investments		Financial services		Long-term investments and others		Total	
	1 January to 30 June 2008	1 January to 30 June 2007	1 January to 30 June 2008	1 January to 30 June 2007	1 January to 30 June 2008	1 January to 30 June 2007	1 January to 30 June 2008	1 January to 30 June 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
Investment income	1,238,377	1,475,818	5,394	906	507,669	22,360	1,751,440	1,499,084
Interest income	19,579	16,831	59,946	88,952	4,218	38,583	83,743	144,366
Commission and service income	-	-	98,703	125,395	-	-	98,703	125,395
Net gain on disposal of available-for-sale securities	52,982	-	-	-	1,311,114	237,212	1,364,096	237,212
Impairment loss on available-for-sale securities	-	-	-	-	(108,747)	-	(108,747)	-
Unrealised (loss)/gain on financial assets designated through profit or loss	-	-	-	-	(84,046)	146,686	(84,046)	146,686
Other net income	16,178	342	5,279	228	3,659	9,917	25,116	10,487
Total revenues	1,327,116	1,492,991	169,322	215,481	1,633,867	454,758	3,130,305	2,163,230
RESULTS								
Segment results	(253,513)	313,996	84,837	125,605	1,102,848	412,825	934,172	852,426
Unallocated corporate expenses							(31,064)	(95,205)
Profit from operation							903,108	757,221
Finance costs							(10,125)	(55,108)
Gain on deemed disposal of interest in an associate							-	225,038
Share of profits less losses of associates							454,564	980,576
Income tax							(141,317)	(90,338)
Profit after taxation							1,206,230	1,817,389

Other information	Short-term investments		Financial services		Long-term investment and others		Total	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,422,663	2,857,442	2,398,010	2,796,484	7,473,631	10,053,443	13,294,304	15,707,369
Investment in associates							4,794,227	4,470,959
Unallocated corporate assets							131,613	107,871
Total assets							18,220,144	20,286,199
Segment liabilities	346,417	210,395	302,666	700,332	141,428	487,943	790,511	1,398,670
Unallocated corporate liabilities							1,270,444	1,389,945
Total liabilities							2,060,955	2,788,615
Capital expenditures	46	747	–	–	9,454	2,875	9,500	3,622
Depreciation and amortisation expenses	164	204	52	55	4,646	2,789	4,862	3,048

(b) Geographical segments

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
For the period ended 30 June 2008			
Segment revenue			
Turnover	1,920,643	13,746	1,934,389
Other income	697,802	498,114	1,195,916
	2,618,445	511,860	3,130,305
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
For the period ended 30 June 2007			
Segment revenue			
Turnover	1,398,564	371,117	1,769,681
Other income	246,461	147,088	393,549
	1,645,025	518,205	2,163,230

INTERIM DIVIDEND

The Board of Directors declared payment of an interim dividend of HK 8 cents per share for the six months ended 30 June 2008 (2007: Nil) to those shareholders whose names appear on the register of members of the Company on Tuesday, 23 September 2008. Dividend warrants will be dispatched to shareholder on or about Wednesday, 8 October 2008.

BUSINESS REVIEW AND PROSPECTS

Results of the Group

In the first half of 2008, the global financial markets were severely affected by the United States sub-prime credit situation and credit contraction. Substantial market level correction was seen. The Company and its subsidiaries ("the Group") faced with a rapidly deteriorating market managed to grasp market opportunities precisely and reduced market risks and shock impacts from the market downturn. For the six months ended 30 June 2008, the Group's profit attributable to shareholders amounted to HK\$1.17 billion, a decrease by 31.8% compared with the same period last year, earnings per share was HK\$0.7365, a decrease by 32.4% compared with the same period last year.

Review of Operations

In the first half of the year, the Group's daily business developed in a balanced manner, the overall operations remained robust, and the financial situation was healthy. The Group's turnover for the first half of the year amounted to HK\$1.93 billion, increased by 9.3% (corresponding period last year: HK\$1.77 billion); the pre-tax profit for the first half of the year of the operations was HK\$893 million, increased by HK\$191 million over the corresponding period last year, an increase of 27.2%; the amount of all expenses was HK\$266 million, increased by HK\$21 million over the corresponding period last year (increased by 8.5%), the increase was mainly the effect of incentive payment to staff members. The expense to income ratio was 23.0%, improved by 2.9% over 25.9% of the corresponding period last year.

Despite the volatile global market conditions, our Hong Kong business maintained growth in the first half of the year:

- Direct Investment Division continued to be the Group's main source of profits, its pre-tax profit for the first half of the year was HK\$450 million, an increase of 99% over the corresponding period last year. The investment team of the Group managed to dispose of some of the investments held by SeaBright China Special Opportunities (I) Limited ("SOF I") and locked up profits when the market was at a relatively high level at the beginning of the year. The other invested projects are performing satisfactorily and are diligently preparing for their listings on the relevant stock exchanges. The investment team will continue to leverage on its expertise in high-end industrial manufacturing to source good investments opportunities for China Special Opportunities Fund, L.P. ("CSOF") which is at the beginning of its investment period.

- Asset Management Division was undermined by the continuous downfall of the markets, its results were under severe pressure. From January to June, Asset Management Division recorded a loss of HK\$107 million (corresponding period last year: profit of HK\$159 million), the size of Dragon Fund was HK\$915 million, the return rate achieved was -17.5% for the period, better than 20.5% drop of the Hang Seng Index.
- Agency Brokerage Division was affected by the reduced turnover of the markets, IPO activities almost came to a complete halt. A marked reduction in clients and IPO margin financing interest income was seen. A pre-tax profit amount of HK\$62.2 million was recorded for the first half of the year, a decrease of 21% over the corresponding period last year. Within this period, the Group set up a branch at Hunghom for securities agency and wealth management, extending more convenient services to clients.
- Investment Banking Division was actively developing sponsorship of IPO projects, and signed sponsorship agreements with a number of clients. However some IPO projects were deferred as the stock market experienced correction and poor market responses to IPO issues. During the period, the Investment Banking Division participated in 11 underwriting and placing deals, and was appointed as financial advisor in 8 other projects. It recorded a loss of HK\$1 million, a decrease of 108% over the corresponding period last year.
- To take advantage of our strength in Mainland China, the Group set up an Asset Investment Division in the first half of the year targeting real estates and resources investments in Mainland China. During the period, the Group conducted in-depth discussions with several overseas investors and has also identified a number of potential investment projects in Mainland China. Fund raising activities are expected to start in the second half of the year.
- Strategic Investment Division enhanced the Group's return on capital. It continued to adopt a prudent investment strategy, producing stable return to the Group. During the period, it reduced its investment portfolio size in view of market downturn and the industrial outlook of its investee enterprises. From January to June, the Strategic Investment Division's pre-tax profit was HK\$729 million, by the end of June, the Group held 3 million shares of China Mobile.

Everbright Securities

In the first half of the year, the stock markets of Mainland China dropped substantially and market turnover dried up. Under such backdrop, the total income for the first half of the year of Everbright Securities Company Limited ("Everbright Securities" of which the Group has a 39.31% interest) was RMB3.33 billion, the after-tax profit amounted to RMB1.04 billion according to Hong Kong Financial Reporting Standards, this was a decrease of 55% over corresponding period last year. Within the total income figure, brokerage commission, proprietary securities trading, issuance of securities, issuance of warrants, asset management and other income accounted for 56%, 7%, 5%, 4%, 12% and 16% respectively. For the period, the market share of its brokerage business was 3.14%, ranking the 11th; investment banking business's number of IPO and amount of fund raised ranked the 6th and 8th respectively, the number of reviewed projects ranked in the front. "Everbright Sunshine 3", a collective asset management product, was launched successfully despite the adverse market conditions. Everbright Securities was rated as a "Category A Grade AA" brokerage house in Mainland China, the highest rating for brokerage houses in Mainland China. This provided a solid foundation for Everbright Securities to strive for launching various innovative securities businesses and to push forward for a comprehensive and wholesome development model.

On 30 June 2008, the A share IPO application by Everbright Securities passed the review process of the China Securities Regulatory Commission. Everbright Securities will be the first brokerage house to launch an IPO in Mainland China in the past five years. Everbright Securities would seize this favourable opportunity and complete the listing process as soon as possible. The listing date and particulars still depend on the factual circumstances.

As at 30 June 2008, Everbright Securities had a network of 76 operation units and 18 securities services offices across the whole country.

Everbright Bank

During the first half of the year, all businesses of Everbright Bank, held as to 6.23% by the Group, have seen substantial development, its asset quality continued to be improved. As at 30 June 2008, according to the unaudited accounts (applicable to all below) under the accounting standards of Mainland China, Everbright Bank's total assets was RMB846.6 billion, total loan amounted to RMB456.9 billion, increased by 16.7% and 9.3% respectively over the beginning of the year; the after-tax profit was RMB6.47 billion, increased by 158% over corresponding period last year. During the period, Everbright Bank completed the packaged selloff of non-performing assets of RMB14.2 billion and successfully completed the issuance of subordinated debt of RMB8 billion, the amount of non-performing loans was reduced to RMB8.4 billion, non-performing loan ratio stands at 1.8%, a reduction of 2.6% over the beginning of the year.

In the period, Everbright Bank's IPO preparation got important progress. The board of directors and shareholders of Everbright Bank approved the relevant resolutions for initial listing of its shares. The formal application for IPO to regulatory authorities of Mainland China was lodged in early June, the relevant approval from regulatory authorities is now being awaited.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

As at 30 June 2008, the total assets of the Group amounted to approximately HK\$18.22 billion, with cash on hand of approximately HK\$3.29 billion. Apart from trade liabilities and fair value liabilities from equity and equity linked products in ordinary course of business, the Group does not have other significant financial liabilities.

The actual level of borrowing depends on the Group's business and investment needs. As at 30 June 2008, the Group had committed borrowing facilities totaling approximately HK\$170 million. The Group's gearing ratio, which is computed from the Group's total interest bearing liabilities divided by shareholders' fund, was nil as at 30 June 2008 (31 December 2007: nil).

As at 30 June 2008, the Group had no material exposure to foreign exchange other than assets denominated in Renminbi and United State Dollar.

As at 30 June 2008, the Group had not pledged any of its securities (31 December 2007: nil).

Except for those disclosed in the notes to financial statements, the Group did not have any material contingent liabilities as at 30 June 2008. The Group had given guarantees in respect of banking facilities available to subsidiaries totaling approximately HK\$170 million. As at 30 June 2008, the Company had also provided guarantees to financial institutions against the due performance of obligations by its subsidiaries which are engaged in the businesses of leveraged forex trading and derivatives trading. Such guaranteed liabilities will vary according to the value of transactions.

Prospects

Having experienced considerable fluctuation in the global financial markets in the first half of the year, a lot of unclear factors are still prevailing in the second half of the year. The sub-prime credit crisis triggered by the fallen real estate market in the United States is unlikely to round off within a short period of time, Mainland China is facing the dual threats of price inflation and slowing down of economic growth, the Group adopts a prudent approach in view of the conditions of the second half of the year.

After a few years of integration, the Group has confirmed its focus on the development of direct investment, asset management, asset investment businesses and a parallel development of fee-based businesses such as investment banking (corporate finance) and brokerage (wealth management). In the second half of the year, the Group will focus on the enhancement of the operational capabilities of the Hong Kong businesses, maintaining good liquidity, building up the sustainability of the investment business, endeavouring to expand the assets under management, strengthening the stability of sources of income, and grasping the opportunity to integrate an operation platform in Mainland China.

Everbright Securities' IPO is an opportunity to enhance its capital adequacy. It continues to adopt prudent risk management, lay a strong foundation for developing innovative businesses, and is set to commence actual business cooperation with the Group at the right time.

Following the continuous development of the economy of China, the opening up of the financial industry of Mainland China is an inevitable trend. This will certainly provide more opportunities for the Group.

The Group will put more resources to set up a robust information technology system, allowing clients to enjoy more convenient and efficient services. The Group attracts and retains high quality professional human resources by virtue of the building up of corporate culture and a "partnership" bond with the staff. We will also carry out market promotional activities at the right moment to enhance the reputation of the Group. The Group will continue to uncover hidden opportunities when the markets are correcting. All these will lead to a better framework for the Group's development in the ensuing years.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the period.

EMPLOYEES

As at 30 June 2008, the Group had 211 employees. Total staff cost for the period under review amounted to approximately HK\$173 million as noted in the consolidated income statement. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes. Directors of the Company and full time employees of the Group may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the share option scheme approved by the Company at an extraordinary general meeting held on 24 May 2002.

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a “Code for Securities Transactions by Directors” which is no less exacting than the required standard set out in the “Model Code for Securities Transactions by Directors of Listed Companies” contained in the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard set out in both the said Code and the Model Code for the six months ended 30 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 September 2008 to Friday, 26 September 2008 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company’s share registrar, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 22 September 2008.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee currently comprises three members who are Independent Non-executive Directors. The Committee is chaired by Mr. Ng Ming Wah, Charles. The other committee members are Mr. Seto Gin Chung, John and Dr. Lin Zhijun.

The Audit and Risk Management Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2008 of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises five members: two Executive Directors and three Independent Non-executive Directors. It is chaired by Mr. Tang Shuangning. The other committee members are Mr. Zang Qiutao, Mr. Ng Ming Wah, Charles, Mr. Seto Gin Chung, John and Dr. Lin Zhijun.

By order of the Board
China Everbright Limited
Chen Shuang
Chief Executive Officer

Hong Kong, 22 August 2008

As at the date of this announcement, the Directors of the Company are:

Executive Directors

Mr. Tang Shuangning (*Chairman*)
Mr. Zang Qiutao (*Deputy Chairman*)
Mr. Chen Shuang (*Chief Executive Officer*)
Mr. Tang Chi Chun, Richard (*Chief Financial Officer*)

Independent Non-executive Directors

Mr. Ng Ming Wah, Charles
Mr. Seto Gin Chung, John
Dr. Li Zhijun

Non-executive Director

Mr. Wang Weimin