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CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

INTERIM RESULTS

The Board of Directors of China Everbright Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010. The interim financial report is unaudited, but has been reviewed by KPMG (the auditors of the Company) 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 will be 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

For the six months ended 30 June 2010

		1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
	Note		
Turnover	3	807,589	2,256,976
Operating income	3	260,002	347,339
Other net income	3	17,815	29,419
Staff costs		(72,442)	(63,713)
Depreciation and amortisation expenses		(7,077)	(5,678)
Impairment loss on available-for-sale securities		(15,537)	(8,269)
Other operating expenses		(84,504)	(65,552)
Profit from operations		98,257	233,546
Finance costs		(12,461)	(4,799)
Share of profits less losses of associates	8(b)	297,473	551,857
Share of profits less losses of jointly controlled entities	9(b)	(628)	–
Profit before taxation		382,641	780,604
Income tax credit/(charged)	4	58,050	(51,436)
Profit after taxation		440,691	729,168
Attributable to:			
Shareholders of the Company		445,263	719,438
Non-controlling interests		(4,572)	9,730
Profit for the period		440,691	729,168
Earnings per share	7		
– Basic		HK\$0.2795	HK\$0.4521
– Diluted		HK\$0.2792	HK\$0.4513

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		1 January to 30 June 2010	1 January to 30 June 2009
	<i>Note</i>	HK\$'000	HK\$'000
Profit for the period		440,691	729,168
Other comprehensive income for the period (after tax and reclassification adjustments):			
Net movement in investment revaluation reserve of available-for-sale securities	6	1,363,350	3,169,019
Share of investment revaluation reserve and exchange reserve of associates		60,333	116,216
Exchange rate adjustments		633	(859)
		1,424,316	3,284,376
Total comprehensive income for the period		1,865,007	4,013,544
Attributable to:			
Shareholders of the Company		1,454,685	3,852,003
Non-controlling interests		410,322	161,541
Total comprehensive income for the period		1,865,007	4,013,544

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

		30 June 2010 HK\$'000	31 December 2009 HK\$'000
	Note		
Non-current assets			
Fixed assets		421,705	420,738
Investments in associates	8(a)	8,440,506	8,737,541
Investments in jointly controlled entities	9(a)	82,761	84,266
Available-for-sale securities	10	10,466,287	8,938,617
Financial assets designated at fair value through profit or loss	11	659,207	344,530
Advances to customers	12	782,000	771,596
Intangible assets		1,250	1,250
		20,853,716	19,298,538
Current assets			
Advances to customers	12	1,359,496	969,494
Amounts due from associates		655,949	749,770
Amounts due from jointly controlled entities		1,213	1,197
Debtors, deposits and prepayments	13	644,235	708,325
Trading securities	14	518,172	487,415
Cash and cash equivalents		2,132,768	2,094,510
		5,311,833	5,010,711
Current liabilities			
Creditors, deposits received and accrued charges	15	(516,153)	(829,796)
Bank loans		(574,493)	–
Trading securities	14	–	(29,057)
Amounts due to associates		(438)	(438)
Amount due to ultimate holding company		(63)	(63)
Provision for taxation		(459,606)	(536,999)
		(1,550,753)	(1,396,353)
Net current assets		3,761,080	3,614,358
Total assets less current liabilities		24,614,796	22,912,896

CONSOLIDATED BALANCE SHEET *(continued)*
As at 30 June 2010

		30 June 2010	31 December 2009
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Financial liability designated at fair value through profit or loss		(38,926)	–
Bank loans		(402,500)	(397,145)
Notes payable		(118,206)	(114,115)
Deferred tax liabilities		(632,747)	(542,460)
		(1,192,379)	(1,053,720)
NET ASSETS		23,422,417	21,859,176
CAPITAL AND RESERVES			
Share capital	18	1,594,033	1,592,264
Reserves		20,532,452	19,392,913
Total equity attributable to shareholders of the Company		22,126,485	20,985,177
Non-controlling interests		1,295,932	873,999
TOTAL EQUITY		23,422,417	21,859,176

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Note	Attributable to the shareholders of the Company									Non-controlling interests HK\$'000	Total equity HK\$'000	
		Share capital HK\$'000	Share premium HK\$'000	Option premium reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000			Total HK\$'000
As at 1 January 2010		1,592,264	5,724,469	4,037	5,060,260	2,984	(924,395)	109,714	604,395	8,811,449	20,985,177	873,999	21,859,176
Shares issued under share option scheme		1,769	5,898	(2,252)	-	-	-	-	-	-	5,415	-	5,415
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	11,611	11,611
Dividends paid	5(b)	-	-	-	-	-	-	-	-	(318,792)	(318,792)	-	(318,792)
Total comprehensive income for the period		-	-	-	863,638	-	-	-	145,784	445,263	1,454,685	410,322	1,865,007
As at 30 June 2010		1,594,033	5,730,367	1,785	5,923,898	2,984	(924,395)	109,714	750,179	8,937,920	22,126,485	1,295,932	23,422,417
As at 1 January 2009		1,591,012	5,718,230	6,045	1,585,959	2,984	(924,395)	109,714	586,149	4,523,395	13,199,093	300,795	13,499,888
Shares issued under share option scheme		830	3,936	(1,284)	-	-	-	-	-	-	3,482	-	3,482
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	81,284	81,284
Dividends paid	5(b)	-	-	-	-	-	-	-	-	(190,979)	(190,979)	-	(190,979)
Total comprehensive income for the period		-	-	-	3,142,835	-	-	-	(10,270)	719,438	3,852,003	161,541	4,013,544
As at 30 June 2009		1,591,842	5,722,166	4,761	4,728,794	2,984	(924,395)	109,714	575,879	5,051,854	16,863,599	543,620	17,407,219

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2010*

	1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
Net cash outflow from operating activities	(546,899)	(3,390,807)
Net cash inflow/(outflow) from investing activities	270,058	(207,798)
Net cash inflow from financing activities	342,387	2,443,602
Net increase/(decrease) in cash and cash equivalents	65,546	(1,155,003)
Cash and cash equivalents		
Beginning of the period	2,035,739	3,846,756
Exchange rate adjustments	31,483	(567)
End of the period	2,132,768	2,691,186
Analysis of cash and cash equivalents		
Bank balance and cash – general accounts	2,132,768	3,252,931
Deposit pledged	–	(561,745)
End of the period	2,132,768	2,691,186

NOTES TO THE FINANCIAL REPORT

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 26 August 2010.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

During the period ended 30 June 2010, the Group adopted the following significant changes to Hong Kong Financial Reporting Standards ("HKFRSs"). On 1 January 2010, the Group adopted the revised HKFRS 3 '*Business Combinations*' ('HKFRS 3') and the amendments to HKAS 27 '*Consolidated and Separate Financial Statements*'. The main changes under the standards are that:

- acquisition-related costs are recognised as an expense in the income statement in the period in which they are incurred;
- all consideration transferred, including contingent consideration, is recognised and measured at fair value at the acquisition date;
- equity interests held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognised in the income statement;
- changes in a parent's ownership interest in a subsidiary that do not result in a change of control are treated as transactions between equity holders and are reported in equity; and
- an option is available, on a transaction-by-transaction basis, to measure any non-controlling (previously referred to as minority) interests in the entity acquired either at fair value, or at the non-controlling interests' proportionate share of the net identifiable assets of the entity acquired.

In terms of their application to the Group, the revised HKFRS 3 and the amendments to HKAS 27 apply prospectively to acquisitions made on or after 1 January 2010, and have no significant effect on these consolidated financial statements.

3. OPERATING INCOME AND OTHER NET INCOME

Operating income and other net income recognised during the period are as follows:

	1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
Operating income		
Brokerage commission and service income	131,159	104,359
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	3,576	5,322
– advances to customers	81,660	47,818
– unlisted debt securities	12,165	–
– others	66	1,091
Dividend income		
– listed investments	23,959	21,092
– unlisted investments	6,627	166,891
Gross rental income from investment properties	790	766
	260,002	347,339
Other net income		
Net realised gain/(loss) on trading securities		
– equity securities	(15,294)	(84,835)
– debt securities	1,323	1,269
– derivatives	(14,640)	(49,868)
	(28,611)	(133,434)
Net unrealised gain/(loss) on trading securities		
– equity securities	(31,580)	6,510
– debt securities	(2,691)	(1,707)
– derivatives	31,828	104,977
Net gain on disposal of available-for-sale securities	14,035	2,048
Net realised loss on financial assets designated at fair value through profit or loss	(8,520)	–
Net unrealised gain on financial assets designated at fair value through profit or loss	36,034	65,814
Net unrealised loss on notes payable	(4,091)	(21,802)
Exchange gain/(loss), net	9,271	(925)
Reversal of impairment loss on advances to customers	–	4,850
Loss on disposal of fixed assets	(149)	–
Others	2,289	3,088
	17,815	29,419

Turnover represents the aggregate gross sale proceeds from disposal of trading securities, brokerage commission and service income, interest income, dividend income and gross rental income from investment properties.

4. INCOME TAX CREDIT/(CHARGED)

The provision for Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the six months ended 30 June 2010. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

The amount of taxation credit/(charged) to the consolidated income statement represents:

	1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
Current taxation		
– Hong Kong profits tax	(10,072)	(1,221)
– Overseas taxation	(7,447)	(22,565)
– Over provision in respect of Hong Kong profits tax in prior years	89,968	30
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(14,399)	(27,680)
	58,050	(51,436)

5. DIVIDENDS

(a) Dividends attributable to the period

	1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
– Interim dividend declared after the balance sheet date of HK\$0.13 (2009: HK\$0.175) per share	207,224	278,590

The directors proposed an interim dividend of HK\$0.13 per share (2009: HK\$0.175 per share) for the six months ended 30 June 2010. The proposed dividends are not reflected as dividend payable in the financial statements.

(b) Dividends attributable to the previous financial year, approved and paid during the period

	1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.20 (2009: HK\$0.12) per share	318,792	190,979

6. OTHER COMPREHENSIVE INCOME

Reclassification adjustments relating to components of the other comprehensive income

	1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	1,365,122	3,169,387
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal	(1,772)	(368)
Net movement in the investment revaluation reserve during the period recognised in other comprehensive income	1,363,350	3,169,019

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to shareholders of the Company of HK\$445,263,000 (six months ended 30 June 2009: net profit of HK\$719,438,000) and the weighted average number of 1,593,034,702 ordinary shares (six months ended 30 June 2009: 1,591,493,480 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2010 is based on the profit attributable to shareholders of the Company of HK\$445,263,000 (six months ended 30 June 2009: net profit of HK\$719,438,000) and the weighted average number of 1,594,754,768 ordinary shares (six months ended 30 June 2009: 1,594,101,086 ordinary shares), adjusted for the effects of exercise of share options.

8. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Investments, at cost:		
Shares listed in Mainland China	1,782,992	1,782,992
Unlisted shares in		
– Hong Kong	40,458	40,458
– Outside Hong Kong	18,489	18,489
Share of post-acquisition reserves	7,446,907	7,743,942
	9,288,846	9,585,881
Less:		
Provision for impairment charged against investment costs	(165,548)	(165,548)
Goodwill on acquisition	(682,792)	(682,792)
Carrying value, net	8,440,506	8,737,541
Market value of listed shares in Mainland China	20,018,901	32,964,028

The Group's investment in the shares listed in Mainland China, classified under investment in associates, has a lock-up period which ends in August 2012.

(b) As at 30 June 2010, 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")	The PRC	Securities operations	33.33%

For the six months ended 30 June 2010, Everbright Securities has recorded an after tax profit attributable to shareholders of RMB0.78 billion (six months ended 30 June 2009: RMB1.24 billion) (according to HKFRSs) and the Group's share of profit, under equity accounting method, amounted to HK\$298 million (six months ended 30 June 2009: HK\$552 million).

9. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) Investments in jointly controlled entities

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Share of net assets	82,761	84,266

(b) As at 30 June 2010, particulars of principal jointly controlled entities of the Group are as follows:

Name of jointly controlled entities	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up capital	Percentage of equity interest held by the Group
Everbright Macquarie Infrastructure Limited	Cayman Islands	Fund management	USD20,000	50.1%
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory	RMB150,000,000	50.0%*

* Held indirectly

10. AVAILABLE-FOR-SALE SECURITIES

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
At fair value:		
Listed equity securities:		
Listed in Hong Kong	305,392	331,136
Listed in Mainland China	2,456,154	1,765,741
Unlisted equity securities	7,687,917	6,676,643
Unlisted fund investment	16,824	–
Unlisted debts securities	–	165,097
	10,466,287	8,938,617

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Fair value of individually impaired available-for-sale equity securities:		
Listed in Hong Kong	24,595	53,742
Unlisted equity securities	14,327	367,716
	38,922	421,458

Realised gain on disposal of certain available-for-sale securities are subject to the payment of an incentive project bonus to an investment team (see note 20(b)).

10. AVAILABLE-FOR-SALE SECURITIES (continued)

The Group held the following principal available-for-sale security as at 30 June 2010:

Company name	Place of incorporation	Principal activities	Effective equity interest held by the Group
China Everbright Bank Company Limited ("Everbright Bank") ⁽ⁱ⁾	The PRC	Banking operations	5.26%

- (i) As at 30 June 2010, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

On 18 August 2010, Everbright Bank's shares were successfully listed on the Shanghai Stock Exchange through an initial public offering of 7 billion new shares (assume the over-allotment option is fully exercised) at an issue price of RMB3.10 per share. After the new share issue, the Group's existing shareholding in Everbright Bank had been diluted from 5.26% to 4.35%.

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

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
At fair value:		
Hong Kong listed equity securities	103,641	92,662
Overseas unlisted equity securities	288,797	178,405
Overseas unlisted convertible preference shares	13,747	4,527
Overseas unlisted debt securities	253,022	58,129
Hong Kong unlisted debt securities	–	10,807
	659,207	344,530

Realised gain on disposal of certain financial assets designated at fair value though profit or loss are subject to the payment of an incentive project bonus to an investment team (see note 20(b)).

In 2009, the Group purchased certain unlisted financial assets designated at fair value through profit or loss at a purchase price below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference is not yet recognised in profit or loss. The Group's interest in the financial assets is subject to potential dilution as new investors can be admitted at cost plus interest and a proportionate share of expenses before the final closing date on 16 November 2010. During the reporting period, the Group's interest was diluted due to the admission of a new investor. The difference yet to be recognised in profit or loss at the beginning and the end of the year is as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Beginning of period/year	324,439	–
(Reduction)/addition for the period/year	(50,819)	324,439
End of period/year	273,620	324,439

11. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

If full subscription to the financial asset is admitted before 16 November 2010, the profit yet to be recognised will be further diluted to HK\$111 million. This potential dilution assumes that fair value of the financial asset remains unchanged, ignoring the effect of interest and share of expenses, except for the capital obtained from new subscriptions. Hence, the ultimate effect of dilution, if any, can be higher or lower than what is stated above.

12. ADVANCES TO CUSTOMERS

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Non-current assets		
Term loans to customers		
– secured	690,000	680,820
– unsecured	92,000	90,776
	782,000	771,596
Current assets		
Term loans to customers		
– secured	164,296	–
– amounts due from clients for new share applications	379,860	–
Amounts due from margin clients	819,273	973,427
	1,363,429	973,427
Less: impairment loss	(3,933)	(3,933)
	1,359,496	969,494

Certain term loans to customers are secured by leasehold land in Mainland China. Amounts due from margin clients are secured by listed securities of margin clients held as collateral.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Accounts receivables, net	578,764	615,663
Deposits, prepayments and other receivables	65,471	92,662
	644,235	708,325

13. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

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

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Within 1 month	575,997	613,482
Within 1 to 2 months	147	282
Within 2 to 3 months	322	1,042
Within 3 to 6 months	21	34
Over 6 months	7,633	6,179
	584,120	621,019
Less: Impairment loss	(5,356)	(5,356)
	578,764	615,663

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

14. TRADING SECURITIES

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Current assets		
At fair value:		
Equity securities:		
– listed in Hong Kong	450,259	470,870
– listed in PRC	2,785	–
Debt securities:		
– listed overseas	62,344	–
– unlisted	–	16,545
Derivatives:		
– listed in Hong Kong	2,784	–
	518,172	487,415
Current liabilities		
At fair value:		
Equity securities:		
– listed in Hong Kong	–	(30)
Derivatives:		
– equity options	–	(29,027)
	–	(29,057)

15. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Accounts payable	363,486	468,475
Other creditors, deposits received and accrued charges	152,667	361,321
	516,153	829,796

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

16. MATURITY PROFILE

As at 30 June 2010

	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	815,340	464,979	79,177	782,000	–	2,141,496
– Debt securities						
– Trading securities	–	–	–	62,344	–	62,344
– Financial assets designated at fair value through profit or loss	–	–	–	253,022	–	253,022
– Fixed deposits	–	1,359,453	–	–	–	1,359,453
	815,340	1,824,432	79,177	1,097,366	–	3,816,315
Liabilities						
– Bank loans	–	(379,860)	(194,633)	(402,500)	–	(976,993)
– Notes payable	–	–	–	(118,206)	–	(118,206)
	–	(379,860)	(194,633)	(520,706)	–	(1,095,199)

16. MATURITY PROFILE *(continued)*

As at 31 December 2009

	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	969,494	–	–	771,596	–	1,741,090
– Debt securities						
– Trading securities	–	–	–	16,545	–	16,545
– Available-for-sale securities	–	–	–	165,097	–	165,097
– Financial assets designated at fair value through profit or loss	–	–	–	68,936	–	68,936
– Fixed deposits	–	1,063,195	–	–	–	1,063,195
	969,494	1,063,195	–	1,022,174	–	3,054,863
Liabilities						
– Bank loans	–	–	–	(397,145)	–	(397,145)
– Notes payable	–	–	–	(114,115)	–	(114,115)
	–	–	–	(511,260)	–	(511,260)

17. SEGREGATED ACCOUNTS NOT REFLECTED ON BALANCE SHEET

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Bank balances – segregated accounts	906,902	819,338
Receivable from clearing house and futures brokers	41,055	39,154
Amounts held on behalf of clients	(947,957)	(858,492)
	–	–

18. SHARE CAPITAL

	30 June 2010 HK\$'000	31 December 2009 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	1,592,264	1,591,012
Share issued under share option scheme	1,769	1,252
End of period/year	1,594,033	1,592,264

19. RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2010 HK\$'000	1 January to 30 June 2009 HK\$'000
Management fee received from a jointly controlled company	2,013	–
Rental expenses paid to wholly-owned subsidiaries of the ultimate holding company	2,700	2,700

Included in the balance sheet are the following balances with related parties:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Amount due from an associate (included in debtors, deposits and prepayments)	44,820	46,994

20. CONTINGENT LIABILITIES

(a) Corporate guarantee

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	572,500	567,145

The Group's subsidiaries have utilised HK\$402,500,000 (31 December 2009: HK\$397,145,000) out of those banking facilities as at 30 June 2010. As at 30 June 2010 and 31 December 2009, 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 depending on the volume of transactions effected with the financial institutions.

20. CONTINGENT LIABILITIES *(continued)*

(b) Incentive payment

According to an Incentive Agreement dated and announced on 25 May 2007, the Group is obligated to pay an incentive project bonus to an investment team (of which all the individual members are employees of the Group) upon the realisation of each project, whether in whole or in part, under SeaBright China Special Opportunities (I) Limited ("SOF I"), (of which the Group has a 78.9% equity interest). 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 the realisation of the relevant project. As at 30 June 2010, the accumulated unrealised gains associated with the relevant projects amounted to HK\$1,965 million (31 December 2009: HK\$1,772 million). If all relevant projects were disposed of on 30 June 2010 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK\$206 million (31 December 2009: HK\$202 million).

21. COMMITMENTS

(a) Capital commitments

As at 30 June 2010, the Group has capital commitments as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Contracted but not provided for	575,675	578,997

(b) Operating lease commitments

Operating lease commitments as at 30 June 2010 amounted to approximately HK\$10,163,000 (31 December 2009: HK\$9,183,000) of which approximately HK\$6,080,000 (31 December 2009: HK\$8,006,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Not later than one year	6,080	8,006
Later than one year and not later than five years	4,083	1,177
	10,163	9,183

21. COMMITMENTS (continued)

(c) Future operating lease arrangements

As at 30 June 2010, the Group had future aggregate minimum lease receipts under non-cancellable operating leases for investment properties as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Not later than one year	1,039	1,186
Later than one year and not later than five years	99	455
	1,138	1,641

(d) Off-balance sheet financial instruments

The fair values and the contractual or notional amounts of the Group's trading equity derivatives outstanding at 30 June 2010 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2010 HK\$'000	31 December 2009 HK\$'000	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Hang Seng Index Futures	2,784	–	88,120	–

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.

22. 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 shareholders' 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 led by the Risk Management Group and execution is carried out by the Risk Management and Compliance Department. This functional structure can assess, identify and document the Group's risk profile and to ensure that business units focus, control and systematically avoid potential risk in various areas 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.

22. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

In general, for advances to customers, the Group requires collateral from customers before advances are granted. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Any subsequent change in value as well as quality, of 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 securities 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 ratings and/or reputation.

Investments in debt instruments and unlisted derivative financial instruments are also governed by whether the issuers and the trade counterparties 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 manage its credit risk exposure and concentration. As at 30 June 2010, the Group does not have a significant concentration of credit risk other than the provision of advances to customers of RMB600 million (31 December 2009: RMB600 million) which are secured by residential leasehold land in the Mainland.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, on the balance sheet date deducting any impairment allowance. Except for the corporate guarantees set out in note 20(a), the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of the corporate guarantee at 30 June 2010 amounted to HK\$572 million (31 December 2009: HK\$567 million).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in note 12.

(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 operational need, the management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

22. FINANCIAL INSTRUMENTS *(continued)*

(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 to three years.

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, if necessary.

(d) Foreign currency risk

The Group's exposure to foreign exchange 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, the management does not consider there to be 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.

Overall, 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 14), available-for-sale securities (see note 10) and financial assets designated as fair value through profit or loss (see note 11). Other than unlisted securities held for medium-to-long term investment purposes, all of these investments are listed.

The Group's listed investments, other than interests in Everbright Securities (note 8(b)) which is listed on the Shanghai Stock Exchange, 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 team professionals and each investment portfolio is governed by specific investment and risk management guideline. 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 securities 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 listed entities of comparable size and nature of businesses.

23. SEGMENT INFORMATION

The Group manages and conducts the majority of its business activities by business units. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

- Brokerage – brokerage services in securities, futures, bullion and leveraged foreign exchange trading, and margin financing to margin customers.
- Investment Banking – provision of corporate advisory, sponsorship for listing, placing and underwriting services.
- Asset Management – management of trading securities with key focus on secondary market trading, investment return on the Group's own capital seeded into those funds is included herewith. It also includes loan advanced to customers.
- Asset Investment – asset class specific long term investment in projects and equities, also targeting the management of investment funds focusing on real estate, infrastructure and resources assets.
- Direct Investment – investment in unlisted equity securities and/or equity derivatives with an ultimate objective of capital gain on investee's equity listing or, in some circumstances, prior to listing. It also includes specific project financing to external parties.
- Strategic Investment – the Group's treasury management operations, and medium and long term investments which are carried out under senior management's directions.
- All other segments – which do not meet the threshold to be reportable and include the Group's investment in properties and certain financial assets and liabilities created from corporate investments.

Segment results are measured in accordance with Hong Kong Financial Reporting Standards as profit/(loss) before taxation less minority interests' share of profit/(loss).

Inter-segment transaction are priced by reference to normal commercial rates and/or cost recovery basis. Revenue of all other segments mainly include gross rental income, inter-segment service income and investment gain/(loss) from notes payable and certain corporate available-for-sale securities.

23. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2010:

	Brokerage HK\$'000	Investment Banking HK\$'000	Asset Management HK\$'000	Asset Investment HK\$'000	Direct Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE										
Operating income from external customers	113,974	27,710	33,462	12,366	60,516	5,502	253,530	6,472	-	260,002
Other net income from external customers	3,829	122	(51,997)	(2,006)	49,489	14,200	13,637	4,178	-	17,815
Inter-segment revenue	84	1,180	-	-	2,300	-	3,564	296	(3,860)	-
Total operating income and other net income	117,887	29,012	(18,535)	10,360	112,305	19,702	270,731	10,946	(3,860)	277,817
RESULTS AND RECONCILIATION OF SEGMENT RESULTS										
Segment results before non-controlling interests	41,058	16,740	(33,028)	(967)	73,473	18,211	115,487	2,459	-	117,946
Unallocated corporate expenses										(32,150)
Share of profits less losses of associates										297,473
Share of profits less losses of jointly controlled entities										(628)
Profit before taxation										382,641
Less: Non-controlling interests	-	-	821	203	1,371	-	2,395	2,177		
Segment results	41,058	16,740	(32,207)	(764)	74,844	18,211	117,882	4,636		

For the six months ended 30 June 2009:

	Brokerage HK\$'000	Investment Banking HK\$'000	Asset Management HK\$'000	Asset Investment HK\$'000	Direct Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE										
Operating income from external customers	86,428	29,545	3,905	19,746	45,687	161,260	346,571	768	-	347,339
Other net income from external customers	11,039	255	(23,113)	(30)	62,022	734	50,907	(21,488)	-	29,419
Inter-segment revenue	83	-	2,107	-	2,265	-	4,455	2,281	(6,736)	-
Total operating income and other net income	97,550	29,800	(17,101)	19,716	109,974	161,994	401,933	(18,439)	(6,736)	376,758
RESULTS AND RECONCILIATION OF SEGMENT RESULTS										
Segment results before non-controlling interests	27,077	21,460	(25,897)	8,282	81,370	161,004	273,296	(24,401)	-	248,895
Unallocated corporate expenses										(20,148)
Share of profits less losses of associates										551,857
Profit before taxation										780,604
Less: Non-controlling interests	-	-	162	(2,155)	(8,297)	-	(10,290)	560		
Segment results	27,077	21,460	(25,735)	6,127	73,073	161,004	263,006	(23,841)		

23. SEGMENT INFORMATION (continued)

As at 30 June 2010:

	Brokerage HK\$'000	Investment Banking HK\$'000	Asset Management HK\$'000	Asset Investment HK\$'000	Direct Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment assets	1,988,667	26,861	1,225,267	902,954	4,436,438	6,915,748	15,495,935	2,060,346	(37,420)	17,518,861
Investments in associates										8,440,506
Investments in jointly controlled entities										82,761
Unallocated head office and corporate assets										123,421
Total assets										26,165,549
Segment liabilities	749,799	2,863	42,372	8,341	472,127	-	1,275,502	170,024	(37,420)	1,408,106
Provision for taxation										459,606
Deferred tax liabilities										632,747
Unallocated head office and corporate liabilities										242,673
Total liabilities										2,743,132

As at 31 December 2009:

	Brokerage HK\$'000	Investment Banking HK\$'000	Asset Management HK\$'000	Asset Investment HK\$'000	Direct Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment assets	1,505,735	17,672	1,475,479	441,571	4,110,643	6,572,235	14,123,335	1,264,106	(5,380)	15,382,061
Investments in associates										8,737,541
Investments in jointly controlled entities										84,266
Unallocated head office and corporate assets										105,381
Total assets										24,309,249
Segment liabilities	466,870	2,931	6,028	11,377	425,215	29,057	941,478	380,494	(5,380)	1,316,592
Provision for taxation										536,999
Deferred tax liabilities										542,460
Unallocated head office and corporate liabilities										54,022
Total liabilities										2,450,073

BUSINESS REVIEW AND PROSPECTS

Operating Results

European and American governments scaled down capital injections in their financial rescue packages during the first half of 2010, as they started to exit from the market. Interest rates were raised in certain countries after hitting historical lows, while sovereign debt crisis, involving several European nations, triggered major market upheaval. Meanwhile, Mainland China also tightened money supply and implemented further measures to restrain excessive growth of the real estate sector. While these developments gave rise to a very challenging business environment during the first six months of the year, the Group nevertheless sustained healthy financials, as it remained firmly committed to the “3+2 Macro Asset Management” strategy and stepped up with measures to improve its business structure. There was a year-on-year decline in the Group’s profit for the interim period, due to the absence of divestment by the Hong Kong operations, setback in the business performance of associate Everbright Securities in line with a weaker Mainland stock market and the lack of a final dividend payment for 2009 from Everbright Bank. However, it reported another historical high in shareholders’ equity driven by continuous growth in the value of investment projects held by its funds.

For the six months ended 30 June 2010, the Group’s profits attributable to shareholders amounted to HK\$445 million, which was 38.1% less than the same period last year. Earnings per share was also 38.1% lower at HK\$0.2795. Profit contribution from Everbright Securities amounted to HK\$298 million. Meanwhile, the Group’s shareholders’ equity grew to HK\$22.1 billion for the period.

Hong Kong Operations

The Group’s total turnover for the first half of the year decreased by 64.2% to HK\$0.81 billion (same period last year: HK\$2.26 billion). Pre-tax profit from the Hong Kong operations for the first half of the year was HK\$86 million, a decrease by HK\$143 million compared with the same period last year. Total expenses amounted to HK\$176 million, increasing by 26.6% or HK\$37 million compared with the same period last year. The total cost ratio was 63.5%, or 26.4% higher than the total cost ratio of 37.1% reported for the same period last year.

The Group continued to further enhance the “3+2 Macro Asset Management” business structure of its Hong Kong operations during the first half of this year. Leveraging its extensive connections in Mainland China and management expertise, the Group’s funds made investments in several unlisted projects at reasonable prices. Significant progress has also been made in the incorporation and proffering of new investment funds. Meanwhile, our fee-based businesses were coming into shape, while considerable growth was also reported in our IPO sponsorship and underwriting businesses.

3 Fund investment and management:

- The Direct Investment Division continued to make good progress during the period, underpinned by the positive performance with consistent value growth of its project investments, while several of these projects started preparations for IPO listing. There were no divestments of direct investments during the period, given our fund managers' optimism about the continued value growth of these projects. The Division continued to derive its revenue mainly from fund management fees and reported a pre-tax profit of HK\$73 million, a 10% decrease compared to the same period last year.

Our China Special Opportunities Fund ("SOF") private equity funds formed with overseas investors, primarily targeted at unlisted enterprises with a sound operating model, which promises high growth. As Seabright China Special Opportunities (I) Limited ("SOF I") has entered its divestment stage, the management team will seek to divest the five projects currently remaining in the portfolio at opportune moments, with IPO preparations having started for some of these projects. China Special Opportunities Fund, L.P. ("CSOF") and its "parallel investment fund" completed 50% of their investments, with funds being primarily directed towards the retail consumption industry.

Two new projects were added to the portfolio of the RMB venture capital fund formed between the Group and Beijing Zhongguancun. Most project investments for the fund were completed. At present, active assistance is being provided to the pre-IPO preparations of the relevant projects. Meanwhile, the two venture capital funds formed with local enterprises of Wuxi City and Jiangyin City, each with capital of RMB500 million, started to make investments in projects after completing corporate registration and fund management team recruitment.

- The Asset Investment Division is primarily focused on mainland industries with potential for medium to long-term development. Funds under management remained in the investment stage and were open to subscription during the period. Pre-tax loss of around HK\$1.0 million was reported for the interim period. In May, the Division's real estate fund signed U.K. asset management company Ashmore as a strategic investor. Ashmore will hold no more than 39% equity in the real estate fund management company and provide funding support in the second-tranche offering of the fund. The introduction of this strategic investor underlines overseas investors' recognition of the Group's management expertise and operating platform, as well as their confidence in the longer-term development of China's real estate market. This strategic partnership will also open the Group to new opportunities for future fundraising and development in Europe and other overseas markets.

Meanwhile, the Group also succeeded in diversifying into the new energy sector in its fund management business. During the period, an agreement was reached with a few local enterprises in Jiangyin City, Jiangsu Province to establish a RMB3 billion new energy fund through a joint venture, with a special focus on low-carbon projects. The first tranche, amounting to RMB1 billion was fully subscribed for during the period. The fund management team, the recruitment of which has been completed, is currently identifying suitable investment opportunities through the Group's network.

The infrastructure construction fund, a joint venture with Macquarie, has completed several rounds of roadshows via Macquarie's global network. The first tranche of offering is expected to be officially completed in the second half of the year.

- The performance of the Dragon Fund, managed by the Asset Management Division, was in tandem with the general market during the period. With substantial cash holdings, the fund reported a negative return rate of 8.4% versus the 8% loss of the Hang Seng Index. In order to boost the Group's profitability in secondary-market funds, an "SME Fund" was established with the primary aim of identifying, through meticulous research, small and medium enterprises in Hong Kong with good potentials. The building of investment portfolios was scheduled for the second half of the year. In addition, the Group was also actively considering the possibility of introducing or acquiring other asset management teams as an option for faster expansion of the platform for secondary market funds. During the period, the Division reported a loss of HK\$33 million.

2 Fee-based businesses:

- Performance of the Brokerage and Wealth Management Division is closely related to the trading volume of the Hong Kong stock market. During the first half of the year, our brokerage business booked pre-tax profits of HK\$41 million, representing a 52% growth compared with the same period last year. Our brokerage and wealth management business is mainly targeted at retail investors. Affected by the performances of overseas and Chinese stock markets, the Hong Kong stock market was quiet during the period, recording only a slight increase in overall trade volume over the same period last year. Against this backdrop, the Group's brokerage business reported growth in commission income thanks to stronger marketing efforts in a diversified range of products such as securities, bullion, futures and foreign exchange. Meanwhile, interest income relating to margin financing rebounded considerably compared with the same period last year, as customers' demand for loans remained stable amid general economic recovery. During the period, the Group further strengthened its ties with local Hong Kong clients by opening its third brokerage and wealth management outlet at Mongkok.

- The Investment Banking Division mainly targets at small and medium enterprises in the Mainland. After stocking up projects for a few years, the Group's investment bank business entered a period of rapid growth during the year. We sponsored the main-board listing of Flyke International Holdings Limited in Hong Kong during the first half of the year, took part in the underwriting and placing of 6 corporate exercises and acted as the financial advisor in 9 projects. Subsequent to the reporting period, we completed the IPO sponsorship and underwriting for the main-board listing of Tian Shan Development (Holding) Limited in Hong Kong in July, while several other IPO projects are actively underway. The Investment Banking Division reported profits of HK\$17 million, a 22% decrease compared to the same period last year.

EVERBRIGHT SECURITIES

Last six months, the tightening of money supply in the Mainland caused the repeated drops in the Mainland stock markets. Notwithstanding the trading volume was slightly higher than that recorded for the same period last year, the commission rate of brokerage business in the Mainland was substantially reduced by intense competition. Our revenue therefore was affected. Everbright Securities Company Limited, in which the Group holds a 33.33% stake, reported total revenue of RMB2.29 billion. After-tax profits under Hong Kong Financial Reporting Standards decreased by 36%, year-on-year, to RMB784 million, of which brokerage commissions, proprietary trading, equity issue and underwriting, asset management, interest and other revenue accounted for 71%, -11%, 7%, 14% and 19% respectively. During the period, its brokerage business ranked 10th in the market with a 3.14% market share; while its asset management business also achieved sound development, as the performances of several of its collective asset management plans came out on top of their peers. Everbright Securities was also one of the six domestic securities firms approved by the China Securities Regulatory Commission ("CSRC") during the period to pioneer the operation of margin financing, stock borrowing and stock index futures. Meanwhile, Everbright Securities once again received the highest ranking in the classification of Mainland securities firms conducted by the CSRC as a Category A – AA securities house.

As at 30 June 2010, Everbright Securities had 101 sales offices and 1 securities services office nationwide.

EVERBRIGHT BANK

Everbright Bank, in which the Group owned a 5.26% stake, reported positive development in its businesses during the first half of the year with continuous improvements in asset quality. Based on the audited accounts prepared under PRC accounting standards (same hereinafter), Everbright Bank's total assets and loan balance as at 30 June 2010 amounted to RMB1,426.2 billion and RMB725.9 billion respectively, representing respective growth of 19.1% and 11.8% compared with the beginning of the year. Pre-tax profits for the year amounted to RMB9.25 billion. The balance of non-performing loans declined to RMB6.87 billion with the non-performing loan ratio standing at 0.95%, which was 0.3% lower compared with the beginning of the year. The credit provisioning coverage ratio was 238%, representing an increase of 44% compared with the beginning of the year.

Everbright Bank realised its plan to list its A shares this year with a successful listing on the Shanghai Stock Exchange on 18 August, following approval by the Issue Examination Committee of the CSRC on 22 July. The issue size was approximately RMB21.3 billion (assume the over-allotment option is fully exercised). The Group's shareholding in Everbright Bank was therefore diluted to approximately 4.51%, this shareholding has taken into account new shares acquired by the Group under the Bank's listing exercise.

As at 30 June 2010, Everbright Bank had 508 branches and sub-branches nationwide.

FINANCIAL POSITION

As at 30 June 2010, the Group's total assets amounted to approximately HK\$26.2 billion, with cash on hand of approximately HK\$2.13 billion. Apart from current liabilities in the ordinary course of business and those related to investment in derivative financial instruments, the Group's major liability is bank loans of approximately HK\$977 million. Bank loans are obtained to finance the Group's investment projects in the Mainland and short-term advance to customers for new shares subscription on initial public offers.

The actual borrowing depends on the Group's business and investment needs. As at 30 June 2010, the Group's committed borrowing facilities amounted to approximately HK\$572 million. The Group's gearing ratio, calculated as interest-bearing liabilities divided by shareholders' equity was 4.2% as at 30 June 2010 (31 December 2009: 1.9%). The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi and United States Dollar.

Except for those disclosed in the notes to financial statements, the Group did not have any material contingent liabilities as at 30 June 2010. The Group had given guarantees in respect of banking facilities available to subsidiaries amounting to approximately HK\$572 million. As at 30 June 2010, the Company had also provided guarantees in favour of financial institutions in respect of trading limits of subsidiaries engaged in leverage foreign exchange trading and derivatives trading. The amount of such guaranteed liabilities varies according to the value of transactions.

OUTLOOK

Contrary to the massive financial injection into the market in 2009, the market during the current year was primarily concerned with the continuity of the economic stimulus policies of various governments for consistent economic recovery. Following corrections in the first half of the year, prospects are good for the rapid and stable growth of the PRC economy, the Mainland Government has demonstrated policy continuity and the ability to exercise macro-economic control in its attempt to “sustain growth while adjusting structures”. European governments are tackling the debt crisis with better coordination, having learned lessons from the financial crisis. The U.S. economy is on course for a steady, albeit slow, recovery in a low-interest environment. Given the above, the Group thinks that the capital markets will fare better in the latter half of the year than in the first, and the securities market in China, in particular, should hold massive opportunities.

The Group will continue to persist in the development of its “3+2 Macro Asset Management” business during the remainder of the year. For the direct investment, asset investment and asset management operations, which comprise the “3” segment, the size of assets under management is expected to grow substantially with the gradual completion of the incorporation and offering of large-scale private equity funds focusing on the infrastructure and real estate sectors as well as SOFIII. Meanwhile, more stable investment income will be generated as the number of invested projects continues to increase with opportunities for systematic divestments of mature ones. The Group will also continue to expand its business platform for secondary market funds such as hedging funds and mutual funds. In this respect, we hope to recruit more professional teams with proven experience on reasonable terms, so that we can quickly establish ourselves in this market segment. With a dual focus on direct investments and asset investments (represented by primary market funds such as private equity and venture capital funds) on the one hand and asset management (represented by secondary market investments) on the other as mutually complementary operations, this business model will prepare us for capturing business opportunities arising from expedited capital flow across the border while providing a greater variety of investment products for our customers.

For the investment banking and brokerage businesses in the “2” segment, business integration with Everbright Securities will be a focus for the second half of the year while we continue to consolidate our market share and procure steady growth in business volume. More and more large-scale Mainland securities firms are starting their overseas operations in Hong Kong. We therefore see the opportunity to build a business module with a larger customer base and network in association with Everbright Securities, leveraging the Group’s existing platform for fee-based business, which is very experienced in risk management. This would contribute to more lucrative returns for shareholders of both companies.

With the commencement of new business in margin financing and stock borrowing and stock index futures complemented by proven performance in collective asset management plans, Everbright Securities will be supported by increasingly diversified revenue sources and gradually reduce its dependence on the traditional stock brokerage business. Given intense market competition in the stock brokerage industry, Everbright Securities is well-positioned for opportune expansion on the back of its solid capital strength.

Everbright Bank's successful listing is an important milestone in its development. The significant improvement in capital adequacy after listing will allow the bank to further consolidate and expand its asset management services and other prestigious businesses. Closer business cooperation with fellow subsidiaries under the Everbright Group is in the pipeline, while its stable dividend payout will assure recurrent cash income for the Group.

EMPLOYEES

As at 30 June 2010, the Group had 239 employees. Total staff costs for the period under review amounted to approximately HK\$72 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 on 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 2010.

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 2010.

AUDIT AND RISK MANAGEMENT COMMITTEE

During the period, the Audit and Risk Management Committee comprises Mr. Ng Ming Wah, Charles, Mr. Seto Gin Chung, John and Dr. Lin Zhijun. The Committee is chaired by Mr. Ng Ming Wah, Charles. All members of the Committee are independent non-executive directors.

The Audit and Risk Management Committee and the management have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report of the Group for the six months ended 30 June 2010.

REMUNERATION COMMITTEE

The Remuneration Committee currently has four members comprising Mr. Zang Qiutao, Deputy Chairman of the Board, and three independent non-executive directors, namely, Mr. Ng Ming Wah, Charles, Mr. Seto Gin Chung, John and Dr. Lin Zhijun.

OTHER INFORMATION

Interim Dividend

The Board of Directors declared the payment of an interim dividend of HK13 cents per share for the six months ended 30 June 2010 (2009: HK17.5 cents per share) to those shareholders whose names appear on the register of members of the Company on Monday, 27 September 2010. Dividend warrants will be dispatched to shareholders on or about 7 October 2010 (Thursday).

Closure of Register of Members

The register of members of the Company will be closed from Monday, 27 September 2010 to Thursday, 30 September 2010 (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 Friday, 24 September 2010.

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.

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

Hong Kong, 26 August 2010

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
Mr. Jiang Yuanzhi

Independent Non-executive Directors:

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

Non-executive Director

Mr. Wang Weimin