

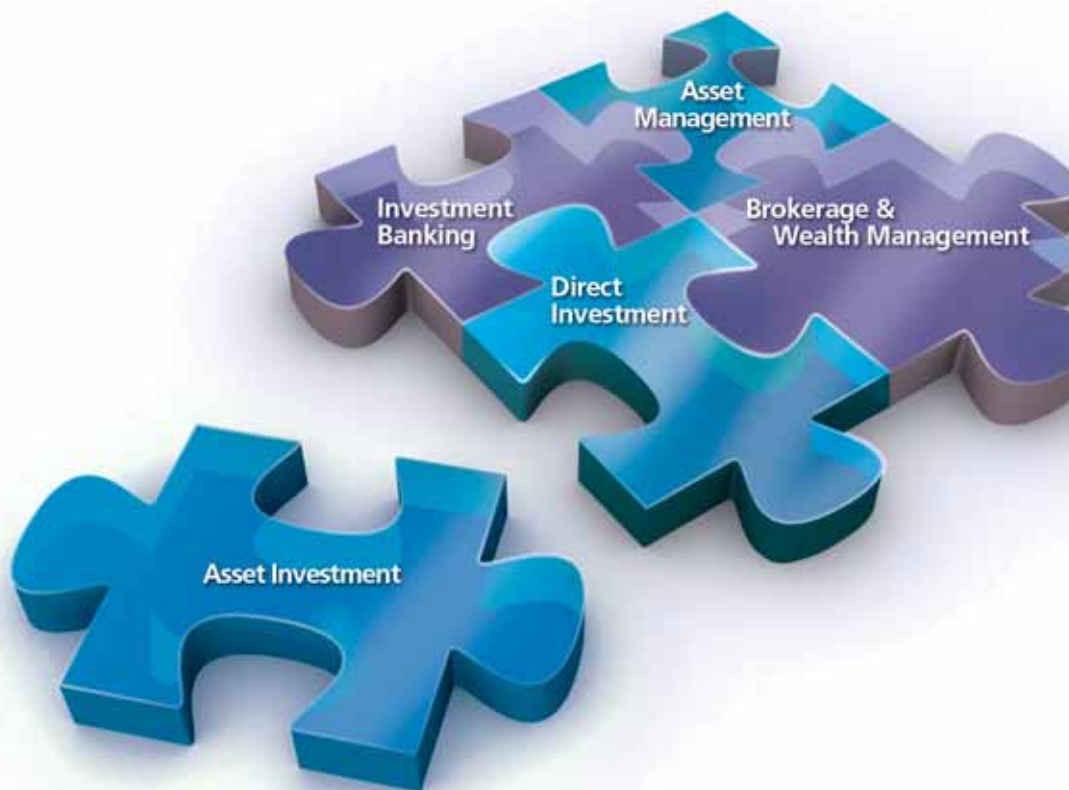
China Everbright Limited

中國光大控股有限公司

Stock Code: 165

Interim Report 2009

簡單成就價值
Making Wealth Simple



BOARD OF DIRECTORS

Tang Shuangning
Zang Qiutao
Chen Shuang
Tang Chi Chun, Richard
+ Wang Weimin
* Ng Ming Wah, Charles
* Seto Gin Chung, John
* Lin Zhijun

+ *Non-executive Director*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Chan Ming Kin

REGISTERED OFFICE

Room 4001, 40th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China Construction Bank Corporation
Hong Kong Branch
The Bank of East Asia, Limited

WEBSITE ADDRESS

<http://www.everbright165.com>

STOCK CODE: 165

Chairman
Deputy Chairman
Chief Executive Officer
Chief Financial Officer

SHARE REGISTRARS

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITORS

KPMG

INTERIM RESULTS

The Directors of China Everbright Limited (the "Company") announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 as follows. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2008 audited accounts. 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 is included on page 26. 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 2009

	Note	1 January to 30 June 2009 HK\$'000	1 January to 30 June 2008 HK\$'000 (Restated)
Turnover	3	2,256,976	1,944,037
Operating income	3	347,339	214,212
Other net income	3	29,419	1,053,838
Staff costs		(63,713)	(173,286)
Depreciation and amortisation expenses		(5,678)	(4,862)
Impairment loss on available-for-sale securities		(8,269)	(108,747)
Other operating expenses		(65,552)	(78,047)
Profit from operations		233,546	903,108
Finance costs		(4,799)	(10,125)
Share of profits less losses of associates		551,857	454,564
Profit before taxation		780,604	1,347,547
Income tax	4	(51,436)	(141,317)
Profit after taxation		729,168	1,206,230
Attributable to:			
Shareholders of the Company		719,438	1,169,712
Minority interests		9,730	36,518
		729,168	1,206,230
Earnings per share	6		
– Basic		HK\$0.4521	HK\$0.7365
– Diluted		HK\$0.4513	HK\$0.7338

The notes on pages 8 to 25 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	1 January to 30 June 2009 HK\$'000	1 January to 30 June 2008 HK\$'000
Profit for the period	729,168	1,206,230
Other comprehensive income/(loss) for the period after tax:		
Surplus/(deficit) on revaluation of available-for-sale securities	3,017,425	(400,826)
Share of investment revaluation reserve of associates	125,778	(413,282)
Release of investment revaluation reserve upon disposal of available-for-sale securities	(368)	(1,387,823)
	3,142,835	(2,201,931)
(Decrease)/increase in exchange reserve on investments in associates	(9,562)	281,986
Exchange rate adjustments	(708)	25,785
	(10,270)	307,771
Share of investment revaluation reserve of available-for-sale securities of minority interests	151,962	(345,136)
Exchange rate adjustments of minority interests	(151)	–
	151,811	(345,136)
	3,284,376	(2,239,296)
Total comprehensive income/(loss) for the period	4,013,544	(1,033,066)
Attributable to:		
Shareholders of the Company	3,852,003	(724,448)
Minority interests	161,541	(308,618)
Total comprehensive income/(loss) for the period	4,013,544	(1,033,066)

The notes on pages 8 to 25 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Non-current assets			
Fixed assets		273,843	277,541
Investments in associates	7(a)	5,573,849	4,888,791
Available-for-sale securities	8	7,677,145	4,082,180
Financial assets designated at fair value through profit or loss	9	265,963	196,503
Advances to customers	10	679,380	226,880
Intangible assets		5,541	6,191
		14,475,721	9,678,086
Current assets			
Advances to customers	10	3,038,922	434,048
Debtors, deposits and prepayments	11	1,067,541	428,287
Trading securities	12	302,413	96,784
Cash and cash equivalents		3,252,931	4,418,671
		7,661,807	5,377,790
Current liabilities			
Creditors, deposits received and accrued charges	13	(862,146)	(275,061)
Bank loans		(2,322,705)	–
Trading securities	12	(175,522)	(421,052)
Amounts due to associates		(438)	(438)
Amounts due to ultimate holding company		(63)	(63)
Provision for taxation		(556,141)	(533,117)
		(3,917,015)	(1,229,731)
Net current assets		3,744,792	4,148,059
Total assets less current liabilities		18,220,513	13,826,145

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2009

	Note	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Non-current liabilities			
Bank loans		(226,460)	–
Notes payable		(97,761)	(75,959)
Deferred tax liabilities		(489,073)	(250,298)
		(813,294)	(326,257)
NET ASSETS		17,407,219	13,499,888
CAPITAL AND RESERVES			
Share capital	16	1,591,842	1,591,012
Reserves		15,271,757	11,608,081
Total equity attributable to shareholders of the Company		16,863,599	13,199,093
Minority interests		543,620	300,795
TOTAL EQUITY		17,407,219	13,499,888

The notes on pages 8 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

Note	Attributable to the shareholders of the Company											Minority interests	Total equity
	Share capital	Share premium	Option premium reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total			
	HK\$'000	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 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	
Changes in equity for the six months ended 30 June 2009:													
Shares issued under share option scheme	830	3,936	(1,284)	-	-	-	-	-	-	3,482	-	3,482	
Dividends	5(b)	-	-	-	-	-	-	-	(190,979)	(190,979)	-	(190,979)	
Net investment by minority shareholders		-	-	-	-	-	-	-	-	-	81,284	81,284	
Total comprehensive income/(loss) 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	
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	
Changes in equity for the six months ended 30 June 2008:													
Share options forfeited		-	-	(17)	-	-	-	-	17	-	-	-	
Shares issued under share option scheme		5,170	19,579	(7,550)	-	-	-	-	-	17,199	-	17,199	
Net investment by minority shareholders		-	-	-	-	-	-	-	-	-	(164,503)	(164,503)	
Equity settled share-based transactions		-	-	893	-	-	-	-	-	893	-	893	
Dividends	5(b)	-	-	-	-	-	-	-	(158,918)	(158,918)	-	(158,918)	
Total comprehensive (loss)/income for the period		-	-	(2,201,931)	-	-	-	307,771	1,169,712	(724,448)	(308,618)	(1,033,066)	
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	

The notes on pages 8 to 25 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	1 January to 30 June 2009 HK\$'000	1 January to 30 June 2008 HK\$'000
Net cash (outflow)/inflow from operating activities	(3,390,807)	499,226
Net cash (outflow)/inflow from investing activities	(207,798)	1,254,877
Net cash inflow/(outflow) from financing activities	2,443,602	(276,661)
Net (decrease)/increase in cash and cash equivalents	(1,155,003)	1,477,442
Cash and cash equivalents		
At beginning of the period	3,846,756	1,446,953
Effect of changes in exchange rate	(567)	(6,700)
At end of the period	2,691,186	2,917,695
Analysis of the balances of cash and cash equivalents		
Bank balance and cash – general accounts	3,252,931	3,293,008
Deposit pledged	(561,745)	(375,313)
At end of the period	2,691,186	2,917,695

The notes on pages 8 to 25 form part of this interim financial report.

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 2009.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new Hong Kong Financial Reporting Standard (“HKFRS”), a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements

There have been no material impacts on the Group’s financial statements for the periods presented as a result of these changes in accounting policy. For financial statements presentation, these developments have resulted in:

- an additional ‘Consolidated statement of comprehensive income’;
- amendments to the consolidated statement of changes in equity which is focused on presentation of transactions with equity shareholders; and
- revised reporting segment classification for segment information disclosure. The 2008 comparative figures have been restated accordingly (Note 21).

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 2009 HK\$'000	1 January to 30 June 2008 HK\$'000 (Restated)
Operating income		
Brokerage commission and service income	104,359	98,703
Interest income		
– bank deposits	5,322	25,922
– advances to customers	47,818	47,858
– others	1,091	9,963
Dividend income		
– listed investments	21,092	28,560
– unlisted investments	166,891	2,703
Gross rental income from investment properties	766	503
	347,339	214,212
Other net income		
Net realised gain/(loss) on trading securities		
– equity securities	(84,835)	(93,869)
– debt securities	1,269	151
– derivatives and others	(49,868)	(147,459)
	(133,434)	(241,177)
Net unrealised gain/(loss) on trading securities		
– equity securities	6,510	(191,979)
– debt securities	(1,707)	–
– derivatives	104,977	182,331
Net gain on disposal of available-for-sale securities	2,048	1,364,096
Unrealised gain/(loss) on financial assets designated at fair value through profit or loss	65,814	(84,046)
Unrealised loss on notes payable	(21,802)	(13,775)
Exchange (loss)/gain, net	(925)	20,812
Reversal of impairment loss on advances to customers	4,850	–
Gain on disposal of fixed assets	–	1,466
Others	3,088	16,110
	29,419	1,053,838

In 2008 annual financial statements, the gross sale proceeds from disposal of trading securities formed a component of 'turnover' while the corresponding investment cost was classified as 'cost of sales'. After consideration of the preferred presentation under 'Hong Kong Accounting Standards 39 Financial Instruments: Recognition and Measurement', the 'net gain or loss on disposal of trading securities' is presented as other net income in the income statement instead of the 'gross sale proceeds from disposal'. In line with this change, the net unrealised gain or loss on trading investments is reclassified as other net income. These changes in presentation do not have any impact on the Group's financial results. The 2008 interim financial report comparative figures were restated accordingly.

3. OPERATING INCOME AND OTHER NET INCOME (CONTINUED)

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

The provision for Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30 June 2009. 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 the following:

	1 January to 30 June 2009 HK\$'000	1 January to 30 June 2008 HK\$'000
Current taxation		
– Hong Kong profits tax	1,221	137,417
– Overseas taxation	22,565	20,107
– (Over)/Under provision in respect of Hong Kong profits tax in prior years	(30)	1
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	27,680	(16,208)
	51,436	141,317

5. DIVIDENDS

(a) Dividends attributable to the period

	1 January to 30 June 2009 HK\$'000	1 January to 30 June 2008 HK\$'000
– Interim dividend declared after the balance sheet date of HK\$0.175 (2008: HK\$0.08) per share	278,590	127,190

The directors declared an interim dividend of HK\$0.175 per share (2008: HK\$0.08 per share) for the six months period ended 30 June 2009. 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 2009 HK\$'000	1 January to 30 June 2008 HK\$'000
– Final dividend attributable to the previous financial year, approved and paid during the period of HK\$0.12 (2008: HK\$0.10) per share	190,979	158,918

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months period ended 30 June 2009 is based on the profit attributable to shareholders of the Company of HK\$719,438,000 (six months ended 30 June 2008: net profit of HK\$1,169,712,000) and the weighted average number of 1,591,493,480 ordinary shares (six months ended 30 June 2008: 1,588,096,410 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 2009 is based on the profit attributable to shareholders of the Company of HK\$719,438,000 (six months ended 30 June 2008: net profit of HK\$1,169,712,000) and the weighted average number of 1,594,101,086 ordinary shares (six months ended 30 June 2008: 1,593,947,488 ordinary shares), adjusted for the effects of exercise of share options.

7. INVESTMENTS IN ASSOCIATES

(a) Investment in associates

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Investments, at cost		
Unlisted shares in		
– Hong Kong	40,458	40,458
– Overseas	1,801,445	1,784,460
Share of post-acquisition reserves	4,580,286	3,912,213
	6,422,189	5,737,131
Less:		
Provision for impairment charged against investment costs	(165,548)	(165,548)
Goodwill on acquisition	(682,792)	(682,792)
Carrying value, net	5,573,849	4,888,791

(b) As at 30 June 2009, 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 2009, Everbright Securities has recorded an after tax profit of RMB1.24 billion (six months ended 30 June 2008: RMB1.04 billion) (according to HKFRSs) and the Group's share of profit, under equity accounting method, amounted to HK\$552 million (six months ended 30 June 2008: HK\$454 million).

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) (continued)

On 18 August 2009, Everbright Securities' shares was successfully listed on the Shanghai Stock Exchange through an initial public offering of 520 million new shares at an issue price of RMB21.08 per share. After the new share issue, the Group's shareholding in Everbright Securities has been diluted down from 39.31% to 33.33%. The actual deemed disposal gain has yet to be determined and will be recognised in the Group's 2009 annual financial statements.

8. AVAILABLE-FOR-SALE SECURITIES

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Listed equity securities at fair value:		
Listed in Hong Kong	289,368	87,539
Listed in Mainland China	1,666,015	931,683
Unlisted equity securities	5,663,634	3,062,958
Hong Kong unlisted debts securities	58,128	–
	7,677,145	4,082,180
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Fair value of individually impaired available-for-sale equity securities:		
Listed in Hong Kong	98,039	77,855
Unlisted equity securities	269,283	231,725
	367,322	309,580

Realised gain on disposal of certain available-for-sale securities is subject to the payment of an estimated incentive project bonus to an investment team (see Note 18b).

The Group held the following principal available-for-sale securities as at 30 June 2009:

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 2009, the carrying value of the interest in Everbright Bank exceeded 10% of the total assets of the Group.

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
At fair value:		
Hong Kong listed equity securities	90,027	46,111
Hong Kong unlisted debt securities – embedded equity option	7,418	–
Overseas unlisted equity securities	152,256	144,120
Overseas unlisted convertible preference shares	16,262	6,272
	265,963	196,503

Realised gain on disposal of certain financial assets designated at fair value through profit or loss is subject to the payment of an estimated incentive project bonus to an investment team (see Note 18b).

10. ADVANCES TO CUSTOMERS

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Non-current assets		
Term loans to customers	679,380	226,880
Current assets		
Term loans to customers	–	117,322
Amounts due from clients for new shares applications	2,125,685	–
Amounts due from margin clients	918,210	326,549
	3,043,895	443,871
Less: impairment loss provision	(4,973)	(9,823)
	3,038,922	434,048

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

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Accounts receivables, net	773,990	371,287
Deposit, prepayments and other receivables	293,551	57,000
	1,067,541	428,287

11. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Within 1 month	768,998	369,211
Within 1 to 2 months	1,959	540
Within 2 to 3 months	427	264
Within 3 to 6 months	1,069	749
Over 6 months	6,613	5,599
	779,066	376,363
Less: Impairment loss provision	(5,076)	(5,076)
	773,990	371,287

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, and the extension of credit requires management's approval on a case-by-case basis.

12. TRADING SECURITIES

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Current assets		
At fair value:		
Equity securities:		
– listed in Hong Kong	277,665	63,084
– listed overseas	23,379	–
	301,044	63,084
Debt securities:		
– unlisted bonds	–	33,700
	–	33,700
Derivatives:		
– convertible bonds	1,369	–
	1,369	–
	302,413	96,784
Current liabilities		
At fair value:		
Equity securities:		
– listed in Hong Kong	(48,096)	(189,739)
Derivatives:		
– listed in Hong Kong	–	(1,780)
– equity options	(127,426)	(229,533)
	(175,522)	(421,052)

13. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Accounts payable	783,351	195,066
Other creditors, deposits received and accrued charges	78,795	79,995
	862,146	275,061

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

14. MATURITY PROFILE

Maturity profile as at 30 June 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						
- non-current assets	-	-	-	679,380	-	679,380
- Advances to customers						
- current assets	913,237	2,125,685	-	-	-	3,038,922
- Debt securities	-	-	-	66,915	-	66,915
- Fixed deposits	-	1,769,929	-	-	-	1,769,929
	913,237	3,895,614	-	746,295	-	5,555,146
Liabilities						
- Bank loans						
- current liabilities	-	(2,322,705)	-	-	-	(2,322,705)
- Bank loan						
- non-current liabilities	-	-	-	(226,460)	-	(226,460)
- Notes payable	-	-	-	(97,761)	-	(97,761)
	-	(2,322,705)	-	(324,221)	-	(2,646,926)

14. MATURITY PROFILE (CONTINUED)

Maturity profile as at 31 December 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						
– non-current assets	–	–	–	226,880	–	226,880
– Advances to customers						
– current assets	404,373	–	29,675	–	–	434,048
– Debt securities	–	–	–	–	33,700	33,700
– Fixed deposits	–	3,266,128	–	–	–	3,266,128
	404,373	3,266,128	29,675	226,880	33,700	3,960,756
Liabilities						
– Notes payable	–	–	–	(75,959)	–	(75,959)

15. SEGREGATED ACCOUNTS NOT REFLECTED ON BALANCE SHEET

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Bank balances – segregated accounts	887,679	716,164
Receivable from clearing house and futures brokers	100,781	253,113
Amounts held on behalf of clients	(988,460)	(969,277)
	–	–

16. SHARE CAPITAL

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1.00 each	2,000,000	2,000,000
<i>Ordinary shares, issued and fully paid:</i>		
Beginning of period/ year	1,591,012	1,584,704
Exercise of share options	830	6,308
End of period/ year	1,591,842	1,591,012

17. RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2009 HK\$'000	1 January to 30 June 2008 HK\$'000
Rental expenses paid to wholly-owned subsidiaries of the ultimate holding company	2,700	2,462
Investment performance fee received from ultimate holding company	–	4,038

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Amount due from an associate (included in debtors, deposits and prepayments)	70,780	102,393

18. CONTINGENT LIABILITIES

(a) Corporate guarantee

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	396,460	170,000

The Group's subsidiaries have utilised HK\$226,460,000 out of those banking facilities as at 30 June 2009 (31 December 2008: HK\$nil). As at that date, 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.

(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, 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", in 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 2009, the accumulated unrealised gain associated with the relevant projects amounted to HK\$1,693 million (31 December 2008: HK\$902 million). If all relevant projects were disposed of on 30 June 2009 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK\$200 million (31 December 2008: HK\$109 million).

19. COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments as at 30 June 2009:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Contracted but not provided for	145,156	815

(b) Operating lease commitments

Operating lease commitments as at 30 June 2009 amounted to approximately HK\$13,801,000 (31 December 2008: HK\$18,367,000) of which approximately HK\$8,895,000 (31 December 2008: HK\$9,312,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2009		31 December 2008	
	Properties HK\$'000	Others HK\$'000	Properties HK\$'000	Others HK\$'000
Not later than one year	8,879	16	9,279	33
Later than one year and not later than five years	4,906	–	9,048	7
	13,785	16	18,327	40

(c) Future operating lease arrangements

As at 30 June 2009, the Group had future aggregate minimum lease receipts under non-cancellable operating leases for investment properties as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Not later than one year	989	1,046
Later than one year and not later than five years	909	1,172
	1,898	2,218

19. COMMITMENTS (CONTINUED)

(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 2009 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Equity options	(127,426)	(229,533)	388,796	674,675
Hang Seng Index futures	-	(1,573)	-	66,850
Hang Seng China Enterprises Index futures	-	(207)	-	15,587
	(127,426)	(231,313)	388,796	757,112

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.

20. 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 assist management to identify and assess the main risks faced by the Group's business in a co-ordinated manner, and assess, identify and document the Group's risk profile to ensure that business units focus, control and systematically avoid potential risk in various business areas. 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. 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.

20. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit Risk (continued)

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 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 secured by residential leasehold lands in the Mainland of RMB600 million (31 December 2008: RMB200 million) and (ii) margin collateral deposits of a remaining notional amount totalled HK\$266 million (31 December 2008: HK\$354 million) with two reputable financial institutions of sound credit rating.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet date deducting any impairment allowance. Except for the corporate guarantee set out in note 18(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 the balance sheet date amounted to HK\$396 million. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in note 10.

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

20. 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 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 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. 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, 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 12), available-for-sale securities (see note 8) and financial assets designated at fair value through profit or loss (see note 9).

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 are rested 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 at 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 the performance of listed entities of comparable size and nature of businesses.

21. SEGMENT INFORMATION

The Group manages and conducts the majority of its business activities by business units. On the first-time adoption of “HKFRS 8, Operating Segments” and 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 – (i) brokerage services in securities, futures, bullion and leveraged foreign exchange trading and (ii) margin financing to margin customers.
- Investment Banking – provision of corporate advisory, placing and underwriting services.
- Asset Management – management of absolute return funds with key focus on secondary market trading. Investment return on the Group’s own capital seeded into those funds are included herewith.
- 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 – medium and long term investments which are carried out under senior management’s directions and the Group’s treasury management operations.
- 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.

The reportable segments formerly adopted by the Group are according to services nature and investment tenor while the revised classification is according to internal information used by the senior management. The prior period comparative figures have been adjusted in order to conform to the new segment categorisation.

Segment results is measured by profit/(loss) before taxation less minority interests’ share of profit/(loss).

Inter-segment transactions are priced by reference to normal commercial rates and/or cost recovery basis. Revenues 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 sales securities.

21. SEGMENT INFORMATION (CONTINUED)

For the six months period ended 30 June 2009:

	Brokerage	Investment	Asset	Asset	Direct	Strategic	Reportable	All other	Eliminations	Total
	HK\$'000	Banking	Management	Investment	Investment	Investment	segments	segments		HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	total	HK\$'000	HK\$'000	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 minority interests	27,077	21,460	(25,897)	8,282	81,370	161,004	273,296	(24,401)	-	248,895
Unallocated head office and corporate expenses										(20,148)
Share of profits less losses of associates										551,857
Profit before taxation										780,604
Less: Minority 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)		

21. SEGMENT INFORMATION (CONTINUED)

For the six months period ended 30 June 2008 (Restated):

	Brokerage	Investment	Asset	Asset	Direct	Strategic	Reportable segments total	All other segments	Eliminations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE										
Operating income from external customers	134,673	6,687	20,013	3,883	4,476	41,592	211,324	2,888	-	214,212
Other net income from external customers	8,500	-	(175,946)	2,193	594,912	615,368	1,045,027	8,811	-	1,053,838
Inter-segment revenue	95	1,700	1,914	-	-	-	3,709	9,647	(13,356)	-
Total operating income and other net income	143,268	8,387	(154,019)	6,076	599,388	656,960	1,260,060	21,346	(13,356)	1,268,050
RESULTS AND RECONCILIATIONS OF SEGMENT RESULTS										
Segment results before minority interests	64,786	(834)	(214,457)	1,937	485,496	610,384	947,312	(28,420)	-	918,892
Unallocated head office and corporate expenses										(25,909)
Share of profits less losses of associates										454,564
Profit before taxation										1,347,547
Less: Minority interests	-	-	34,468	-	(68,448)	-	(33,980)	(2,538)		
Segment results	64,786	(834)	(179,989)	1,937	417,048	610,384	913,332	(30,958)		

21. SEGMENT INFORMATION (CONTINUED)

As at 30 June 2009

	Brokerage HK\$'000	Investment		Asset	Asset	Direct	Strategic	Reportable segments total	All other segments	Eliminations	Total HK\$'000
		Banking HK\$'000	Management HK\$'000	Investment HK\$'000	Investment HK\$'000	Investment HK\$'000	Investment HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	4,117,457	41,908	720,582	352,043	3,582,049	7,254,316	16,068,355	388,701	(3,792)	16,453,264	
Investment in associates										5,573,849	
Unallocated head office and corporate assets										110,415	
Total assets										<u>22,137,528</u>	
Segment liabilities	2,915,968	43	3,454	1,693	454,903	175,522	3,551,583	100,239	(3,792)	3,648,030	
Provision for taxation										556,141	
Deferred tax liabilities										489,073	
Unallocated head office and corporate liabilities										37,065	
Total liabilities										<u>4,730,309</u>	

As at 31 December 2008

	Brokerage HK\$'000	Investment		Asset	Asset	Direct	Strategic	Reportable segments total	All other segments	Eliminations	Total HK\$'000
		Banking HK\$'000	Management HK\$'000	Investment HK\$'000	Investment HK\$'000	Investment HK\$'000	Investment HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	1,201,079	27,016	794,946	243,653	1,795,130	5,673,924	9,735,748	371,110	(8,587)	10,098,271	
Investment in associates										4,888,791	
Unallocated head office and corporate assets										68,814	
Total assets										<u>15,055,876</u>	
Segment liabilities	200,608	-	8,806	10,372	25,258	414,567	659,611	83,759	(8,587)	734,783	
Provision for taxation										533,117	
Deferred tax liabilities										250,298	
Unallocated head office and corporate liabilities										37,790	
Total liabilities										<u>1,555,988</u>	

22. COMPARATIVE FIGURES

As a result of the application of "HKAS 1 (revised 2007), Presentation of financial statements", and "HKFRS 8, Operating segments", certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

REVIEW REPORT

To the Board of Directors of China Everbright Limited

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 25 which comprises the consolidated balance sheet of China Everbright Limited (the "Company") as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 August 2009

BUSINESS REVIEW AND PROSPECTS

Operating Results

In the first half of 2009, as various countries engaged in quantitative easing fiscal policies, the economic downturn was held back, the global stock markets stabilised and recorded a significant rebound in the second quarter of the year. At the same period of time, the fairly rapid economic growth of Mainland China was maintained, which was driven by the RMB4 trillion economic stimulus package announced by the government and the increase in the volume of bank loans.

During the period, notwithstanding the volatility of the markets, the Company and its subsidiaries (“the Group”) maintained a healthy business. While revenue from the Hong Kong operations decreased due to the absence of income from the large-scale disposals of investment projects as recorded for the same period last year, considerable revenue growth was reported for Everbright Securities, our associated company, which was benefited from the reviving stock markets of Mainland China. For the six months ended 30 June 2009, the Group’s profit attributable to shareholders amounted to HK\$719 million, a decrease of 38.5% compared with the same period last year. Earnings per share was HK\$0.4521, a decrease of 38.6% compared with the same period last year. Profit contributions (before withholding tax) from Everbright Securities amounted to HK\$552 million, while dividend income (before withholding tax) from Everbright Bank amounted to HK\$152 million.

Hong Kong Operations

The Group’s turnover for the first half of the year increased by 16% to HK\$2.26 billion (same period last year: HK\$1.94 billion). Pre-tax profit from the Hong Kong operations for the first half of the year was HK\$229 million, a decrease by HK\$664 million compared with the same period last year. Total expenses amounted to HK\$148 million, a decrease by 60.5% or HK\$227 million compared with the same period last year. The total cost ratio was 39.3%, being 9.7 percentage points higher than the total cost ratio of 29.6% reported for the same period last year.

During the first half year, the Group maintained healthy financials as it made further improvements to the “3+2 Macro Asset Management” business structure of its Hong Kong operations, actively bringing in external funds and laying substantial groundwork for the establishment of various types of investment funds.

- The Direct Investment Division sustained positive development and reported HK\$81 million as pre-tax profit for the first half-year period, a 83% decrease compared with the same period last year. Such decrease was primarily attributable to the absence of income from the disposals of investment projects as recorded for the same period last year. The Direct Investment Division currently comprises three management teams and five investment funds, including Seabright China Special Opportunities Fund (I) Limited (“SOF”), which has entered the harvest stage with significant value growth in investments held, which are to be sold at the right moment to lock in profit. China Special Opportunities Fund, L.P. (“CSOF”) and the “parallel investment fund” remain in the investment stage. After successfully averting the risk of overvalued projects in 2008, the management team grasped opportunities arising from the government policy of stimulating domestic demands in the first half year and invested in several projects in the retailing sector at reasonable prices. The venture capital fund formed between the Group and Beijing Zhongguancun continued to identify and track hi-tech projects with good potential, and expedited the IPO processes of invested projects. In addition, our RMB fund business in Mainland China was further expanded. We entered into agreements with the municipal government and certain local enterprises of Jiangyin, Jiangsu Province and formed a joint venture company, namely Everbright Venture Capital Jiangyin Company Limited (光大創業投資江陰有限公司) with a capital of RMB500 million, which will focus on the investments of hi-tech industrial projects. CEL Venture Capital (Shenzhen) Limited, a subsidiary of the Group, will be the investment manager of the fund.

- The Asset Investment Division reported pre-tax profit of HK\$8 million for the first half of the year, as it stepped up with the establishment of investment funds linked to the real estate, infrastructure and energy sectors of the Mainland in response to certain key features of the development strategies thereof. Currently, the fund raising activities of real estate fund are proceeding as planned. In connection with the infrastructure sector, the Group announced on 19 August 2009 the establishment of the China Infrastructure Fund, a joint venture with Macquarie, with capital contributions of US\$50 million from each of the Group and Macquarie, with a target size of US\$1.5 billion. The fund is expected to be an important participant of the Mainland’s infrastructure sector leveraging the Group’s network and ability to identify projects in the Mainland as well as Macquarie’s management capabilities in infrastructure projects worldwide. In addition, the Group was also actively involved in the preparation and management of an energy fund in Shanxi. Everbright Haoding Capital Management Company Limited (光大灑鼎產業投資基金管理有限公司) was set up as a joint venture with a local enterprise, and its fund raising activities will commence in the second half of the year.

- The Dragon Fund managed by the Asset Management Division adopted a relatively conservative approach in the first half of the year, holding more than 50% of its investment portfolio in cash and reported an investment loss rate of 3.8% for the period, worse than the 27.7% growth of the Hang Seng Index for the same period. The Asset Management Division reported a loss of HK\$26 million for the first six months of the year.
- The Brokerage Division saw gradual recovery in client trading volume as well as interest income generated from IPO activities and client margin financing as market sentiments improved, although participation from retail investors was less active compared to the same period last year. Pre-tax profit for the first half of the year amounted to HK\$27.08 million, a decrease of 58% compared with the same period last year. The “EB Golden Sunshine 165” Hong Kong stock trading platform, especially designed for Mainland investors, was launched during the period. With web pages and functions similar to those featured in mainstream online trading systems in the Mainland, the trading platform is expected to attract a new customer base comprising Mainland investors who are accustomed to conducting online trading of Hong Kong stocks.
- With a primary focus on Mainland SMEs, the Investment Banking Division reserved projects during the market slowdown and seized market opportunities and sponsored the main-board listings of Strong Petrochemical and Qinfra Group in Hong Kong during the first six months. It also took part in the underwriting and placing of 2 corporate exercises, and acted as the financial advisor in 13 projects. The Investment Banking Division reported a profit of HK\$21.46 million (same period last year: a loss about HK\$1 million).

Everbright Securities

Driven by strong liquidity, the Mainland stock markets turned bullish during the first half of the year with trading amounts hitting previous historical highs. During the period, the total income of Everbright Securities Company Limited, a 39.31% associated company of the Group, amounted to RMB2.73 billion. Profit after tax in accordance with the Hong Kong Financial Reporting Standards amounted to RMB1.24 billion, a 15.3% growth over the same period last year. Commission income from the brokerage business, proprietary securities trading, issuance and underwriting of shares, asset management and other income accounted for 74%, 5%, 1%, 9% and 11%, of the total income respectively. During the period, Everbright Securities’ brokerage business ranked 10th in the Mainland with a 3.14% market share. With the successful launch of “Everbright Sunshine 5”, a collective asset management product, its investment banking business sustained positive development as a leader among brokerage houses for this type of product.

On 26 July 2009, Everbright Securities' application for an A-share IPO was approved by the China Securities Regulatory Commission (by virtue of the document Zheng Jian Xu Ke 20090684). Everbright Securities issued 520 million new shares and successfully raised about RMB11 billion and its shares were listed on Shanghai Stock Exchange on 18 August. Following the IPO, the percentage of the Group's shareholdings in Everbright Securities was diluted from 39.31% to 33.33%, and there was an estimated "gain on deemed disposal of interests in an associated company" of at least HK\$3 billion. The actual deemed gain has yet to be determined and will be recognised in the Group's 2009 annual financial statements.

On 25 August 2009, the board of directors of Everbright Securities announced that it proposed to distribute a dividend of RMB5.8 (gross of applicable tax) per 10 shares to its shareholders. Such dividend proposal is yet to be approved by its shareholders' meeting. If approved, the Company is expected to receive cash dividend of about RMB660 million (gross of applicable tax).

As at 30 June 2009, Everbright Securities had 79 sales offices and 15 securities services offices nationwide.

Everbright Bank

Everbright Bank, in which the Group owns a 6.23% stake, reported positive momentum in all of its business segments and ongoing improvements in its asset quality for the first half of the year. Based on the unaudited accounts prepared under Mainland accounting standards (same hereinafter), Everbright Bank's total assets and loan balance as at 30 June 2009 amounted to RMB1,028.1 billion and RMB616.5 billion respectively, representing respective growth of 20.7% and 31.6% compared with the beginning of the year. Pre-tax profit for the period amounted to RMB3.42 billion, decreasing by 47% over same period last year (a special waiver of the profits tax expenses of RMB1.645 billion was recorded for the same period last year). The balance of non-performing loans declined to RMB8.73 billion with the non-performing loan ratio standing at 1.42%, which was 0.58 percentage points lower compared with the beginning of the year. The credit provisioning coverage ratio was 179.5%, representing an increase of 29.4% compared with the beginning of the year. Net interest income amounted to RMB9.7 billion which represents a 12.3% drop as compared to same period last year. Net revenue from intermediate business amounted to RMB1.9 billion, a 59.1% increase as compared to same period last year.

Everbright Bank has formally signed share subscription agreements with several major state owned enterprises and will issue new shares to them forthwith to increase its capital by over RMB11 billion. In late August 2009, such share capital increase was approved by relevant regulatory authorities. The Group's shareholding in Everbright Bank will be diluted from 6.23% to 5.26%. The success of such share capital increase of Everbright Bank will substantially enhance its capital strength and provide a solid foundation for its sustained development.

As at 30 June 2009, Everbright Bank had 441 branches and sub-branches nationwide.

Financial Position

As at 30 June 2009, the total assets of the Group amounted to approximately HK\$22.14 billion, with cash on hand of approximately HK\$3.25 billion. Apart from trade liabilities in the ordinary course of business and those relating to equity and equity linked products, the Group's principal liabilities were bank loans amounting to HK\$2.55 billion. These bank loans are mainly short-term borrowings arising from the Group's normal brokerage and investment operations of which HK\$2.32 billion has been repaid in July 2009.

The actual level of borrowing depends on the Group's business and investment needs. As at 30 June 2009, committed borrowing facilities with a total amount of HK\$396 million were available to the Group. The Group's gearing ratio, calculated as interest-bearing liabilities divided by shareholders' equity, was 15.1% as at 30 June 2009 (31 December 2008: nil). If the portion of short-term bank borrowings of HK\$2.32 billion repaid as mention above were excluded, the gearing ratio would have fallen to 1.3%.

As at 30 June 2009, the Group had no material exposure to foreign exchange other than assets denominated in Renminbi and US Dollar.

As at 30 June 2009, the Group had not pledged any of its securities (31 December 2008: nil).

Except for those disclosed in the notes to financial statements, the Group did not have any material contingent liabilities as at 30 June 2009. The Group had given guarantees in respect of banking facilities available to subsidiaries with a total amount of approximately HK\$396 million. As at 30 June 2009, the Company had also provided guarantees in favour of financial institutions in respect of trading limits of subsidiaries engaged in leveraged forex trading and derivatives trading. The amount of such guaranteed liabilities varied according to the value of transactions.

Outlook

While worldwide financial markets showed slight improvements after massive fund injections by the U.S. Federation Reserve Board and its European counterparts, the possibility of an economic recession cannot yet be ruled out, and the current phenomenon of hot financial markets riding on cool real economies may persist in the latter half of the year. China is expected to attain the targeted GDP growth of 8%, as Mainland investors and consumers are regaining confidence under the pro-active fiscal policy of the PRC government and international capital is flowing into Asia and China. On that basis, we are of the view that the Chinese stock market is firmly on the course to recovery, with a bullish outlook for the latter half of the year. We are maintaining a cautious view on the Hong Kong stock market, though, given its exposure to the global economy.

Following integration efforts over the past years, the Group has identified “3+2 Macro Asset Management” as a strategic goal. For the “3” business segments of direct investment, asset investment and asset management, the Group will recruit expert teams with proven experience and solicit external funds to form different types of asset management funds, leveraging our established regime in internationalised operations, strong liquidity and solid network in the Mainland. These businesses aim to identify potential investments for investors which will enable them to share in China’s economic growth, and they are expected to contribute to the swift growth of assets under the Group’s management, thereby increasing the weighting of recurrent income. Ongoing efforts will be made to consolidate our market share and increase the range of product and service offerings in the “2” segments of investment banking and brokerage, which will also enjoy broad development opportunities made available through our cooperation with Everbright Bank and Everbright Securities. Meanwhile, the Group will continue to identify possible acquisitions in the Mainland, with the aim of building a platform for financial operations in the Mainland at reasonable costs to bring in burgeoning sources of Mainland investment capital more effectively and to prepare for facilitating off-shore investments for Mainland investors.

Further to its solid position in the traditional securities business built upon formidable capital strengths augmented by the successful IPO exercise, Everbright Securities will actively participate in innovative businesses on the back of strong risk management capabilities and aim to assume market leadership. The successful listing of Everbright Securities has also paved the way for cooperation with the Group with more substance and in greater depth, with the aim of forging a cross-border brand name in the financial sector boasting combined strengths and a comprehensive range of products and services.

With the presence of new strategic investors, Everbright Bank now claims stronger capital adequacy for the benefit of further consolidation and expansion of leading-edge businesses such as wealth management. The plan to list its A shares in the Mainland will proceed as scheduled, while stable dividend payouts by the bank will assure stronger cash income for the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 June 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under section 352 of the SFO are as follows:

1. Long position in shares of the Company

As at 30 June 2009, none of the director and chief executive of the Company were interested in long position in shares of the Company.

2. Long position in underlying shares of equity derivatives of the Company

Name of Director	Nature of interest	Date of Grant	Number of equity derivatives held	Number of underlying shares	Total	Total Percentage
Chen Shuang	Personal	03.05.05	1,280,000	1,280,000	1,280,000	0.08%
Tang Chi Chun Richard	Personal	27.09.05	400,000	400,000		
	Personal	10.04.06	319,000	319,000	719,000	0.05%
Seto Gin Chung, John	Personal	05.05.05	320,000	320,000	320,000	0.02%

Details of the share options held by the directors and chief executive of the Company are shown in the following section under the heading "Information on Share Options".

3. Long position in shares of an associated corporation

As at 30 June 2009, the following Director had personal interests in shares of China Everbright International Limited ("CEIL"), an associated corporation of the Company. The shares of CEIL are listed on The Stock Exchange of Hong Kong Limited.

Name of Director	Total	Personal interests	Family interests	Corporate interests	% of total issued shares (if 0.01% or more)
Chen Shuang	85,000	85,000	–	–	0.003%

4. Long position in underlying shares of equity derivatives of associated corporations

As at 30 June 2009, the following director had personal interests in options to subscribe for shares in CEIL, an associated corporation of the Company.

Name of Director	Nature of interest	Exercise Price (HK\$)	Date of Grant	Exercise period	Number of underlying shares of CEIL (ordinary shares)	Total Percentage
Zang Qiutao	Personal	0.85	03.08.06	03.08.07– 25.05.13	2,000,000	0.064%
				03.08.08– 25.05.13	2,000,000	0.064%

All the above shares and underlying shares of equity derivatives were beneficially owned by the directors concerned. The percentage shown was calculated based on the number of issued shares of these Companies as at 30 June 2009.

Save as disclosed herein, as at 30 June 2009, none of the directors and chief executives of the Company were interested in short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under SFO as recorded in the register of directors' and chief executives' interests and short positions.

INFORMATION ON SHARE OPTIONS

Information in relation to share options of the Company disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are as follows:

1. Outstanding share options as at 1 January 2009:

	Number of options	Date of Grant	Vesting period	Exercise period	Exercise Price (HK\$)
Chen Shuang	1,280,000	03.05.05	04.05.05- 03.11.07	04.05.06- 03.05.10	2.850
Tang Chi Chun, Richard	400,000	27.09.05	28.09.05- 27.03.08	28.09.06- 27.09.10	3.100
	319,000	10.04.06	11.04.06- 10.10.08	11.04.07- 10.04.11	4.800
Seto Gin Chung, John	320,000	05.05.05	06.05.05- 05.11.07	06.05.06- 05.05.10	3.000
Total employees	132,500	03.05.05	04.05.05- 03.11.07	04.05.06- 03.05.10	2.850
	160,000	04.07.05	05.07.05- 04.01.08	05.07.06- 04.07.10	3.135
	1,522,500	10.04.06	11.04.06- 10.10.08	11.04.07- 10.04.11	4.800

2. Outstanding share options as at 30 June 2009:

	Number of options	Date of Grant	Vesting period	Exercise period	Exercise Price (HK\$)
Chen Shuang	1,280,000	03.05.05	04.05.05- 03.11.07	04.05.06- 03.05.10	2.850
Tang Chi Chun, Richard	400,000	27.09.05	28.09.05- 27.03.08	28.09.06- 27.09.10	3.100
	319,000	10.04.06	11.04.06- 10.10.08	11.04.07- 10.04.11	4.800
Seto Gin Chung, John	320,000	05.05.05	06.05.05- 05.11.07	06.05.06- 05.05.10	3.000
Total employees	12,500	03.05.05	04.05.05- 03.11.07	04.05.06- 03.05.10	2.850
	972,500	10.04.06	11.04.06- 10.10.08	11.04.07- 10.04.11	4.800

3. No share options were granted during the six months period ended 30 June 2009.

4. Number of share options exercised during the six months period ended 30 June 2009:

	Date of Grant	No. of Shares	Exercise price (HK\$)	WA Closing price** (HK\$)
Total employees	03.05.05	120,000	2.850	8.280
	04.07.05	160,000	3.135	17.520
	10.04.06	550,000	4.800	12.349

** The weighted average ("WA") closing price of the shares of the Company immediate before the dates on which the options were exercised.

5. No share options were cancelled during the six months period ended 30 June 2009.

6. No share options were lapsed during the six months period ended 30 June 2009.

7. Valuation of share options

The fair value of share options granted is measured using a Binomial Option Pricing Model based on the volatility of the Company's share price one year immediately preceding the date of grant, taking into account the terms and conditions upon which the share options were granted.

The Group amortises the fair value of share options granted to employees as an expense in the income statement in accordance with HKFRS 2 "Share-based Payments".

Save as disclosed herein, at no time during the six months ended 30 June 2009 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to the directors or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009 the following persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group:

Long Position

Name of shareholder	No. of shares beneficially held	% of total issued shares
China Everbright Holdings Company Limited (Note)	867,119,207	54.47%
Datten Investments Limited (Note)	867,119,207	54.47%
Honorich Holdings Limited	867,119,207	54.47%

Note: Honorich Holdings Limited ("Honorich") is wholly-owned by Datten Investments Limited ("Datten") which in turn is a wholly-owned subsidiary of China Everbright Holdings Company Limited ("Holdings"). Accordingly, Datten and Holdings are deemed to have the same interests in the shares of the Company as Honorich.

Save as disclosed above, as at 30 June 2009, the directors are not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group.

EMPLOYEES

As at 30 June 2009, the Group had 225 employees. Total staff cost for the period under review amounted to approximately HK\$64 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 2009.

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 2009.

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 2009 of the Company.

REMUNERATION COMMITTEE

Effective on 1 January 2009, Mr. Zang Qiutao replaced Mr. Tang Shuangning as the Chairman of the 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 HK17.5 cents per share for the six months ended 30 June 2009 (2008: HK8 cents per share) to those shareholders whose names appear on the register of members of the Company on Friday, 25 September 2009. Dividend warrants will be dispatched to shareholders on or about Thursday, 8 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 September 2009 to Tuesday, 29 September 2009 (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 Thursday, 24 September 2009.

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
China Everbright Limited
Chen Shuang
Chief Executive Officer

Hong Kong, 26 August 2009