

UNAUDITED INTERIM RESULTS

The Directors of China Everbright Limited (the "Company") are pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2001 were as follows:–

Consolidated Income Statement

		1st January to 30th June 2001	1st January to 30th June 2000
	<i>Note</i>	HK\$'000	<i>HK\$'000</i> <i>(Note 1)</i>
Turnover	2	119,108	118,580
Other revenue	4	339,372	1,041,206
Staff costs		(24,310)	(23,946)
Depreciation and amortisation expenses		(3,950)	(3,875)
Other operating expenses		(23,976)	(34,227)
Profit from operations		406,244	1,097,738
Finance cost		(6,300)	(7,552)
Share of profits and losses of associates		216,813	304,263
Share of profit of jointly controlled entity		–	1,407
Profit before tax		616,757	1,395,856
Taxation	5	(64,582)	(259,811)
Profit attributable to shareholders		552,175	1,136,045
Dividends declared	6		
– before period end		155,925	123,047
– after period end		56,257	77,236
Earnings per share	7		
– basic		35.47 cents	74.06 cents
– diluted		34.53 cents	71.26 cents

Consolidated Balance Sheet

		30th June 2001 HK\$'000	31st December 2000 HK\$'000 (Note 1)
ASSETS			
Non-current Assets			
Fixed assets		137,086	138,631
Investments in associates	8	2,400,969	2,092,013
Investment in jointly controlled entity		2,239	2,239
Non-trading securities	9	2,258,615	2,472,696
		4,798,909	4,705,579
Current Assets			
Advances to customers		42,653	15,879
Debtors, deposits and prepayments	10	220,184	121,122
Amounts due from related companies		167	167
Trading securities	11	174,162	165,058
Cash and bank balances		1,937,170	1,770,690
		2,374,336	2,072,916
Current Liabilities			
Creditors, deposits received and accrued charges	12	(196,564)	(100,191)
Amount due to ultimate holding company		(34)	-
Provision for taxation		(213,226)	(217,794)
		(409,824)	(317,985)
Net Current Assets		1,964,512	1,754,931
Convertible notes		(250,000)	(300,000)
NET ASSETS		6,513,421	6,160,510
CAPITAL AND RESERVES			
Share capital	13	1,561,681	1,543,741
Reserves	14	4,951,740	4,616,769
		6,513,421	6,160,510

Consolidated Statement of Recognised Gains and Losses

	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
(Deficit) surplus on revaluation of non-trading securities	(70,233)	1,070,400
Release of revaluation surplus upon disposals of non-trading securities	(58,520)	(699,480)
Net (losses) gains not recognised in the income statement	(128,753)	370,920
Net profit for the period	552,175	1,136,045
Total recognised gains	423,422	1,506,965

Consolidated Cash Flow Statement

	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	260,094	(250,069)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	40,925	58,787
Interest paid	(6,300)	(114)
Dividends paid	(155,925)	(123,179)
Dividends from associates	45,478	7,033
Other dividends received	2,837	210
	(72,985)	(57,263)
TAXATION		
Hong Kong profits tax paid	(4,614)	-
INVESTING ACTIVITIES		
Purchase of fixed assets	(2,405)	(3,327)
Decrease in time deposits pledged or with maturity over three months	50,223	39,409
Investment in non-trading securities	(100)	-
Proceeds from disposals of non-trading securities	153,233	1,254,704
Decrease in amount due from associates	-	32,800
Net cash outflow from investments in associates	(202,156)	-
	(1,205)	1,323,586
NET CASH INFLOW BEFORE FINANCING	181,290	1,016,254
FINANCING		
Issue of shares	35,416	679,436
Redemption of convertible notes	(3)	-
NET CASH INFLOW FROM FINANCING	35,413	679,436
INCREASE IN CASH AND CASH EQUIVALENTS	216,703	1,695,690
CASH AND CASH EQUIVALENTS		
Beginning of period	1,693,000	703,824
End of period	(a) 1,909,703	2,399,514

(a) Analysis of the balances of cash and cash equivalents

	30th June 2001 HK\$'000	30th June 2000 HK\$'000
Cash and bank balances	1,937,170	2,399,514
Deposits with maturity over three months	(27,467)	-
	<u>1,909,703</u>	<u>2,399,514</u>

(b) The Group had the following material non-cash item during the period:

	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
Issue of shares on conversion of convertible notes (Note 13)	<u>49,997</u>	<u>-</u>

Notes to the financial statements

1. BASIS OF PRESENTATION

The unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and on a basis consistent with the principal accounting policies adopted in the annual financial statements for the year ended 31st December, 2000. With the introduction of the revised SSAP No. 9 "Events after the balance sheet date", the Group now recognises dividends as a liability in the period in which they are declared by the Board of Directors. This change has been accounted for retrospectively and the comparative figures for 2000 have been restated.

2. TURNOVER

Turnover by activities is as follows:

	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
Realised gain on disposals of investments, net	38,170	39,044
Unrealised gain (loss) on trading securities and other investments, net	9,807	(18,595)
Interest income	44,007	57,810
Dividend income	2,837	210
Gross rental income	1,146	1,710
Commission and service income	21,530	38,401
Others	1,611	–
	<u>119,108</u>	<u>118,580</u>

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the period by principal activities is as follows:

	Turnover		Operating Profit	
	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
By activity				
Investment holdings	93,205	75,201	402,603	1,076,377
Financial services	25,369	42,200	3,109	20,184
Others	534	1,179	532	1,177
	<u>119,108</u>	<u>118,580</u>	<u>406,244</u>	<u>1,097,738</u>
Finance costs			(6,300)	(7,552)
Share of profits and losses of associates			216,813	304,263
Share of profits of jointly controlled entity			–	1,407
Profit before tax			<u>616,757</u>	<u>1,395,856</u>

Most of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and operating profit are derived from Hong Kong.

4. OTHER REVENUE

	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
Gain on disposals of non-trading securities	60,598	1,030,410
Legal claims	270,919	–
Write-back of impairment loss on non-trading securities previously recognised in income statement	7,625	–
Write-back of bad debt provisions	230	8,902
Others	–	1,894
	<u>339,372</u>	<u>1,041,206</u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Overseas taxation has been calculated on the estimated assessable profit for the period at rates prevailing in the respective jurisdictions.

	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
Current period tax provision		
The Company and subsidiaries		
Hong Kong profits tax	–	164,865
Overseas profits tax	48	–
Share of tax on results of associates	64,534	94,946
	<u>64,582</u>	<u>259,811</u>

6. DIVIDENDS

	1st January to 30th June 2001 HK\$'000	1st January to 30th June 2000 HK\$'000
Dividends declared before period end		
Final dividend – HK\$0.10 per share (2000: HK\$0.08 per share) (Note 1)	155,925	123,047
Dividends declared after period end		
Interim dividend – HK\$0.036 per share (2000: HK\$0.05 per share) (Note 1)	56,257	77,236

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months period ended 30th June, 2001 is based on the consolidated profits for the period of approximately HK\$552,175,000 (2000: approximately HK\$1,136,045,000) and on the weighted average number of 1,556,670,856 shares (2000: 1,533,858,461 shares) in issue during the period.

The calculation of diluted earnings per share is based on the adjusted net profit of approximately HK\$558,422,000 (2000: approximately HK\$1,143,524,000) and the adjusted weighted average number of 1,617,204,166 shares (2000: 1,604,647,316 shares).

	1st January to 30th June 2001	1st January to 30th June 2000
	HK\$'000	HK\$'000
Reconciliation of net profit		
Profit attributable to shareholders	552,175	1,136,045
Add: Interest expenses of the convertible notes	6,247	7,479
Adjusted net profit	<u>558,422</u>	<u>1,143,524</u>
	1st January to 30th June 2001	1st January to 30th June 2000
Reconciliation of weighted average number of shares		
Weighted average number of shares in issue during the period	1,556,670,856	1,533,858,461
Number of shares that would have been issued if the convertible notes were converted into shares during the period	53,629,825	63,237,774
Number of shares that would have been issued if the outstanding bonus warrants were exercised during the period	–	238,364
Number of shares that would have been issued if the outstanding share options were exercised during the period	6,903,485	7,312,717
Adjusted weighted average number of shares	<u>1,617,204,166</u>	<u>1,604,647,316</u>

8. INVESTMENTS IN ASSOCIATES

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Investment, at cost		
Unlisted shares in		
Hong Kong	80,458	80,458
Overseas	4,513,422	4,311,266
Listed shares in		
Hong Kong	904,411	904,411
Share of post-acquisition reserves	766,725	659,925
	6,265,016	5,956,060
Less: provision for impairment in value premium on acquisition	(165,548) (3,698,061)	(165,548) (3,698,061)
	2,401,407	2,092,451
Amount due to associates	(438)	(438)
	2,400,969	2,092,013
Quoted market value of listed shares	591,941	486,446

The balances with associates are unsecured, interest free and have no fixed term of repayment.

9. NON-TRADING SECURITIES

Non-trading securities are analysed as follows:

	30th June 2001			31st December 2000
	Debt securities HK\$'000	Equity securities HK\$'000	Total HK\$'000	Total HK\$'000
Listed, at carrying value				
Hong Kong	-	2,258,515	2,258,515	2,402,481
Unlisted, at carrying value				
Hong Kong	100	-	100	-
Overseas	-	-	-	70,215
	100	2,258,515	2,258,615	2,472,696
Quoted market value of listed investments	-	2,258,515	2,258,515	2,402,481

The following is a list of the principal non-trading securities as of 30th June, 2001:

Company name	Place of incorporation	Principal activities	Effective equity interest held
China Mobile (Hong Kong) Limited	Hong Kong	Provision of telecommunication services	0.27%
Hong Kong Exchanges and Clearing Limited	Hong Kong	Operating exchanges and related clearing houses	0.29%
China Unicom Limited	Hong Kong	Provision of telecommunication services	0.06%
Frankie Dominion International Limited	Bermuda	Manufacturing and trading	7.29%
Theme International Holdings Limited	Bermuda	Manufacturing and retail operation	4.98%
American Global Assurance (Holding) Company Limited	Bermuda	Investment holding	18.00%

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Trade receivables	117,893	45,077
Other debtors, deposits and prepayments	102,291	76,045
	220,184	121,122

Details of the ageing analysis on trade receivables are as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
0 – 1 month	118,331	45,161
1 – 2 months	–	–
2 – 3 months	5	344
3 – 6 months	178	146
Over 6 months	379	426
	118,893	46,077
Less: provision for doubtful receivables	(1,000)	(1,000)
	117,893	45,077

Trade receivables are mainly comprised of amounts due from the Group's securities brokerage customers. These receivables are normally due two days after trade, the extension of credit requires management's approval on a case by case basis.

11. TRADING SECURITIES

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Listed equity securities, at carrying value Hong Kong	119,263	125,958
Unlisted debt securities, at carrying value Hong Kong	54,899	39,100
	<u>174,162</u>	<u>165,058</u>
Quoted market value of listed equity securities	<u>119,263</u>	<u>125,958</u>

12. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Trade payables	182,524	80,456
Other creditors, deposits received and accrued charges	14,040	19,735
	<u>196,564</u>	<u>100,191</u>

All trade payables are due within one month.

13. SHARE CAPITAL

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Authorised:		
Ordinary shares of HK\$1.00 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
Beginning of period/year	1,543,741	1,417,721
Exercise of bonus warrants	-	112,575
Conversion of convertible notes	10,539	-
Exercise of share options	7,401	13,445
	<u>1,561,681</u>	<u>1,543,741</u>
End of period/year		

14. RESERVES

31st December
2000

	30th June 2001									Total HK\$'000
	Investment		Capital	Capital reserve	Goodwill reserve	Exchange reserve	Retained profits	Total	Total	
	Share premium	revaluation reserve	redemption reserve							
Group										
Beginning of period/year	5,551,543	1,630,713	2,984	10,000	(3,957,664)	(2,774)	1,226,194	4,460,996	3,115,066	
Prior year adjustment (Note 1)	-	-	-	-	-	-	155,773	155,773	-	
As restated	5,551,543	1,630,713	2,984	10,000	(3,957,664)	(2,774)	1,381,967	4,616,769	3,115,066	
Exchange rate adjustment	-	-	-	-	-	-	-	-	(274)	
Net premium on issue of shares	67,474	-	-	-	-	-	-	67,474	564,378	
Deficit on revaluation	-	(70,233)	-	-	-	-	-	(70,233)	(302,236)	
Adjustment on goodwill on investment in associates	-	-	-	-	-	-	-	-	717,711	
Release upon disposal of non-trading securities	-	(58,520)	-	-	-	-	-	(58,520)	(699,494)	
Release upon disposals of investments in subsidiaries	-	-	-	-	-	-	-	-	6,370	
Profit for the period/year	-	-	-	-	-	-	552,175	552,175	1,292,484	
Dividends paid (Note 1)	-	-	-	-	-	-	(155,925)	(155,925)	(77,236)	
End of period/year	5,619,017	1,501,960	2,984	10,000	(3,957,664)	(2,774)	1,778,217	4,951,740	4,616,769	

15. LITIGATION

- (a) On 12th December, 1995, the Company issued civil proceedings against Mr. Ch'ng Poh claiming damages for conspiracy and/or conversion and/or breach of fiduciary duty arising from his unlawful use of approximately HK\$127 million of the Company's funds in 1985 to finance a purchase of shares in the Company. Mr. Ch'ng Poh was a former Chief Executive Officer and Chairman of the Company which was then known as IHD Holdings Limited. The trial of the matter was concluded on 28th February, 2000, and the Court handed down its judgment on 27th February, 2001. Mr. Ch'ng Poh was held liable to the Company for damages in conversion and conspiracy and for breach of fiduciary duty. The judgment sum amounted to HK\$336,310,069 as at 27th February, 2001. Pursuant to an earlier order of the Court, Mr. Ch'ng Poh had deposited a sum of HK\$200 million into an interest bearing joint bank account maintained by the parties' respective solicitors. Such sum together with interest was ordered by the Court to be released to the Company as part payment of the judgment sum upon the Company providing a bank guarantee for the repayment of this amount in the event Mr. Ch'ng Poh's intended appeal to the Court of Appeal is successful. On 27th April, 2001, a sum of HK\$270,918,527, being the aggregate of the principal and interest accrued in the said joint bank account, was released to the Company and recognised as other revenue in the consolidated income statement. Mr. Ch'ng Poh's appeal will be heard by the Court of Appeal on 24th January, 2002, with 6 days reserved.

- (b) In January 1998, Mr. Ch'ng Poh commenced civil proceedings against the Company claiming damages for breach of an alleged oral agreement by the Company to sell to him the entire issued share capital of Keepmore Limited, a wholly-owned subsidiary of the Company. The trial of this matter will commence on 8th October, 2001, with 6 days reserved.