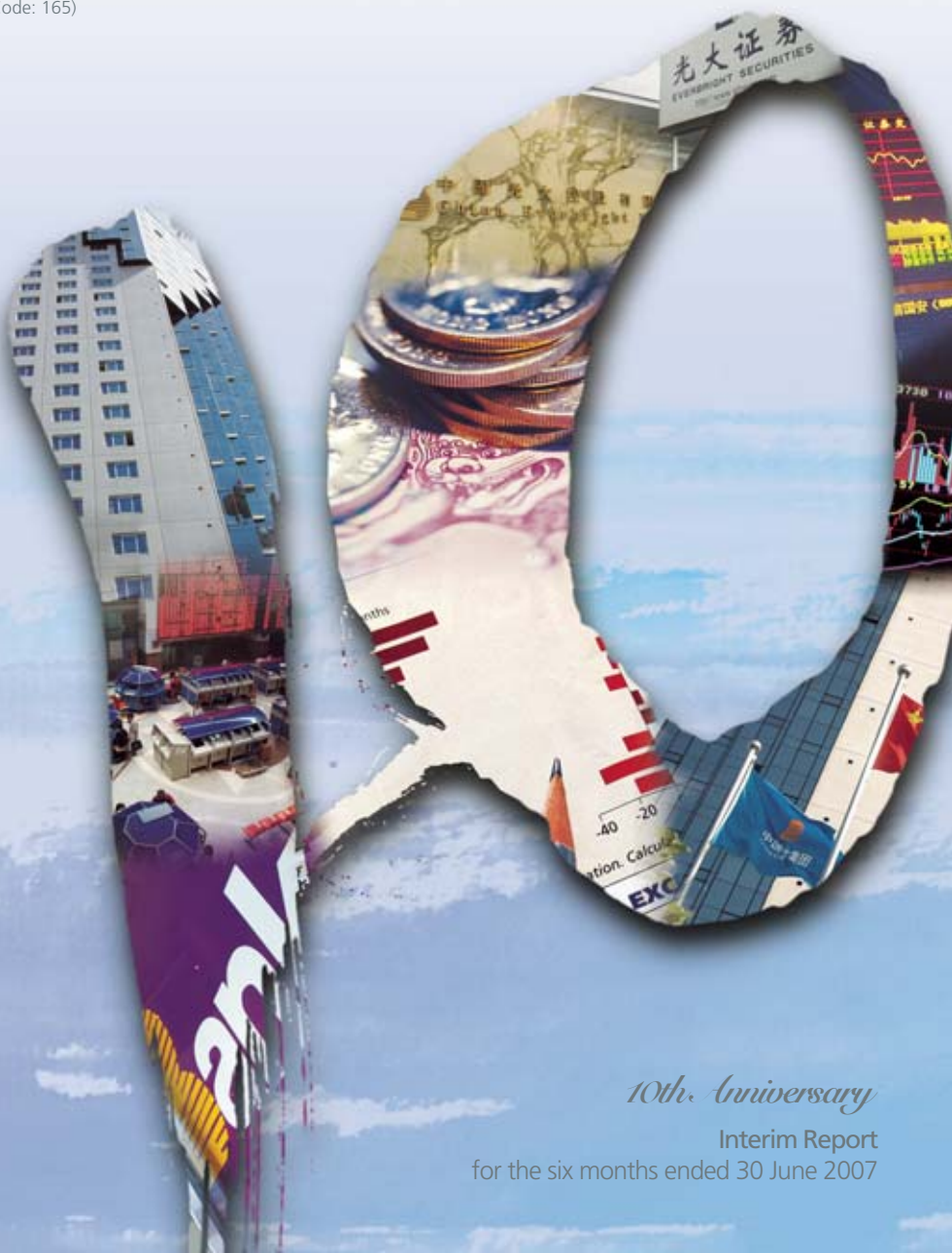




CHINA EVERBRIGHT LIMITED

中國光大控股有限公司

(Stock Code: 165)



10th Anniversary

Interim Report
for the six months ended 30 June 2007

China Everbright Limited has been rooted in Hong Kong for ten years, from where it has served the Mainland and linked up with the global markets. With the dedication and commitment of the management and staff members, the company has established a solid foundation as basis for further growth in the future.

As China Everbright Limited celebrates its 10th Anniversary, the management would like to express their gratitude to the shareholders for their support and contribution over the years. The Company will continue to seize opportunities in the expanding Mainland financial market and build China Everbright Limited into a financial services brand renowned all across China. Such acts will be creating greater returns to our shareholders.

Today, we are striding forward upon the turning of a new page, creating an ever brighter future



Board of Directors

Tang Shuangning (Note 1)

Zang Qiutao (Note 2)

Guo You

Chen Shuang (Note 3)

Xu Haoming

Tang Chi Chun, Richard (Note 4)

* Ng Ming Wah, Charles

* Seto Gin Chung, John

* Lin Zhijun

* Tung Iring

** Independent Non-executive Directors*

Chairman

Deputy Chairman

Chief Executive Officer

Company Secretary

Tang Chi Chun, Richard (Note 5)

Legal Advisors

Messrs. Iu, Lai & Li

Messrs. Wilkinson & Grist

Registered Office

Room 4001, 40th Floor

Far East Finance Centre

16 Harcourt Road

Hong Kong

Share Registrars

Tricor Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited

Bank of Communications Company, Limited

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Auditors

KPMG

Website Address

<http://www.everbright165.com.hk>

Notes:

1. Mr. Tang Shuangning was appointed as Executive Director and Chairman on 16 July 2007.
2. Mr. Zang Qiutao was appointed as Executive Director and Deputy Chairman on 6 August 2007.
3. Mr. Chen Shuang was appointed as Chief Executive Officer on 6 August 2007.
4. Mr. Tang Chi Chun, Richard was appointed as Executive Director on 27 July 2007.
5. Mr. Tang Chi Chun, Richard was appointed as Company Secretary on 23 August 2007.



Interim Results

The Directors of China Everbright Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2006 audited accounts. The interim financial results is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's review report to the Board of Directors of the Company is included on page 23. The interim financial report has also been reviewed by the Company's Audit and Risk Management Committee.

Consolidated Income Statement

	Note	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000
Turnover	2	1,916,367	1,533,232
Cost of sales		(1,215,548)	(1,294,957)
		700,819	238,275
Other income	2	246,863	147,443
Staff costs		(126,032)	(49,297)
Depreciation and amortisation expenses		(3,048)	(2,179)
Other operating expenses		(61,381)	(36,498)
Profit from operations		757,221	297,744
Finance costs		(55,108)	(38,804)
Gain on deemed disposal of interest in an associate	5(b)(ii)	225,038	–
Share of profits less losses of associates	5(b)(ii)	980,576	203,451
Profit before taxation		1,907,727	462,391
Income tax	3	(90,338)	(51,633)
Profit after taxation		1,817,389	410,758
Attributable to:			
Shareholders of the Company		1,716,322	403,971
Minority interests		101,067	6,787
		1,817,389	410,758
Dividends attributable to the period		–	–
Earnings per share	4		
– Basic		HK\$1.0889	HK\$0.2581
– Diluted		HK\$1.0802	HK\$0.2569



Consolidated Balance Sheet

		30 June 2007 HK\$'000	31 December 2006 HK\$'000
	Note		
Non-current assets			
Fixed assets		263,157	262,606
Investments in associates	5(a)	2,926,453	1,681,468
Available-for-sale securities	6	2,616,862	1,810,215
Financial assets designated at fair value through profit or loss	7	402,858	219,922
Intangible assets		1,250	1,250
		<u>6,210,580</u>	<u>3,975,461</u>
Current assets			
Advances to customers	8	7,077,548	901,122
Amount due from ultimate holding company		2,613	2,613
Debtors, deposits and prepayments	9	550,895	351,944
Trading securities	10	1,836,496	981,872
Bank balances and cash – general accounts		976,458	2,154,365
		<u>10,444,010</u>	<u>4,391,916</u>
Current liabilities			
Creditors, deposits received and accrued charges	11	(685,434)	(412,610)
Trading securities	10	(355,189)	(300,641)
Amounts due to associates		(438)	(438)
Loan from ultimate holding company		–	(439,773)
Amount due to ultimate holding company		–	(37)
Provision for taxation		(397,173)	(314,258)
Bank loan and overdraft		(5,461,117)	–
		<u>(6,899,351)</u>	<u>(1,467,757)</u>
Net current assets		<u>3,544,659</u>	2,924,159
Total assets less current liabilities		<u>9,755,239</u>	6,899,620
Non-current liabilities			
Note payable		(101,109)	(99,573)
Deferred tax liabilities		(177,269)	(169,880)
		<u>(278,378)</u>	<u>(269,453)</u>
NET ASSETS		<u>9,476,861</u>	6,630,167
CAPITAL AND RESERVES			
Share capital	14	1,578,506	1,569,003
Reserves		7,184,097	4,806,317
Total equity attributable to shareholders of the Company		<u>8,762,603</u>	6,375,320
Minority interests		714,258	254,847
TOTAL EQUITY		<u>9,476,861</u>	<u>6,630,167</u>



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

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



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007 (Continued)

	Attributable to the shareholders of the Company											
	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	Minority interests HK\$'000	Total equity HK\$'000
As at 1 January 2006	1,564,876	5,629,208	19,141	500,250	2,984	(3,672,032)	28,066	16,557	738,031	4,827,081	64,857	4,891,938
Surplus on revaluation	-	-	-	176,899	-	-	-	-	-	176,899	-	176,899
Share option forfeited	-	-	(273)	-	-	-	-	-	273	-	-	-
Issue of shares – under share option scheme	936	2,627	(1,157)	-	-	-	-	-	-	2,406	-	2,406
Release upon disposal of available-for-sale securities	-	-	-	(116,165)	-	-	-	-	-	(116,165)	-	(116,165)
Increase in exchange reserve on interest in associates	-	-	-	-	-	-	-	12,127	-	12,127	-	12,127
Share of investment revaluation reserve of associates	-	-	-	6,503	-	-	-	-	-	6,503	-	6,503
Investment by minority shareholders	-	-	-	-	-	-	-	-	-	-	13,189	13,189
Equity settled share-based transactions	-	-	7,922	-	-	-	-	-	-	7,922	-	7,922
Profit for the period	-	-	-	-	-	-	-	-	403,971	403,971	6,787	410,758
As at 30 June 2006	1,565,812	5,631,835	25,633	567,487	2,984	(3,672,032)	28,066	28,684	1,142,275	5,320,744	84,833	5,405,577
Representing:												
Company and subsidiaries	1,565,812	5,631,835	25,633	560,984	2,984	(3,672,032)	10,000	(2,774)	1,766,708	5,889,150	84,833	5,973,983
Associates	-	-	-	6,503	-	-	18,066	31,458	(624,433)	(568,406)	-	(568,406)
As at 30 June 2006	1,565,812	5,631,835	25,633	567,487	2,984	(3,672,032)	28,066	28,684	1,142,275	5,320,744	84,833	5,405,577



Condensed Consolidated Statement of Cash Flows

	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000
Net cash outflow from operating activities	(6,659,864)	(386,377)
Net cash inflow from investing activities	771,579	149,277
Net cash inflow from financing activities	5,182,914	17,909
Net decrease in cash and cash equivalents	(705,371)	(219,191)
Cash and cash equivalents		
At beginning of the period	1,606,296	2,334,389
Effect of changes in exchange rate	1,323	1,536
At end of the period	<u>902,248</u>	<u>2,116,734</u>
Analysis of cash and cash equivalents		
Bank balance and cash – general accounts	976,458	2,116,734
Deposit pledged	(74,210)	–
At end of the period	<u>902,248</u>	<u>2,116,734</u>



Notes to the financial statements

1. BASIS OF PRESENTATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised by the Board for issuance on 23 August 2007.

The unaudited interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2006 annual financial statements.

2. TURNOVER AND OTHER INCOME

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

	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000
Turnover		
Sale of trading securities		
– equity securities	898,224	1,331,115
– debt securities	27,841	34,651
– derivatives and others	289,759	54,435
Net unrealised gain/(loss) on trading investments		
– trading securities	258,637	11,875
– derivatives	(22,735)	(83,319)
Unrealised gain on financial assets designated at fair value through profit or loss	146,686	–
Brokerage commission and service income	125,395	60,534
Interest income		
– bank deposits	43,497	50,087
– advances to customers	82,556	38,218
– finance lease	–	2,884
– others	18,313	8,053
Dividend income		
– listed investments	38,186	24,244
– unlisted investments	9,172	–
Gross rental income from investment properties	836	455
	<u>1,916,367</u>	<u>1,533,232</u>
Other income		
Net gain on disposal of available-for-sale securities	237,212	146,368
Exchange gain, net	9,081	–
Gain on disposal of fixed assets	–	148
Others	570	927
	<u>246,863</u>	<u>147,443</u>



3. INCOME TAX

The provision for Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 30 June 2007. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

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

	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000
Current taxation		
– Hong Kong profits tax	74,185	39,628
– Overseas taxation	11,453	9,513
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	4,700	2,492
	<u>90,338</u>	<u>51,633</u>

4. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months period ended 30 June 2007 is based on the profit attributable to shareholders of the Company of HK\$1,716,322,000 (six months ended 30 June 2006: net profit of HK\$403,971,000) and the weighted average number of 1,576,154,172 ordinary shares (six months ended 30 June 2006: 1,565,282,792 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 2007 is based on the profit attributable to shareholders of the Company of HK\$1,716,322,000 (six months ended 30 June 2006: net profit of HK\$403,971,000) and the weighted average number of 1,588,915,169 ordinary shares (six months ended 30 June 2006: 1,572,461,562 ordinary shares), adjusted for the effects of exercise of share options.



5. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Investments, at cost:		
Unlisted shares in		
– Hong Kong	40,458	40,458
– Overseas	5,534,961	5,534,961
Share of post-acquisition reserves	1,061,011	(183,974)
	6,636,430	5,391,445
<i>Less:</i>		
Provision for impairment charged against investment costs	(165,548)	(165,548)
Premium on acquisition	(3,544,429)	(3,544,429)
Carrying value, net	2,926,453	1,681,468

The directors are of the opinion that the underlying value of the associates is not less than the carrying value of the associates at 30 June 2007.

(b) As at 30 June 2007, particulars of the principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held directly
China Everbright Bank Company Limited (“Everbright Bank”) <i>Note (i)</i>	PRC	Banking operations	21.39%
Everbright Securities Company Limited (“Everbright Securities”) <i>Note (ii)</i>	PRC	Securities operations	39.31%



5. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 30 June 2007, particulars of the principal associates of the Group are as follows: (continued)

Notes:

- (i) A Board Meeting of Everbright Bank was held on 15 August 2007 wherein a Proposal regarding the investment and subscription of new shares of Everbright Bank (“Subscription Plan”) by Central SAFE Investments Limited (“SAFE”) was discussed and approved. The Board of Directors of Everbright Bank has also authorised the management to continue with the negotiations with SAFE on the terms of the relevant agreements in connection with the Subscription Plan. After agreement has been reached between the parties, the agreements will be submitted to its Board of Directors for discussion, and then to the Shareholders Meeting of Everbright Bank for discussion and approval. Thereafter, the Subscription Plan needs to be formally approved by the China Banking Regulatory Commission. According to the Subscription Plan, the Group’s shareholding in Everbright Bank may be diluted significantly. The Subscription Plan may or may not materialise.

The Group’s carrying value of its investment in Everbright Bank was reduced to zero in 2004 after sharing in the unaudited losses of HK\$331 million for the year ended 31 December 2004 made by Everbright Bank; while leaving HK\$592 million attributable loss not yet recorded by the Group.

Preparation of Everbright Bank’s audited financial results for the years ended 31 December 2004, 2005 and 2006 in accordance with the IFRS is still under way. In view of the preceding status taken together with the fact that up to 31 December 2004, the Group has an unrecorded accumulated net loss of approximately HK\$592 million attributable from Everbright Bank, the approach of not accounting for the Group’s share of Everbright Bank’s unaudited results from 1 January 2005 to 30 June 2007 is considered to be reasonable by the Company’s Board of Directors.

- (ii) In early 2007, Everbright Securities issued 453 million new shares to 11 investors for a total cash consideration of RMB1,246 million. The objective of the placement was to broaden the capital base of Everbright Securities. After the new share issue, the Company’s interest in Everbright Securities has been diluted from 46.60% to 39.31% effective from 1 January 2007. As a result of the share dilution, the Group has recorded a deemed gain on disposal of HK\$225 million.

For the six months ended 30 June 2007, Everbright Securities has recorded an after tax profit of RMB2.47 billion (according to HKFRS) and the Group’s share of profit, under equity accounting method, amounted to HK\$980 million.

Everbright Securities is planning to list its shares in the A Share market of the PRC by way of initial public offering.



6. AVAILABLE-FOR-SALE SECURITIES

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Listed equity securities at fair value:		
Listed in Hong Kong	1,375,949	1,374,215
Unlisted equity securities, at fair value	1,240,913	436,000
	<u>2,616,862</u>	<u>1,810,215</u>

Available-for-sale securities with an aggregate carrying amount of approximately HK\$168 million (31 December 2006: approximately HK\$135 million) have been pledged to secure bank loans and overdraft facilities of the Group.

On 20 December 2005, the Group entered into a securities lending agreement with an independent third party to lend 18 million China Mobile (Hong Kong) Limited ("China Mobile") shares which entitles the Group to a stock lending fee of 0.5% per annum. The stock lending agreement may be terminated by either party giving the other not less than 5 days written notice. As at 30 June 2007, the number of China Mobile shares on loan was 9 million (31 December 2006: 12 million) which had a fair value of approximately HK\$756 million (31 December 2006: HK\$808 million).

Realised gain on disposal of the above unlisted financial assets are subject to the payment of an incentive project bonus to an Investment Team (see Note 16(b)).

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

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
At fair value to profit or loss:		
Overseas unlisted convertible bonds	285,771	140,314
Overseas unlisted convertible preference shares	22,743	–
Overseas unlisted equity securities	94,344	79,608
	<u>402,858</u>	<u>219,922</u>

Realised gain on disposal of the above unlisted financial assets are subject to the payment of an incentive project bonus to an Investment Team (see Note 16(b)).



8. ADVANCES TO CUSTOMERS

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
New share issue advances	5,542,951	–
Amounts due from margin clients	1,542,824	909,349
	7,085,775	909,349
Less: impairment loss provision	(8,227)	(8,227)
	7,077,548	901,122

New share issue advances are short-term lending to clients for the subscription of new share listings on The Stock Exchange of Hong Kong Limited. Amounts due from margin clients are secured by listed securities held as collateral. No additional provision is considered necessary in the six months to 30 June 2007.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Accounts receivables, net	489,387	313,211
Deposits, prepayments and other receivables	61,508	38,733
	550,895	351,944

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

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within 1 month	486,333	312,651
Within 1 to 2 months	1,839	232
Within 2 to 3 months	60	5
Within 3 to 6 months	253	205
Over 6 months	902	118
	489,387	313,211

Accounts receivables principally comprise amounts due from brokerage clients, counterparties and clearing houses in the ordinary course of brokerage and investment businesses. These receivables are normally repayable on demand. The extension of credit to clients requires management's approval on a case-by-case basis.



10. TRADING SECURITIES

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Current assets		
At fair value to profit or loss:		
Equity securities:		
– listed in Hong Kong	917,433	443,046
– listed overseas	740,685	443,920
	<u>1,658,118</u>	<u>886,966</u>
Debt securities		
– listed overseas	–	20,269
– unlisted	71,605	3,347
	<u>71,605</u>	<u>23,616</u>
Derivatives:		
– equity-linked	104,595	70,918
– others	2,178	372
	<u>106,773</u>	<u>71,290</u>
	<u>1,836,496</u>	<u>981,872</u>
Current liabilities		
At fair value to profit or loss:		
Equity securities:		
– listed in Hong Kong	(45,780)	(16,344)
Derivatives:		
– equity-linked (Note (i))	(281,324)	(231,829)
– others	(28,085)	(52,468)
	<u>(355,189)</u>	<u>(300,641)</u>



10. TRADING SECURITIES (continued)

Note:

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

As at 30 June 2007, the fair value of the PGN was calculated with reference to the terms of the PGN and the closing share price of China Mobile as at 29 June 2007, adjusted by the underlying option value and taking into account the discounted net present value of the Group's payment obligations, including finance charge, under the PGN. Key parameters used in the PGN valuation include the volatility of the China Mobile share price, the volatility of the Hang Seng Index and expected future interest rates.

11. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Accounts payable	555,714	287,436
Other creditors, deposits received and accrued charges	129,720	125,174
	<u>685,434</u>	<u>412,610</u>

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



12. MATURITY PROFILE

Maturity profile as at 30 June 2007

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
Assets						
- Advances to customers	1,468,174	5,542,951	66,423	-	-	7,077,548
- Financial assets designated at fair value through profit or loss	-	-	-	190,212	95,559	285,771
- Debt securities	3,035	-	68,473	97	-	71,605
- Fixed deposits	-	725,284	-	-	-	725,284
	<u>1,471,209</u>	<u>6,268,235</u>	<u>134,896</u>	<u>190,309</u>	<u>95,559</u>	<u>8,160,208</u>
Liabilities						
- Note payable	-	-	-	(101,109)	-	(101,109)

Maturity profile as at 31 December 2006

	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	901,122	-	-	-	-	901,122
- Financial assets designated at fair value through profit or loss	-	-	-	63,577	76,737	140,314
- Debt securities	-	23,616	-	-	-	23,616
- Fixed deposits	-	1,458,946	-	-	-	1,458,946
	<u>901,122</u>	<u>1,482,562</u>	<u>-</u>	<u>63,577</u>	<u>76,737</u>	<u>2,523,998</u>
Liabilities						
- Note payable	-	-	-	(99,573)	-	(99,573)



13. SEGREGATED ACCOUNTS NOT REFLECTED ON BALANCE SHEET

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Bank balances – segregated accounts	576,775	478,341
Receivable from clearing house and futures brokers	28,173	14,171
Amounts held on behalf of clients	(604,948)	(492,512)
	<u><u>–</u></u>	<u><u>–</u></u>

14. SHARE CAPITAL

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1.00 each	<u>2,000,000</u>	<u>2,000,000</u>
<i>Ordinary shares, issued and fully paid:</i>		
Beginning of period/year	1,569,003	1,564,876
Exercise of share options	<u>9,503</u>	<u>4,127</u>
End of period/year	<u>1,578,506</u>	<u>1,569,003</u>

15. RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000
Interest expenses on loans paid to ultimate holding company	8,458	10,502
Rental expenses paid to wholly-owned subsidiaries of ultimate holding company	<u>3,694</u>	<u>1,393</u>
Investment performance fee received from ultimate holding company	<u>10,751</u>	<u>2,024</u>

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organizations (“state-owned entities”).



15. RELATED PARTY TRANSACTIONS (continued)

Transactions with other state-owned entities include but are not limited to the following:

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

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

16. CONTINGENT LIABILITIES

(a) Corporate guarantee

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	<u>80,000</u>	<u>80,000</u>

As at 30 June 2007, the Company had issued corporate guarantees to certain financial institutions for trading facilities granted to a subsidiary which engages in leveraged foreign exchange trading and other subsidiaries which carry out derivatives transactions. The guarantee amounts vary and are dependent on the volume of transactions effected with the financial institutions. The Group's subsidiaries have not utilised any of its banking facilities as at 30 June 2007.

(b) Incentive payment

According to an Incentive Agreement dated 25 May 2007, which was announced on the same date, the Group is obligated to pay incentive project bonus to an Investment Team, all the individual members of the team are employees of the Group, on realisation of each project, whether in whole or in part, under SeaBright China Special Opportunity (I) Limited ("SOF" the Group has a 78.9% equity interest in SOF). The amount of incentive project bonus payable under the agreement is equal to 15% of profit realised from disposal of those investments plus the related amount of advisor fee income received less certain attributable project expenses and the investment team's operating expenses. The incentive project bonus is recognised on realisation of the relevant project. As at 30 June 2007, the unrealised gains associated with the relevant projects amounted to HK\$1,241 million (31 December 2006: HK\$292 million). In the consolidated financial statements, HK\$1,064 million (31 December 2006: HK\$261 million) of the fair value appreciation has been reflected in the investment revaluation reserve while the remaining HK\$177 million appreciation has been accounted for in the income statement (HK\$146 million for the six months period 30 June 2007 and HK\$31 million for the year ended 31 December 2006). If all relevant projects were disposed of on 30 June 2007 at their fair value, the amount of incentive project bonus payable to the Investment Team would be approximately HK\$186 million.

17. COMMITMENTS

(a) Capital commitments

The Group has capital commitments of HK\$234 million authorised but not contracted for as at 30 June 2007 (31 December 2006: Nil).

(b) Operating lease commitments

Operating lease commitments as at 30 June 2007 amounted to approximately HK\$15,461,000 (31 December 2006: HK\$5,139,000) of which approximately HK\$9,142,000 (31 December 2006: approximately HK\$3,333,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2007		31 December 2006	
	Properties HK\$'000	Others HK\$'000	Properties HK\$'000	Others HK\$'000
Not later than one year	8,990	152	3,058	275
Later than one year and not later than five years	6,319	–	1,802	4
	<u>15,309</u>	<u>152</u>	<u>4,860</u>	<u>279</u>

(c) Future operating lease arrangements

As at 30 June 2007, the Group had future aggregate minimum lease receipts under non-cancellable operating leases for investment properties as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Not later than one year	493	223
Later than one year and not later than five years	153	–
	<u>646</u>	<u>223</u>

(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 2007 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2007 HK\$'000	31 December 2006 HK\$'000	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Overseas futures contracts	1,829	(2,334)	319,790	85,339
Forward contracts	(28,085)	(50,134)	151,093	2,173,404
Equity linked derivatives	(281,324)	(231,829)	346,547	462,062
Hang Seng Index futures contracts	–	122	–	100,090
Interest derivatives	349	249	39,077	15,557
	<u>(307,231)</u>	<u>(283,926)</u>	<u>856,507</u>	<u>2,836,452</u>



17. COMMITMENTS *(continued)*

(d) Off-balance sheet financial instruments *(continued)*

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.

18. 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, market risk, liquidity risk, interest rate risk, foreign currency risk and operation 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 Committee and the Credit Committee while execution is carried out by the two Committees' supervising the Risk Management and Compliance Department. This functional structure has the role to advise and to assist the management to identify and assess the main risks faced by the Group's business in a co-ordinated manner. It also assesses, identifies and documents the Group's risk profile and to ensure that the 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.

In respect of advances to customers, the Group requires collateral from customers before advances are granted. Collateral normally takes the form of listed securities, cash deposits or debt financial instruments issued by entity with high credit rating. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Subsequent 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 security brokerage customers, brokers and counterparties are normally due two days after trade date while deposits with brokers/counterparties are repayable on demand. The Group has established procedures in the selection of brokers/counterparties with sound credit rating.

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

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to limit its credit risk exposure and concentration. As at the balance sheet date, the Group does not have a significant concentration of credit risk other than the provision of advances to customers, which are collateralised by unlisted debt securities issued by issuers with sound credit rating, of approximately HK\$244 million (31 December 2006: approximately HK\$240 million).



18. FINANCIAL INSTRUMENTS (continued)

(b) Market risk

The Group's market risk exposure mainly comes from the impact of market price movements that may result in losses in on-and-off balance sheet positions, including listed and unlisted equities and derivative financial instruments. Market risk in trading investment portfolios is managed by using a combination of risk measurement techniques including, but not limited to, position limits, cut-loss limits and statistical modeling.

(c) Liquidity risk

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

(d) 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 principal interest rate exposures are advances to customer and bank balances.

(e) Foreign currency risk

The Group's exposure to foreign currency risk primarily stems from holdings of monetary assets and liabilities denominated in foreign currencies, leveraged foreign exchange trading and net investment in foreign subsidiaries and associates. As most of the Group's monetary assets and liabilities and net investment in foreign subsidiaries and associates are denominated in Hong Kong dollars, United States dollars or Renminbi, management does not consider there is any significant currency risk. The Group has a policy not to maintain a significant net position on leveraged foreign exchange trading and the underlying exposure is monitored on a continuing basis.

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

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2007 and 31 December 2006.

19. POST BALANCE SHEET EVENT

On 19 July 2007, the Group entered into an agreement with an independent third party for the disposal of unlisted available-for-sale securities. According to the agreement's disposal consideration of USD31.6 million, the disposal gain attributable to the SOF amounted to approximately HK\$229 million. In accordance with the terms of the Incentive Agreement entered with the Investment Team (Note 16(b)), the Group made an incentive project bonus payment of approximately of HK\$34.61 million to the Investment Team at the end of July 2007.



20. SEGMENT INFORMATION

(a) Business segments

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

	Short-term investments		Financial services		Long-term investments and others		Total	
	1 January to 30 June 2007	1 January to 30 June 2006	1 January to 30 June 2007	1 January to 30 June 2006	1 January to 30 June 2007	1 January to 30 June 2006	1 January to 30 June 2007	1 January to 30 June 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
Investment income	1,475,818	1,353,282	906	2,266	406,258	163,822	1,882,982	1,519,370
Interest income	16,831	10,982	88,952	50,270	38,583	37,990	144,366	99,242
Commission and service income	–	–	125,395	61,349	–	60	125,395	61,409
Other income	342	–	228	–	9,917	654	10,487	654
Total revenues	1,492,991	1,364,264	215,481	113,885	454,758	202,526	2,163,230	1,680,675
RESULTS								
Segment results	313,996	154,146	125,605	55,401	412,825	120,052	852,426	329,599
Unallocated corporate expenses							(95,205)	(31,855)
Profit from operations							757,221	297,744
Finance costs							(55,108)	(38,804)
Gain on deemed disposal of interest in an associate							225,038	–
Share of profits less losses of associates							980,576	203,451
Income tax							(90,338)	(51,633)
Profit after taxation							1,817,389	410,758

20. SEGMENT INFORMATION (continued)
(a) Business segments (continued)

OTHER INFORMATION

	Short-term investments		Financial services		Long-term investments and others		Total	
	30 June 2007 HK\$'000	31 December 2006 HK\$'000	30 June 2007 HK\$'000	31 December 2006 HK\$'000	30 June 2007 HK\$'000	31 December 2006 HK\$'000	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Segment assets	2,051,756	2,560,108	8,054,144	993,986	3,381,261	2,874,558	13,487,161	6,428,652
Investments in associates							2,926,453	1,681,468
Unallocated corporate assets							240,976	257,257
Total assets							16,654,590	8,367,377
Segment liabilities	607,252	85,362	6,001,891	323,065	104,742	343,194	6,713,885	751,621
Unallocated corporate liabilities							463,844	985,589
Total liabilities							7,177,729	1,737,210
	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000	1 January to 30 June 2007 HK\$'000	1 January to 30 June 2006 HK\$'000
Capital expenditures	747	4	-	-	2,875	11,875	3,622	11,879
Depreciation and amortisation expenses	204	204	55	57	2,789	1,918	3,048	2,179

(b) Geographical segments

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
For the period ended 30 June 2007			
Segment revenue			
Turnover	1,398,564	517,803	1,916,367
Other income	246,461	402	246,863
	1,645,025	518,205	2,163,230
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
For the period ended 30 June 2006			
Segment revenue			
Turnover	951,282	581,950	1,533,232
Other income	147,436	7	147,443
	1,098,718	581,957	1,680,675



Review Report **To the Board of Directors of China Everbright Limited**

Introduction

We have reviewed the interim financial report set out on pages 2 to 22 which comprises the consolidated balance sheet of China Everbright Limited as of 30 June 2007 and the related consolidated statements of income, and 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 2007 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

23 August 2007



Interim Dividend

The Directors resolved not to pay an interim dividend for the six months ended 30 June 2007 (2006: HK\$nil).

Results of the Group

In the first half of 2007, the Company and its subsidiaries (the "Group") achieved significant growth in operating results by adhering to the strategy of "resources integration, build on solid foundations, proactive development and prudent management" and promoting the development of all businesses. For the six months ended 30 June 2007, the Group's profit attributable to shareholders amounted to HK\$1.71 billion, a remarkable increase of 324% compared with the same period last year.

Review of Operations

Hong Kong Business

In the first half of the year, with an enhanced foundation and a favourable business environment, our asset management, direct investment, investment banking and brokerage businesses achieved significant growth over the same period last year. The Group's turnover for the first half of the year amounted to HK\$1.92 billion, which represents a significant increase of 25% (corresponding period last year: HK\$1.53 billion). The Hong Kong operations' pre-tax income for the first half of the year amounted to HK\$702 million, representing an increase of 171% over the amount for corresponding period last year of HK\$443 million. Total expenses of HK\$246 million represent an increase over the corresponding period last year of HK\$119 million or 94%, in which operating expenses amounted to HK\$61 million, an increase of HK\$24.88 million over the same period last year, mainly attributable to brokerage commission, rental expenses and information cost. Expenses growth was much lower than income growth. The expense to income ratio has been reduced to 25.9% as compared with 32.9% for the same period last year (a decrease of 7 percentage points).

The six months' results of the Hong Kong operations reflect the successful implementation of our strategy of pursuing progress while maintaining stability. The strategy is starting to bear fruit:

- our direct investment division completed the establishment of and the first round fund-raising for "China Special Opportunity Fund L.P." (CSOF), commenced investing into a contingency storage operation project, and increased holding in the digital TV network project. China High Speed Transmission Equipment Group Co Ltd (formerly known as Nanjing Gear), an investment of SOF, was listed on the Main Board of the Hong Kong Stock Exchange in July 2007. Other projects also fulfilled their respective targets. For the first six months, the Direct Investment Department recorded a pre-tax profit of HK\$226 million, an increase of 248% compared with the same period last year, mainly from fair value increase of unlisted financial assets designated at fair value through profit or loss and trading securities investment in Mainland China.



- the asset management division procured new clients and its managed portfolios outperformed the market. As at 30 June, the “China Everbright Dragon Fund” has under its management a portfolio size of HK\$1.06 billion and achieved a return rate of 26.8% during the six months period, which is much higher than the 9.1% increment of the Hang Seng Index in the same period. For the first six months, the asset management operation recorded a profit of HK\$159 million, an increase of 170% over the same period last year.
- benefiting from a buoyant market and Mainland China’s relaxation of capital outflow control, the brokerage division consolidated its market share, expanded customer loans and established the new wealth management business. For the first half of the year, the brokerage division recorded a profit of HK\$78.3 million, an increase of 96% as compared with the same period last year. The new wealth management business has exceeded our expectation in terms of both market development and performance, and has already started to generate profit.
- the investment banking division continued to make progress on its projects. In addition to completing the sponsoring and underwriting of the Hong Long Holdings listing project, it also acted as the co-lead manager for the IPO of China Citic Bank and financial advisor for four projects, participated in four placement exercises, and established the new Merger and Acquisition Department. For the first six months, the investment banking division recorded a profit of HK\$10.28 million, 11.8 times over that of the same period last year.
- by adopting sound investment strategies, our strategic investment generated stable return for the group while maintaining healthy liquidity. As at 30 June 2007, the Group held approximately 12 million shares in China Mobile.
- having established a corporate culture with “sense of responsibility” and “creating value in order to share value” as the core values, we are in the process of developing a brand management framework to further enhance the reputation of China Everbright Limited.

Everbright Bank

The Everbright Bank, held as to 21.39% by the Group, has made substantial progress in its capital restructuring under the lead of the Government. As mentioned in the Company announcement dated 15 August 2007, a Board Meeting of Everbright Bank was held on 15 August 2007 wherein the Proposal regarding the investment and subscription of new shares of Everbright Bank by Central SAFE Investments Limited (“SAFE”) was discussed and approved. The proposal on the subscription and issue of new shares in Everbright Bank at the price of RMB1.00 each, for a total capital injection in United States currency of not more than RMB20 billion equivalent by SAFE (“the Subscription Plan”) was in principle agreed to be submitted to the Shareholders Meeting for discussion and approval (the Subscription Plan will only take effect upon being approved by the Shareholders Meeting). The Board has also authorised the management to continue with the negotiations with SAFE on the terms of the relevant agreements in connection with the Subscription Plan. After agreement has been reached between the parties, the agreements will be submitted to the Board of Directors of Everbright Bank for discussion, and then to the Shareholders Meeting of Everbright Bank for discussion and approval. Thereafter, the Subscription Plan needs to be formally approved by the China Banking Regulatory Commission. According to the Subscription Plan, the Group’s shareholding in Everbright Bank may be diluted significantly. The Subscription Plan may or may not materialise.



As at 30 June 2007, according to the PRC accounting standards (applicable to all below), total assets amounted to HK\$677.9 billion, the total values of its deposits and loans reached HK\$549.3 billion and HK\$409.9 billion respectively, representing an increase of 4.5% and 15% respectively as compared to the beginning of the year. In the first half of the year, Everbright Bank recorded a total net operating income of approximately HK\$8.15 billion.

As at 30 June 2007, according to the “5-category” loan classification system, Everbright Bank’s non-performing loans (the last 3 categories) amounted to approximately HK\$26.2 billion, representing a non-performing loan rate of 6.4%. For the period under review, the provisions reduced to approximately HK\$0.81 billion and the provisioning rate for non-performing loan has been raised to 73.2% from 67.3% at the beginning of the year.

For the six months ended 30 June 2007, the unaudited profit after tax of Everbright Bank amounted to approximately HK\$2.54 billion representing an increase of approximately 75.5% compared with the same period last year.

As at 30 June 2007, Everbright Bank was operating 30 branches and 387 banking offices in 23 provinces/cities and autonomous regions in Mainland China, and a representative office in Hong Kong.

Everbright Securities

The mainland securities market was bullish in the first half of the year and saw very active trading. Despite the significant fluctuations during the period, the overall market sentiment was unaffected. Everbright Securities, held 39.31% by the Group, boosted its capital strength by increasing its share capital in early 2007. It was also rated as a “grade-A” brokerage house in Mainland China. Its market share increased to 3.25% in the first half of the year following the acquisition of Tianyi Securities.

The total income of Everbright Securities in the first half of the year was RMB4.39 billion. Based on Hong Kong Financial Reporting Standards, its after-tax profit was RMB2.47 billion, a remarkable increase of over five fold compared to the same period last year. Income from brokerage commission, proprietary trading in securities, warrants, assets management and other income accounted for 57%, 29%, 7%, 1% and 6% respectively of total income. It remains a market leader in asset management business, with the largest asset under management in the industry.

As at 30 June 2007, Everbright Securities had a network of 77 operation units and 14 securities services offices across 19 provinces, municipal cities and autonomous regions in Mainland China.

Everbright Securities is planning to list its shares in the A Share market of the PRC by way of initial public offering.



Financial Position

As at 30 June 2007, the net assets of the Group amounted to approximately HK\$9.47 billion, with cash on hand of approximately HK\$976 million. Apart from trade liabilities in ordinary course of business, the Group's principal liability is a total HK\$5.46 billion of new share issue short-term borrowing from banks which is arisen from the normal operation of the Group brokerage business. There is corresponding temporary increase in interest bearing receivables from our brokerage customers.

The level of borrowing depends mainly on the Group's business and investment needs. As at 30 June 2007, the Group committed borrowing facilities totaling approximately HK\$270 million. The Group's gearing ratio, which is computed from the Group's total interest bearing liabilities divided by shareholders' fund, was 62.3% as at 30 June 2007 as compared to 6.9% as at 31 December 2006. If the temporary bank borrowing on 30 June 2007 were excluded, the Group's gearing ratio was nil.

As at 30 June 2007, the Group had no material exposure to foreign exchange fluctuations other than assets denominated in Renminbi and United State Dollar.

As at 30 June 2007, the Group had pledged listed securities to the value of approximately HK\$168 million in relation to certain banking facilities.

Except for those disclosed in the notes to financial statements, the Group did not have any material contingent liabilities as at 30 June 2007. Other than the abovementioned short-term bank borrowing of HK\$5.46 billion, the Group did not have any outstanding borrowings from bank. The Company had given guarantees in respect of banking facilities available to subsidiaries totaling approximately HK\$80 million. As at 30 June 2007, the Company had also provided guarantees to financial institutions against the due performance of obligations by its subsidiaries which are engaged in the businesses of leverage forex trading and derivatives trading. Such guaranteed liabilities will vary according to the value of transactions.

Prospects

The Group's reform and positioning in the last few years have begun to bear fruit, as reflected by a remarkable increase of investment return. With an ongoing focus on financial services, the Group will continue to explore a business model well-suited to its development needs and seek perfection on this basis.

With the accelerating opening up of financial industry in the Mainland, the Group will make full use of its vast network to establish a unified business platform across the country. It will focus its resources on developing cross-border asset management businesses including direct investment, industry investment and Merger & Acquisition on top of the existing investment banking and brokerage businesses, in order to achieve a sound and balanced development.

The Group will continue to strengthen development of corporate culture and cultivate a harmonious workplace atmosphere, in order to attract more talents. At the same time, it will also strengthen brand management through well-placed publicity and promotion, in order to enhance brand recognition of China Everbright Limited in the cross-border financial services industry.



The Everbright Bank will speed up its capital expansion, further enhance its capital strength and risk aversion capability, bring its advantage in wealth management into full play, and progress with the introduction of strategic investors and listing preparation works.

In addition to consolidating existing operations, Everbright Securities will continue to develop investment banking business for small and medium enterprises. It will perform the preliminary preparations for margin financing, covered warrants, index futures and direct investment businesses in accordance with state policies, in order to achieve breakthroughs in innovative areas of securities businesses.

The Group remains cautiously optimistic on the market and its businesses for the second half of the year. The market is expected to remain volatile though the overall economic environment will be relatively stable. The Group remains highly alert over market risks, and seek to prevent and avoid such risks with a prudent attitude. With a conscientious yet innovative spirit, we seek to understand and satisfy the needs of our clients. By establishing ourselves as the most trustworthy partner, we seek to provide convenient, professional and practical solutions for clients, enabling clients to create wealth and value at ease, and generate better return for shareholders.

Directors' and Chief Executive's Interests in Shares of the Company and Associated Corporations

As at 30 June 2007, 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:

1a. Long position in shares of the Company

Name of Director	Total	Personal interests	Family interests	Corporate interests	% of total issued shares (if 0.01% or more)
Wang Mingquan (Note 1)	3,000,000	3,000,000	–	–	0.19
Guo You	1,750,000	1,750,000	–	–	0.11
Zhou Liqun (Note 2)	750,000	750,000	–	–	0.05
He Ling (Note 3)	1,070,000	1,070,000	–	–	0.06
Seto Gin Chung, John	150,000	150,000	–	–	0.01



1b. Long position in shares of an Associated Corporation

As at 30 June 2007, the following Director had personal interests in shares of China Everbright International Limited (“CEIL”), an associated corporation of the Company.

Name of Director	Total	Personal interests	Family interests	Corporate interests	% of total issued shares (if 0.01% or more)
Chen Shuang	100,000	100,000	–	–	0.003

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
Wang Mingquan (Note 1)	Personal	03.05.05	1,920,000	1,920,000	1,920,000	0.12
Guo You	Personal	03.05.05	640,000	640,000	640,000	0.04
Zhou Liqun (Note 2)	Personal	03.05.05	1,920,000	1,920,000	1,920,000	0.12
He Ling (Note 3)	Personal	03.05.05	1,280,000	1,280,000	1,280,000	0.08
Chen Shuang	Personal	03.09.04	750,000	750,000	2,030,000	0.13
	Personal	03.05.05	1,280,000	1,280,000		
Seto Gin Chung, John	Personal	05.05.05	640,000	640,000	640,000	0.04

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 as at 30 June 2007.

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”.

As at 30 June 2007, save as disclosed herein, none of the Directors and Chief Executive 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.

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

As at 30 June 2007, the following Directors had personal interests in options to subscribe for shares in 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 (the “Stock Exchange”).

Name of Director	Nature of interest	Exercise Price (HK\$)	Date of Grant	Exercise period	Number of underlying shares of CEIL (ordinary shares)	Total Percentage
Wang Mingquan (Note 1)	Personal	0.296	29.09.03	29.03.04 – 25.05.13	12,700,000	0.410
	Personal	0.296	29.09.03	29.09.04 – 25.05.13	12,700,000	0.410
	Personal	0.85	03.08.06	03.08.07 – 25.05.13	2,500,000	0.081
	Personal	0.85	03.08.06	03.08.08 – 25.05.13	2,500,000	0.081
Chen Shuang	Personal	0.296	29.09.03	29.03.04 – 25.05.13	2,000,000	0.065
	Personal	0.296	29.09.03	29.09.04 – 25.05.13	2,000,000	0.065
	Personal	0.85	03.08.06	03.08.07 – 25.05.13	500,000	0.016
	Personal	0.85	03.08.06	03.08.08 – 25.05.13	500,000	0.016



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 are as follows:

1. Outstanding share options as at 1 January 2007

	Number of options	Date of Grant	Vesting period	Exercise period	Exercise Price (HK\$)
Wang Mingquan (Note 1)	3,000,000	07.07.03	08.07.03 – 07.01.06	08.07.04 – 07.01.07	2.375
	1,920,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Guo You	750,000	07.07.03	08.07.03 – 07.01.06	08.07.04 – 07.01.07	2.375
	640,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Zhou Liqun (Note 2)	750,000	07.07.03	08.07.03 – 07.01.06	08.07.04 – 07.01.07	2.375
	1,920,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
He Ling (Note 3)	750,000	07.07.03	08.07.03 – 07.01.06	08.07.04 – 07.01.07	2.375
	1,280,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Chen Shuang	750,000	03.09.04	04.09.04 – 03.03.07	04.09.05 – 03.03.08	3.225
	1,280,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Seto Gin Chung, John	640,000	05.05.05	06.05.05 – 05.11.07	06.05.06 – 05.05.10	3.000
Total employees (Note 4)	500,000	03.09.04	04.09.04 – 03.03.07	04.09.05 – 03.03.08	3.225
	5,032,500	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
	120,000	05.05.05	06.05.05 – 05.11.07	06.05.06 – 05.05.10	3.000
	820,000	04.07.05	05.07.05 – 04.01.08	05.07.06 – 04.07.10	3.135
	800,000	27.09.05	28.09.05 – 27.03.08	28.09.06 – 27.09.10	3.100
	6,200,000	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 2007

	Number of options	Date of Grant	Vesting period	Exercise period	Exercise Price (HK\$)
Wang Mingquan (Note 1)	1,920,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Guo You	640,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Zhou Liqun (Note 2)	1,920,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
He Ling (Note 3)	1,280,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Chen Shuang	750,000	03.09.04	04.09.04 – 03.03.07	04.09.05 – 03.03.08	3.225
	1,280,000	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
Seto Gin Chung, John	640,000	05.05.05	06.05.05 – 05.11.07	06.05.06 – 05.05.10	3.000
Total employees (Note 4)	500,000	03.09.04	04.09.04 – 03.03.07	04.09.05 – 03.03.08	3.225
	2,262,500	03.05.05	04.05.05 – 03.11.07	04.05.06 – 03.05.10	2.850
	60,000	05.05.05	06.05.05 – 05.11.07	06.05.06 – 05.05.10	3.000
	410,000	04.07.05	05.07.05 – 04.01.08	05.07.06 – 04.07.10	3.135
	700,000	27.09.05	28.09.05 – 27.03.08	28.09.06 – 27.09.10	3.100
	5,287,500	10.04.06	11.04.06 – 10.10.08	11.04.07 – 10.04.11	4.800



3. No share option were granted during the six months period ended 30 June 2007.

4. Number of share options exercised during the six months period ended 30 June 2007

	Date of Grant	No. of Shares	Exercise price (HK\$)	WA Closing price** (HK\$)
Wang Mingquan (Note 1)	07.07.03	3,000,000	2.375	9.090
Guo You	07.07.03	750,000	2.375	9.090
Zhou Liqun (Note 2)	07.07.03	750,000	2.375	9.090
He Ling (Note 3)	07.07.03	750,000	2.375	9.090
Total employees (Note 4)	03.05.05	2,770,000	2.850	11.674
	05.05.05	60,000	3.000	14.500
	04.07.05	410,000	3.135	9.618
	27.09.05	100,000	3.100	16.400
	10.04.06	912,500	4.800	12.412


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

5. No share options were cancelled during the six months period ended 30 June 2007.

6. No share options were lapsed during the six months period ended 30 June 2007.

Notes:

1. Mr. Wang Mingquan has resigned from the capacity of Executive Director and Chairman with effect from 16 July 2007.
2. Dr. Zhou Liqun has resigned from the capacity of Chief Executive Officer and Executive Director with effect from 6 August 2007.
3. Madam He Ling has resigned from the capacity of Executive Director with effect from 16 April 2007.
4. These are employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.



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 2007 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 2007 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 1)	867,119,207	54.93%
Datten Investments Limited (Note 1)	867,119,207	54.93%
Honorich Holdings Limited	867,119,207	54.93%
Jeffrey Alan Altman (Note 2)	80,310,000	5.09%
Owl Creek GP, LCC (Note 2)	80,310,000	5.09%

Notes:

1. 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.
2. Owl Creek Overseas Fund, Limited and Owl Creek Socially Responsible Investment Fund, Limited, were respectively interested in 52,637,500 shares and 1,056,000 shares, and Owl Creek Advisors, LLC, acting in its capacity as a general partner of two limited partnerships, was deemed interested in 26,616,500 shares. Owl Creek GP, LLC acting as general partner of the investment manager of the companies and limited partnerships was deemed to have interests in the total 80,310,000 shares. Mr. Jeffrey Alan Altman had 99% control of Owl Creek GP, LLC was deemed to have interests of the said 80,310,000 shares.

Save as disclosed above, as at 30 June 2007, 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.



Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2007, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

Employees

As at 30 June 2007, the Group had 170 employees. Total staff cost for the period under review amounted to approximately HK\$126 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 (the "Stock Exchange") for the six months ended 30 June 2007.

Compliance with Model Code

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 2007.

Audit and Risk Management Committee

The Audit and Risk Management Committee currently comprises four 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, Dr. Lin Zhijun, and Madam Tung Iring.

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 report for the six months ended 30 June 2007 of the Company.



Remuneration Committee

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

By order of the Board

Chen Shuang

Chief Executive Officer

Beijing, 23 August 2007