



**CHINA EVERBRIGHT INTERNATIONAL LIMITED**  
**中國光大國際有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 257)**

**ANNOUNCEMENT**  
**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008**

**FINANCIAL HIGHLIGHTS**

**Robust growth in environmental protection business  
pushed up turnover and recurring profit of the Group**

- Turnover increased by 52% to HK\$788,711,000 (2007: HK\$519,686,000)
- EBITDA on recurring basis increased by 58% to HK\$288,683,000 (2007: HK\$182,365,000)
- Profit attributable to equity shareholders decreased by 20% to HK\$134,208,000 (2007: HK\$167,551,000) due to the following two reasons :
  - No non-recurring profit was recognized in current period (2007 : HK\$37,347,000)
  - Significant increase in income tax expenses to HK\$56,709,000 (2007: credit of HK\$1,449,000) due to the new tax laws in the PRC
- Basic earnings per share decreased by 21% to HK4.28 cents (2007: HK5.44 cents)
- Interim dividend of HK0.6 cent per share (2007: HK0.6 cent per share)

**INTERIM RESULTS**

The board of directors (the “Board”) of China Everbright International Limited (“the Company”) announces the unaudited results of the Company and its subsidiaries (collectively “the Group”) for the six months ended 30 June 2008. The interim financial results are unaudited, but have 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 (“HKICPA”), whose independent review report is included in the interim report to be sent to shareholders. The interim financial results have also been reviewed by the Company’s Audit Committee.

## Consolidated income statement – unaudited

		<b>Six months ended 30 June</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Turnover</b>	3	<b>788,711</b>	519,686
Direct costs and operating expenses		<u>(477,297)</u>	<u>(324,032)</u>
		<b>311,414</b>	195,654
Other revenue		<b>30,784</b>	29,757
Other income		-	23,683
Administrative expenses		<b>(70,393)</b>	(56,586)
Valuation gains on investment properties		<u>-</u>	<u>13,664</u>
<b>Profit from operations</b>		<b>271,805</b>	206,172
Finance costs	5	<u>(66,163)</u>	<u>(28,967)</u>
		<b>205,642</b>	177,205
Share of profit of associate	4	<u>-</u>	<u>3</u>
<b>Profit before taxation</b>	5	<b>205,642</b>	177,208
Income tax	6	<u>(56,709)</u>	<u>1,449</u>
<b>Profit for the period</b>		<u><b>148,933</b></u>	<u>178,657</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>134,208</b>	167,551
Minority interests		<u>14,725</u>	<u>11,106</u>
<b>Profit for the period</b>		<u><b>148,933</b></u>	<u>178,657</u>
<b>Dividends payable to equity shareholders of the Company attributable to the interim period</b>			
Interim dividend declared after the balance sheet date	7	<u>18,823</u>	<u>18,753</u>
<b>Earnings per share</b>			
Basic	8	<u><b>HK4.28 cents</b></u>	<u>HK5.44 cents</u>
Diluted (2007: restated)	8	<u><b>HK4.18 cents</b></u>	<u>HK5.25 cents</u>

## Consolidated balance sheet – unaudited

		At 30 June 2008		At 31 December 2007	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets					
- Investment properties			212,656		200,922
- Other property, plant and equipment			112,523		103,604
			<u>325,179</u>		<u>304,526</u>
Intangible assets			591,143		568,882
Goodwill			46,133		46,133
Interest in associate			-		-
Other financial assets			38,384		59,577
Other receivables and deposits	9		1,336,398		690,019
Gross amounts due from customers for contract work	10		2,187,445		1,752,995
Deferred tax assets			<u>27,796</u>		<u>35,561</u>
			<b>4,552,478</b>		<b>3,457,693</b>
<b>Current assets</b>					
Inventories		9,103		5,923	
Debtors, other receivables, deposits and prepayments	9	497,886		307,985	
Gross amounts due from customers for contract work	10	193,260		122,617	
Pledged bank deposits		109,845		60,518	
Deposits with bank		-		16,084	
Cash and cash equivalents	11	<u>492,881</u>		<u>554,863</u>	
			<u>1,302,975</u>		<u>1,067,990</u>
<b>Current liabilities</b>					
Bank loans					
- Secured		237,924		121,286	
- unsecured		<u>97,521</u>		<u>21,446</u>	
		<b>335,445</b>		<b>142,732</b>	
Creditors, other payables and accrued expenses	12	454,551		334,426	
Current taxation		<u>4,193</u>		<u>6,400</u>	
		<u>794,189</u>		<u>483,558</u>	
<b>Net current assets</b>			<u><b>508,786</b></u>		<u><b>584,432</b></u>

**Consolidated balance sheet – unaudited (continued)**

		At 30 June 2008		At 31 December 2007	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Total assets less current liabilities</b>			<b>5,061,264</b>		4,042,125
<b>Non-current liabilities</b>					
Bank loans					
- Secured		<b>1,298,182</b>		1,131,882	
- Unsecured		<b>489,115</b>		<u>160,834</u>	
			<b>1,787,297</b>	1,292,716	
Loans from ultimate holding company		<b>212,828</b>		106,377	
Deferred tax liabilities		<b>77,714</b>		<u>39,606</u>	
			<b><u>2,077,839</u></b>		<u>1,438,699</u>
<b>NET ASSETS</b>			<b><u>2,983,425</u></b>		<u>2,603,426</u>
<b>CAPITAL AND RESERVES</b>					
Share capital			<b>313,717</b>		313,472
Reserves			<b><u>2,367,542</u></b>		<u>2,137,619</u>
<b>Total equity attributable to equity shareholders of the Company</b>			<b>2,681,259</b>		2,451,091
<b>Minority interests</b>			<b><u>302,166</u></b>		<u>152,335</u>
<b>TOTAL EQUITY</b>			<b><u>2,983,425</u></b>		<u>2,603,426</u>

## Notes :

### 1 Basis of preparation

The 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 HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 March 2008.

### 2 Changes in accounting policies

The HKICPA issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which term collectively includes HKASs and Interpretations, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s annual financial statements for the year ending 31 December 2008, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of the interim financial report. Therefore the policies that will be applied in the Group’s financial statements for that period cannot be determined with certainty at the date of issuance of the interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The following sets out further information on the change in accounting policy for the annual accounting period beginning on 1 January 2008 which has been reflected in the interim financial report.

#### **HKAS 33, Earnings per share**

In order to comply with the amendments to HKAS 33, the Group has changed its accounting policy relating to the calculation of diluted earnings per share. Under the new policy, the fair value of any goods or services to be supplied to the Group in the future under the share option arrangement shall be included in the exercise price of the share options when calculating the diluted earnings per share. This change in accounting policy has been applied retrospectively with comparatives restated as shown in note 8(b).

### 3 Segmental information

The analysis of the principal activities of the operations of the Company and its subsidiaries during the financial period are as follows:

	Solid waste treatment project construction and operation		Waste-water treatment project construction and operation		Environmental protection project management and consultancy		Infrastructure investment, construction and operation		Property investment and management		Inter-segment elimination		Consolidated	
	Six months ended 30 June 2008		Six months ended 30 June 2007		Six months ended 30 June 2008		Six months ended 30 June 2007		Six months ended 30 June 2008		Six months ended 30 June 2007		Six months ended 30 June 2008	
	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	HK\$'000
Revenue from external customers	369,411	262,449	355,281	206,366	-	-	54,294	43,198	9,725	7,673	-	-	788,711	519,686
Inter-segment revenue	-	-	-	-	16,665	90,734	-	-	-	-	(16,665)	(90,734)	-	-
Other revenue and other income from external customers	20,434	13,643	4,162	1,834	213	824	1,048	3,252	54	887	-	-	25,911	20,440
Unallocated other revenue and other income	-	-	-	-	-	-	-	-	-	-	-	-	4,873	33,000
<b>Total</b>	<b>389,845</b>	<b>276,092</b>	<b>359,443</b>	<b>208,200</b>	<b>16,878</b>	<b>91,558</b>	<b>55,342</b>	<b>46,450</b>	<b>9,779</b>	<b>8,560</b>	<b>(16,665)</b>	<b>(90,734)</b>	<b>819,495</b>	<b>573,126</b>
Segment results	147,753	86,005	102,340	65,482	(3,177)	28,568	37,712	32,129	5,490	18,808	(2,711)	(34,608)	287,407	196,384
Unallocated operating income and expenses													(15,602)	9,788
Finance costs													(66,163)	(28,967)
Share of profit of associate	-	-	-	3	-	-	-	-	-	-	-	-	-	3
Income tax													(56,709)	1,449
<b>Profit after taxation</b>													<b>148,933</b>	<b>178,657</b>
Depreciation and amortisation for the period	942	471	1,535	416	336	245	11,878	10,873	83	83				
Valuation gains on investment properties	-	-	-	-	-	-	-	-	-	(13,664)				

### 3 Segmental information (continued)

Revenue from external customers represents:

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Revenue from construction services	449,915	306,522
Toll bridge revenue	54,294	43,198
Revenue from waste-water treatment plants operation services	110,307	78,640
Revenue from waste-to-energy power plant operation services	45,630	26,340
Revenue from methane-to-energy power plant operation services	3,622	4,590
Revenue from industrial solid waste landfill operation services	2,126	-
Finance income	113,092	52,723
Gross rentals from investment properties	7,799	5,952
Property management fee income	1,926	1,721
	<u>788,711</u>	<u>519,686</u>

In view of the fact that the Group operates mainly in the People's Republic of China ("PRC"), no geographical segmental information is presented.

### 4 Share of profit of associate

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Share of profit of associate before taxation	-	3
Share of associate's taxation	-	-
	<u>-</u>	<u>3</u>

## 5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interest on bank advances wholly repayable within five years	3,716	1,092
Interest on other advances	<u>62,447</u>	<u>27,875</u>
	<b><u>66,163</u></b>	<b><u>28,967</u></b>
Amortisation of intangible assets	11,788	10,801
Depreciation	5,090	2,736
Dividends and interest income	(7,477)	(13,294)
Profit on sale of other financial assets	<u>-</u>	<u>(23,683)</u>

## 6 Income tax

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
<b>Current tax – PRC income tax</b>		
Provision for the period	7,787	6,064
<b>Deferred tax</b>		
Origination and reversal of temporary differences	48,922	10,173
Effect of change in tax rate on opening balances of deferred tax	<u>-</u>	<u>(17,686)</u>
Actual tax expense/(credit)	<b><u>56,709</u></b>	<b><u>(1,449)</u></b>

No provision for Hong Kong Profits Tax has been made in the interim financial report as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purposes during the period. Taxation for the PRC operations is charged at the appropriate current rates of taxation ruling in the PRC. During the period, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempt from income tax under the relevant tax rules and regulations.



## 6 Income tax (continued)

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which became effective on 1 January 2008. According to the new tax law, the standard PRC Enterprise Income Tax rate is 25%. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to Implementation Guidance, income tax rate for the PRC subsidiaries of the Group, which are eligible to a 100% or 50% relief from PRC Enterprise Income Tax, will be gradually changed to the standard rate of 25% over a five-year transition period.

In addition, under the new tax law, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective 8 December 2006, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No. 1, pursuant to which dividend distribution out of pre-2008 retained earnings of foreign investment enterprises will be exempted from withholding income tax. Withholding income tax on dividends of \$16,515,000 has been recognised in respect of the profits derived in the PRC during the six months ended 30 June 2008.

## 7 Dividends

### (a) Dividends payable to equity shareholders of the Company attributable to the interim period

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared after the interim period of HK0.6 cent per ordinary share (2007: HK0.6 cent per ordinary share)	<b><u>18,823</u></b>	<b><u>18,753</u></b>

The interim dividend has not been recognised as a liability at the balance sheet date.

## 7 Dividends (continued)

*(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of HK1 cent per ordinary share (year ended 31 December 2006: HK0.6 cent per ordinary share)	31,367	18,462
Special dividend in respect of the financial year ended 31 December 2006, approved and paid during the interim period ended 30 June 2007, of HK0.4 cent per ordinary share	-	12,308
	<u>31,367</u>	<u>30,770</u>

## 8 Earnings per share

*(a) Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$134,208,000 (six months ended 30 June 2007: HK\$167,551,000) and the weighted average number of 3,136,472,304 ordinary shares (2007: 3,080,368,054 ordinary shares) in issue during the period.

*(b) Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$134,208,000 (six months ended 30 June 2007: HK\$167,551,000) and the weighted average number of 3,207,690,613 ordinary shares (2007 (restated): 3,191,184,864 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

## 9 Debtors, other receivables, deposits and prepayments

	At 30 June 2008 <i>HK\$'000</i>	At 31 December 2007 <i>HK\$'000</i>
Debtors	130,491	53,511
Loan receivable	-	75,061
Other receivables, deposits and prepayments	<u>1,703,793</u>	<u>869,432</u>
	<b>1,834,284</b>	998,004
Less: Non-current portion		
- other receivables and deposits	<u>(1,336,398)</u>	<u>(690,019)</u>
Current portion	<u><b>497,886</b></u>	<u>307,985</u>

Included in “Debtors, other receivables, deposits and prepayments” of the Group are debtors of HK\$130,491,000 (31 December 2007: HK\$53,511,000) of which HK\$16,354,000 (31 December 2007: HK\$11,873,000) is due from a minority shareholder. Debtors are current and not yet due for payment, except for an amount of HK\$37,181,000 (31 December 2007: HK\$5,996,000) which is past due for one month. Debtors represent toll bridge revenue, revenue from waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plant and industrial solid waste landfill operation services for the month of June 2008 (except for the amount HK\$37,181,000 (31 December 2007: HK\$5,996,000)) and which are expected to be settled in the following month. There was no recent history of default in respect of the Group’s debtors and no impairment loss was recognised by the Group at 30 June 2008 (31 December 2007: HK\$Nil).

Other receivables, deposits and prepayments include balances totalling HK\$1,463,651,000 (31 December 2007: HK\$750,991,000) which bear interest at rates ranging from 6.12% to 7.83% (31 December 2007: 6.12% to 7.02%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under Transfer-Operate-Transfer (“TOT”) arrangements, among which HK\$113,768,000 (31 December 2007: HK\$98,099,000) is due from a minority shareholder of a non-wholly owned subsidiary. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 30 June 2008 (31 December 2007: HK\$Nil).

The loan receivable at 31 December 2007 was unsecured, interest bearing at 7.12%, due from an unrelated party and repaid during the period.

All of the current portion of the above balances are expected to be recovered or recognised as expense within one year.

## 10 Gross amounts due from customers for contract work

	At 30 June 2008 <i>HK\$'000</i>	At 31 December 2007 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less anticipated losses	2,569,479	1,989,022
Less: Progress billings	<u>(188,774)</u>	<u>(113,410)</u>
Net contract work	<u>2,380,705</u>	<u>1,875,612</u>

### *Representing:*

Gross amounts due from customers for contract work

- Non-current	2,187,445	1,752,995
- Current	<u>193,260</u>	<u>122,617</u>
	<u>2,380,705</u>	<u>1,875,612</u>

Included in gross amounts due from customers for contract work is an amount of HK\$299,183,000 (31 December 2007: HK\$293,083,000) which is due from a minority shareholder of a non-wholly owned subsidiary.

Gross amounts due from customers for contract work represent revenue from construction under Build-Operate-Transfer (“BOT”) arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 6.12% to 7.83% (31 December 2007: 6.12% to 7.02%) per annum. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT and TOT arrangements.

## 11 Cash and cash equivalents

	At 30 June 2008 <i>HK\$'000</i>	At 31 December 2007 <i>HK\$'000</i>
Deposits with bank	162,649	250,692
Cash at bank and in hand	<u>330,232</u>	<u>304,171</u>
	<u>492,881</u>	<u>554,863</u>

Included in cash and cash equivalents are deposits of HK\$16,372,000 (31 December 2007: HK\$16,542,000) which are placed with a related party bank.

## 12 Creditors, other payables and accrued expenses

Included in creditors, other payables and accrued expenses are creditors and bills payable with the following ageing analysis as of the balance sheet date.

	At 30 June 2008 <i>HK\$'000</i>	At 31 December 2007 <i>HK\$'000</i>
Due within 1 month or on demand	11,989	11,261
Due after 1 month but within 3 months	13,396	23,986
Due after 3 months but within 6 months	76,597	31,976
Due after 6 months	<u>282,994</u>	<u>168,549</u>
	<u><b>384,976</b></u>	<u><b>235,772</b></u>

Included in creditors, other payables and accrued expenses of the Group is an amount of HK\$10,610,000 (31 December 2007: HK\$9,506,000) which is payable to an associate. The balance is due within one month and represents service fee for operation of waste-water treatment plants.

Apart from the above, there are balances totalling HK\$338,715,000 (31 December 2007: HK\$224,977,000) which represent construction payables for the Group's BOT arrangements, among which HK\$11,589,000 (31 December 2007: HK\$15,651,000) and HK\$19,613,000 (31 December 2007: HK\$25,062,000) are due to related companies and a minority shareholder of a non-wholly owned subsidiary respectively. The construction payables are current and not yet due for payment. The amounts due to related companies and minority shareholder of a non-wholly owned subsidiary are unsecured, interest free and expected to be settled within one year.

## **BUSINESS REVIEW AND PROSPECT**

### **OPERATING RESULTS**

The PRC economy has been affected inevitably by the high inflation and increasing oil price sweeping the world. The successive rise in raw materials prices, inflation and macro economic control measures in the PRC as well as the earthquakes in Wenchuan of Sichuan and severe snow storm that hit more than 20 provinces, municipalities and self-administrative regions significantly affected the PRC economy.

Despite the challenging economic environment, the environmental protection industry in the country has continued to develop rapidly. Environmental protection is now a key government focus and a major part of the country's development strategies. As outlined in the Eleventh Five-Year Plan, clearly stating the government intention of "expediting building of a society apt in resources conservation and environmentally friendly", the PRC Government has earmarked RMB1,375 billion in the Plan for investing in environmental protection. The amount is 64% more than in the previous five-year plan and notably higher than the country's GDP growth rate. Starting in 2008, environmental expenditure is included in the national budget, which demonstrates the commitment of the PRC Government to environmental protection. The increasing demand and investment opportunities in environmental protection projects provide enormous room for the expansion of environmental protection related industries. The environmental protection industry has become a new force behind growth of the PRC economy.

In the first half of 2008, the Group's environmental protection business grew rapidly with certain projects commencing operation. All four major sectors of the business had steady growth, contributing to increased turnover and recurring profit of the Group. During the period under review, the consolidated turnover of the Group amounted to HK\$788,711,000, representing an increase of 52% from HK\$519,686,000 for the corresponding period last year. EBITDA on recurring basis was HK\$288,683,000, representing a growth of 58% from HK\$182,365,000 for the same period last year. Profit attributable to equity shareholders of the Company was HK\$134,208,000, a decrease of 20% as compared to the profit of HK\$167,551,000 for the last corresponding period. Basic earnings per share for the first half of 2008 were HK4.28 cents, HK1.16 cents less than the HK5.44 cents of the last corresponding period. Notwithstanding the robust growth in core business earnings, the Group recorded a decline in net profit during the period because of the following reasons: (1) The result of last corresponding period included non-recurring profit of HK\$37,347,000, comprising profit on sale of other financial assets of HK\$23,683,000 and valuation gains on investment properties of HK\$13,664,000; (2) Significant increase in deferred tax charge as compared with last corresponding period is due to introduction of dividend withholding tax on foreign enterprise investors in the PRC amounting to HK\$16,515,000 and the one-off write-back of deferred tax of HK\$17,686,000 in last year arising from the promulgation of Tax Unification Policy in the PRC. Stripping the impact of these factors, the net profit for the period increased by 34% as compared with last corresponding period.

To thank shareholders for their support and taking into consideration the long term continual development of the Group, the Board declared to pay an interim dividend of HK0.6 cent per share (2007: HK0.6 cent per share) to equity shareholders of the Company.

## **ENVIRONMENTAL PROTECTION BUSINESS**

The Group has been operating on a cluster-based model that facilitates lateral business development. This model allows the Group to explore and extend other environmental protection projects to the other areas and build long-term cooperative relationships with local governments and also enables the Group to reap the different benefits of centralized management. The Group has projects taking shape in all the four major business sectors, namely the Jiangsu waste-to-energy sector, the Shandong waste water treatment sector, the Suzhou Everbright National Demonstrative Veinous Industrial Park and the Taihu Lake water quality restoration operation. During the period under review, the Group has obtained a new breakthrough. Construction or upgrade work of several projects were completed. These projects either commenced operation or were in test running stage in the period under review. The total number of environmental protection projects operated by the Group has increased to 22, commanding a total investment of approximately RMB5.05 billion. All the operations together have an annual household waste processing capacity of approximately 1.5 million tonnes, an annual on-grid power generation capacity of approximately 400 million kilowatt-hour, a daily waste water treatment capacity of approximately 1.5 million tonnes and other waste processing capacity of approximately 20,000m<sup>3</sup> per annum. At present, the Group had completed environmental protection projects of investment cost totaling of approximately RMB3.65 billion. Investment in projects still under construction amounted to around RMB1.20 billion. For projects yet to commence construction, the estimated investment cost is approximately RMB200 million.

During the period under review, the Jiangyin waste-to-energy project commenced commercial operation. The taking over of the Jiangyin Waste Water Treatment Project was completed and its upgrade work commenced to receive waste water. The Group also took over the Boxing Waste Water Treatment Project, which began operation and has started to receive waste water treatment fees. The Group is now upgrading the project. In addition, the upgraded Zibo Southern and Northern Plants are in compliance with Grade 1A discharge standard. Phase II of the Suzhou Methane-to-Energy Project was successfully completed and commenced commercial operation. The completion of these projects expanded the scale of the Group's environmental protection business. In the first half of 2008, the Group processed 399,000 tonnes of solid waste (210,000 tonnes in the last corresponding period), and 170,722,000 tonnes of waste water (130,049,000 tonnes in the last corresponding period). The substantial increase in processing volume has further consolidated the revenues of the Group's core business. During the period under review, turnover from environmental protection business was HK\$724,692,000, an increase of 55% when compared with the last corresponding period and accounting for 92% of the Group's total turnover. EBITDA of the business reached HK\$247,018,000, representing an increase of 69% against the last corresponding period and accounting for 86% of the EBITDA on recurring basis of the Group.

Major operating and financial data of the environmental protection business in the first half of 2008:

	Waste processing volume (tonne)		Upload electricity (kWh)	
	2008	2007	2008	2007
Solid waste treatment projects				
- Suzhou Project Phase I	225,000	210,000	50,585,000	46,420,000
- Methane Project	-	-	7,763,000	9,189,000
- Yixing Project (1)	99,000	-	16,564,000	-
- Jiangyin Project (2)	75,000	-	11,950,000	-
	<b>399,000</b>	<b>210,000</b>	<b>86,862,000</b>	<b>55,609,000</b>

	Waste water processing volume (tonne)	
	2008	2007
Waste water treatment projects		
- Qingdao Project	31,862,000	27,404,000
- Zibo Southern and Northern Plants Project	39,260,000	42,887,000
- Zibo High-tech Zone Project (3)	15,897,000	-
- Jinan Project	71,561,000	59,758,000
- Boxing Project (4)	938,000	-
- Jiangyin Waste Water Project (5)	11,204,000	-
	<b>170,722,000</b>	<b>130,049,000</b>

- (1) Commercial operation commenced in July 2007  
(2) Commercial operation commenced in March 2008  
(3) Commercial operation commenced in September 2007  
(4) Commercial operation commenced in April 2008  
(5) Commercial operation commenced in January 2008

	2008			2007		
	Solid waste treatment projects HK\$'000	Waste water treatment projects HK\$'000	Total HK\$'000	Solid waste treatment projects HK\$'000	Waste water treatment projects HK\$'000	Total HK\$'000
Turnover						
- Construction service	268,714	181,201	449,915	204,957	101,565	306,522
- Operation service	51,378	110,307	161,685	30,930	78,640	109,570
- Finance income	49,320	63,772	113,092	26,561	26,162	52,723
	<b>369,412</b>	<b>355,280</b>	<b>724,692</b>	<b>262,448</b>	<b>206,367</b>	<b>468,815</b>
EBITDA	<b>145,865</b>	<b>101,153</b>	<b>247,018</b>	<b>83,232</b>	<b>63,350</b>	<b>146,582</b>



## **JIANGSU WASTE-TO-ENERGY SECTOR**

This sector includes four projects, namely the Suzhou waste-to-energy project Phase I (“Suzhou Project Phase I”), the Yixing waste-to-energy project (“Yixing Project”), the Jiangyin waste-to-energy project (“Jiangyin Project”) and Changzhou waste-to-energy project (“Changzhou project”) at a total investment cost of approximately RMB1.53 billion.

### *Suzhou Project Phase I*

Suzhou Project Phase I has been running smoothly and meeting discharge standard since it started operation in July 2006. It contributes stable income to the Group. The project was awarded the “Yangzi Cup” certificate by the Jiangsu Provincial Department of Construction in 2008 for its outstanding quality of construction work, adding to the reputation of the Group. During the period under review, the project brought an EBITDA of HK\$37,170,000, 9% lower than in the previous year. The decrease in profit was mainly attributable to the recognition of value-added tax refund on purchase of local equipment of HK\$6,262,000 during construction stage in the first half of last year. Stripping this part of income, the operating profit for the first half of this year increased 7% as compared with same period last year. The increase was attributable to the improving operation efficiency which brought the Group more operating service revenue, off-setting the impact of the snow storms in early of the year.

### *Yixing Project*

Yixing Project, the Group’s first project using domestic equipment in the PRC to adopt Grade 1A standard for leachate treatment and water recycling, commenced commercial operation in July 2007. It stands as proof of a breakthrough in the “green” industry of the PRC. During the period under review, the project operated at its designed processing capacity, with on-grid electricity volume rising steadily. The project contributed an EBITDA of HK\$7,377,000, an increase of 14% when compared with the last corresponding period. Its on-grid electricity volume is expected to increase further, which will bring higher operating service revenue for the Group.

### *Jiangyin Project*

The Group won the Jiangyin Project in January 2006 and the construction of the project is divided into two phases. The first phase was completed two months ahead of schedule and started to supply electricity to the power grid in January 2008. On 26 March 2008, commercial operation of the project formally began. Planning of the second phase is now underway with a designed daily waste processing capacity of 400 tonnes. During the period under review, the project brought an EBITDA of HK\$34,222,000 to the Group, representing an increase of 49% against the last corresponding period, attributable to the completion of construction and commissioning of commercial operation of the project during the period. Accordingly, both construction service revenue and operation service revenue were recognized.

### *Changzhou Project*

Construction of Changzhou Project, the fourth waste-to-energy project of the Group in Jiangsu Province, commenced in March 2007 and is close to completion. Test running of the facility is expected to begin in the fourth quarter this year and commercial operation is scheduled within the first quarter of next year. The designed daily waste processing capacity of the project is 800 tonnes, capable of supplying an average annual on-grid electricity of 77,000,000 kilowatt-hour. During the period under review, the project contributed an EBITDA of HK\$51,580,000 to the Group, a 799% increase against the same period last year.

## **SHANDONG WASTE WATER TREATMENT SECTOR**

The Shandong waste water treatment sector comprises 10 waste water treatment plants in Qingdao city, Zibo city, Jinan city and Binzhou city in Shandong Province. They carry a total investment of approximately RMB1.85 billion.

### *Qingdao Project*

The Qingdao Waste Water Treatment Project (“Qingdao Project”) is the Group’s first environmental protection project in Shandong Province. It includes the Haibohe Waste Water Treatment Plant capable of processing 80,000 tonnes of waste water a day and the Maidao Waste Water Treatment Plant, which completed extension in July 2007 and can treat up to 140,000 tonnes of waste water a day. The Maidao Plant meets discharge quality of national Grade 1B standard. Currently, the Group is discussing with the Qingdao Municipal Government about upgrading the Haibohe Waste Water Treatment Plant, aiming to meet Grade 1B discharge standard. During the period under review, the project contributed EBITDA of HK\$10,389,000 to the Group, representing a decrease of 44% as compared with the last corresponding period, attributable to the increased operating costs after the extension of Maidao Plant was completed. The Group is now negotiating with the Qingdao Municipal Government on tariff hike upon which it is expected to increase the long term revenue of the project.

### *Zibo Southern and Northern Plants Project*

The waste water treatment project in Zibo city (Southern and Northern Plants inclusive) (“Zibo Southern and Northern Plants Project”) was improved to Grade 1A discharge standard after upgrading work was completed in May 2008, and waste water treatment charge has since then been raised to RMB0.98 per tonne from RMB0.75 per tonne previously. During the period under review, the project brought an EBITDA of HK\$12,753,000 to the Group, representing a decrease of 41% compared with the last corresponding period, attributable to the recognition of construction service revenue for upgrading work in the first half of last year. In the first half of this year, operating service revenues was gradually returned to normal upon completion of the test run.

### *Zibo High-tech Zone Project*

Zibo High-tech Zone Project commenced commercial operation in September 2007. This is the first Grade 1A commercial waste water treatment project in the PRC. During the period under review, this project brought an EBITDA of HK\$7,700,000 to the Group, representing a decrease of 30% compared with last corresponding period. The decrease in profit is mainly attributable to the recognition of construction service revenue in the first half of last year. In the first half of this year, it mainly reflected the operating service revenue. As the project gradually enters normal operation, the operating efficiency of the project is expected to increase.

### *Zibo Zhoucun Project*

Zibo Zhoucun Waste Water Treatment Project (“Zhoucun Project”) is invested in BOT mode with a designed total daily waste water treatment capacity of 80,000 tonnes. Phase I of the project has a designed capacity of 40,000 tonnes and commanded an investment cost of approximately RMB70,000,000. The construction of Phase I is being planned and expected to begin in the second half of this year, whereas commercial operation is set for the first half of 2009.

### *Jinan Project*

The Jinan Waste Water Treatment Project (“Jinan Project”) includes the Jinan no.1 and no.2 waste water treatment plants. Since the Group took over the project in November 2006, the plants have delivered stable performance and met required discharge standard. After they were upgraded last year, the daily treatment capacity of each of the two plants gradually increased to the designed capacity. It is considered a model for developing Shandong’s waste water treatment sector. During the period under review, the Group kicked off upgrading of the technology used in plant no.1 and no.2 and the extension of Jinan no.1 plant to a daily waste water treatment of 80,000 tonnes, in order to meet Grade 1A discharge standard. The investment cost for the upgrade is estimated at approximately RMB287,000,000. Upgrading work is expected to be completed by the end of this year, whereas extension work is expected to be completed in the second quarter of 2009. By then, the total daily waste water treatment capacity of the project will reach 500,000 tonnes. During the period under review, the project reported an EBITDA of HK\$30,910,000, representing an increase of 153% against the last corresponding period. On 2 July 2008, the Group won the Jinan no.3 waste water treatment plant project which will be operated in BOT mode. This new plant will have a daily designed capacity of 100,000 tonnes and is expected to commence operation in the first quarter of 2009. It carries a total investment of approximately RMB138,000,000. When plant no.3 is completed, the total daily waste water treatment capacity of Jinan Project will reach 600,000 tonnes.

### *Binzhou Boxing Project*

In November 2007, the Group acquired a waste water treatment plant in Boxing County, Binzhou (“Boxing Project”) by way of TOT mode. In March 2008, the takeover was completed. The Group is now upgrading the plant. In the meantime, the construction of Phase II has started by way of BOT mode. After the construction is completed, the plant will have a daily waste water treatment capacity reaching 60,000 tonnes and treatment fee will increase from RMB0.75 per tonne to RMB0.90 per tonne after meeting relevant requirements. The upgrading work is expected to be completed in the second half of 2008 and the commercial operation of Boxing Project Phase II to begin in the second quarter of 2009.

### **SUZHOU EVERBRIGHT NATIONAL DEMONSTRATIVE VEINOUS INDUSTRIAL PARK**

Suzhou Everbright National Demonstrative Veinous Industrial Park (“Suzhou Veinous Park”) is another main focus of the Group in Jiangsu Province. It is the first integrated urban solid waste treatment environmental protection park in the PRC. Planning and management of construction of the project is centralized and implemented in phases over 3 to 5 years.

Completed projects in Suzhou Veinous Park include Suzhou Project Phase I, Phase I of the methane-to-energy project (“Methane Project”) and Phase I of the industrial solid waste landfill project (“Industrial Solid Waste Landfill Project Phase I”). The Methane Project has been in commercial operation since August 2006. Furthermore, Phase II of the Methane Project was completed and commenced operation in August 2008. During the period under review, it supplied over 7,763,000 kilowatt-hour of electricity to the power grid. The project contributed an EBITDA of HK\$4,713,000 to the Group. The increase in profit was mainly attributable to the recognition of construction service revenue for the construction of Phase II of the Methane Project. As for the Industrial Solid Waste Landfill Project Phase I, which is the sole hazardous waste treatment landfill center in Suzhou, during the period under review, it has treated solid waste of 6,500m<sup>3</sup> and brought an EBITDA of HK\$1,760,000 to the Group.

Phase II of the Suzhou waste-to-energy project is under construction. During the period under review, construction work ran smoothly with foundation work completed in April, 40 days ahead the schedule, and installation work started on 1 July, 60 days ahead the schedule. The core structure is expected to be completed at the end of 2008 and commercial operation to commence in the first half of next year. By then, the total daily waste treatment capacity of the two phases will reach 2,000 tonnes. The Suzhou waste-to-energy project will become the biggest waste-to-energy plant in the PRC. Suzhou Veinous Park is looking into a project involving the use of residue of incinerated waste as material for making slag bricks for use in municipal government construction projects.

In the second half of 2008, several projects in Suzhou Veinous Park are planned. They include a sludge treatment project and a solid waste technology development and research center in cooperation with overseas and PRC universities etc.

The Suzhou Veinous Park is designed with the objectives of ecological restoration, creating a green environment and efficient use of land resources. As the project continues to develop with different elements shaping up, it will reap increasing synergies and facilitate centralized management and supervision.

### **TAIHU LAKE WATER QUALITY RESTORATION**

Taihu Lake Water Quality Restoration includes four waste water treatment plants in Jiangyin city (“Jiangyin Waste Water Project”). The plants were taken over by a project company established by a wholly-owned subsidiary of the Group and the Jiangyin Municipal Government (“the Project Company”) in January 2008 at an investment of RMB624,000,000. The Group holds 70% equity interest in the project. The designed daily waste water treatment capacity of the project is 190,000 tonnes. On 18 March 2008, the Project Company entered into the Jiangyin urban sewage piping network transfer agreement with the Jiangyin Municipal Government for the acquisition of the sewage piping network in Jiangyin urban areas with an investment of RMB267,000,000. The Group has also conducted a comprehensive upgrading work for Jiangyin Waste Water Project to meet Grade 1A discharge standard with an investment of RMB201,000,000. In June 2008, the upgrading work of Jiangyin Waste Water Project commenced to receive waste water. Moreover, the project company signed a letter of intent with the Jiangyin Municipal Government to invest in a sewage piping network and waste water treatment plants in the next 2 to 3 years. The plan is to ultimately integrate the plants and sewage piping network of the urban and rural areas into one integrated system, which will assure the Group enjoy monopoly in waste water treatment business in the area and long-term stable operating income from the project. During the period under review, this project contributed an EBITDA of HK\$40,563,000 to the Group.

The Jiangyin Waste Water Treatment Project is the first integrated urban and rural waste water treatment model project in the PRC. It is the first step made by the Group in expanding its water quality restoration operation in the Taihu Lake region. The success of the project will give the Group impetus for embarking on other projects in the Taihu Lake region and other environmental protection businesses.

### **ENHANCE ENVIRONMENTAL PROTECTION RESEARCH DEVELOPMENT CAPABILITIES**

#### **Strategic Partnership**

Apart from operating environmental protection projects, the Group has focused on research and development of technology. It also strives to strengthen partnership with international renowned enterprises and local enterprises. During the period under review, the Group cooperated with different educational institutions such as Tsinghua University, Tongji University, Shandong Academy of Sciences, Zhongshan University, Nanjing University, Jiangnan University and Shenzhen University on different initiatives including research and development projects, sourcing of government funding for research and discussion about different technologies. Moreover, the Group also signed an “Agreement on Technological cooperation” with the Shandong Academy of Sciences, aiming to utilize internal & external expertise to support the technology innovation of the Group.

### **Research and Development Facility**

To develop its core technology and enhance its competence, the Group established a technology research and development center that specializes in research of waste-to-energy operation and waste water and sludge treatment technologies. Under the supervision of Everbright Environmental Protection Technology Research Institute in Beijing, each of the Group's project companies is supported by its own expert team focusing on devising innovative technology. The Group has also introduced policies and provisions such as an environmental protection expert database, a research and development project fund and a set of research and development project management guidelines to support research initiatives and standardize research procedures and standards. During the period under review, the Group hired 7 well-known local environmental protection experts as visiting researchers and 96 experts to establish a strong data base. The Group will continue research and development of technology forcefully so as to maintain its core competitiveness in the long run.

### **Research Project and Patent**

During the period under review, the Group submitted application for 34 projects including 1 project under the "863 Program", 12 technological projects in Shandong province, 12 technological projects in Jiangsu province and 9 projects in Guangdong province and Shenzhen. The application of two of the mentioned projects had been approved. Also, the Group identified 11 research topics relevant to its environmental protection projects, for example research and exploitation of flocculant, research and exploitation of leachate condensate water, the localization of solid waste grate furnace technology, the optimization of technological design of waste-to-energy plant, the optimization of technology design of waste water treatment system and the study of comprehensive treatment for sludge of Jianguyin waste water treatment projects, etc.

For the six month ended 30 June 2008, the Group secured 3 patents for the equipment of sludge drying and dewatering, anaerobic reactor and subsection disposal system for municipal solid waste. The Group will continue to review the results of research and file related patent applications.

## **INFRASTRUCTURE INVESTMENT**

### **Toll Bridge**

During the period under review, traffic on the Fuzhou Qingzhou Bridge ("Qingzhou Bridge") continued to grow and generated steady cash flow for the Group. For the six months ended 30 June 2008, the average daily number of standard vehicles crossing the bridge increased to 34,632, 15% higher than in the same period in 2007, and brought an EBITDA of HK\$49,590,000 to the Group, representing an increase of 15% when compared with the last corresponding period.

Looking forward, with the maintenance work of the Wulong Longjiang Bridge and completion of Phase II of the North Airport Highway in 2009, the traffic of Qingzhou Bridge is expected to increase further.

## **PROPERTY INVESTMENT**

The Group owns a four-storey commercial complex with a shopping arcade in Shenzhen Zhongshan Garden for lease, with major tenants including Walmart, Park'n Shop and McDonald's. During the period under review, the property was 98% occupied. It brought to the Group an EBITDA of HK\$6,143,000, an increase of 26% compared with the last corresponding period. In addition, the Shanghai Trade Square and International Apartments, 14%-owned by the Group, continued to have a steady operation.

## HONORS AND RECOGNITIONS

Awards won by the Group during the period under review are listed as follows:

Date	Organizer	Awards
March 2008	Jiangsu Provincial Department of Construction	“Yangzi Cup”
April 2008	Zibo Municipal Government	“Outstanding Enterprise”
May 2008	Capital Magazine	“Outstanding Environmental Protection Corporation Award” of “ The Third Capital Outstanding China Enterprise Award”

## BUSINESS PROSPECTS

With the environmental protection industry flourishing, the PRC has entered a “green” age that is presenting the Group with enormous business opportunities. With the support of its parent company, China Everbright Holdings Company Limited, the Group will continue to develop its four major environmental protection business sectors. In addition, it will continue to invest more resources in the research and development of environmental protection technology, step up efforts to train and develop its technological team and strive to enhance its core competitiveness through innovation. The Group will fully utilize its brand advantage and follow the principle of “implementing projects one by one to grow its environmental protection business from strength to strength”. The Group will insist on conducting business with integrity, efficiency, innovation and pragmatism so as to consolidate its leadership in Jiangsu and Shandong, etc. At the same time, the Group will look for market opportunities in the Pearl River Delta region.

Environmental protection is not only an industry with good prospects, but is a newly developed industry conducive to public well being. It is critical to the life and health of mankind. It is also essential to building a harmonious society. With dwindling supply of natural resources and the ecological environment deteriorating, energy saving products and environmental protection services play an essential role in turning heavy-energy-consuming Chinese enterprises into energy-efficient entities. The Group sees that it has the responsibility to create a healthy living environment and aid the building of a harmonious society. It will also continue to strive for the best interest of shareholders by strengthening its businesses for bringing maximum returns.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

In the first half of 2008, the Group's environmental protection business grew rapidly, contributing to increased turnover and recurring profit of the Group. The consolidated turnover of the Group amounted to HK\$788,711,000, representing an increase of 52% from HK\$519,686,000 for the corresponding period last year. EBITDA on recurring basis was HK\$288,683,000, representing a growth of 58% from HK\$182,365,000 for the same period last year. During the period under review, the Group did not earn any non-recurring profit. In the last corresponding period, non-recurring profit was HK\$37,347,000, including profit on sale of other financial assets of HK\$23,683,000 and valuation gains on investment properties of HK\$13,664,000. Finance costs for the period amounted to HK\$66,163,000 as compared with HK\$28,967,000 of the same period last year. The increase was due to higher borrowing costs of Renminbi loans and additional loans drawn during the period. Interest cover, expressed as a multiple of EBITDA on recurring basis to finance costs was at 4.36 times as compared to 6.29 times of corresponding period last year. Income tax charge in the first half of 2008 was up to HK\$56,709,000 as compared to the net credit balance of HK\$1,449,000 in the last corresponding period. The increase was mainly attributable to this year's introduction of dividend withholding tax on foreign enterprise investors in the PRC amounted to HK\$16,515,000 and the one-off write-back of deferred tax of HK\$17,686,000 in last year arising from the promulgation of Tax Unification Policy in the PRC. Profit attributable to equity shareholders of the Company was HK\$134,208,000, a decrease of 20% as compared to the profit of HK\$167,551,000 for the last corresponding period. Basic earnings per share for the first half of 2008 were HK4.28 cents, HK1.16 cents less than the HK5.44 cents of the last corresponding period.

### **FINANCIAL POSITION**

As at 30 June 2008, the Group had total assets amounting to HK\$5,855,453,000, with HK\$2,681,259,000 worth of net assets. Net assets attributable to equity shareholders of the Company was HK\$0.855 per share, representing an increase of 9% as compared to HK\$0.782 as at the end of last year. As at 30 June 2008, gearing ratio (total liabilities over total assets) of the Group was 49%, 7 percentage points more than 42% of the last corresponding period.

To finance its operations, the Group has at its disposal internally generated cash flow, bank loans and facilities from its ultimate holding company. As at 30 June 2008, the Group had an aggregate cash balance of approximately HK\$602,726,000, representing a decrease of HK\$28,739,000 as compared with HK\$631,465,000 at the end of last year. As at 30 June 2008, the Group had outstanding borrowings of approximately HK\$2,335,570,000, representing an increase of HK\$793,745,000 as compared with HK\$1,541,825,000 at the end of last year. The borrowings comprised secured bank loans of HK\$1,536,106,000, unsecured bank loans of HK\$586,636,000 and loans from ultimate holding company of HK\$212,828,000. In order to mitigate the pressure on finance costs driven by higher borrowing costs, the Group endeavors to increase the proportion of loan balances in Hong Kong dollars and US dollar in view of their interest rate differentials with that in Renminbi. Meanwhile, the Group is now exploring to enter into interest rate swap contracts so as to lock-in the prevailing low borrowing rates on loans in Hong Kong dollars and US dollars.

## **FOREIGN EXCHANGE RISK**

The Group's assets, borrowings and major transactions are mainly denominated in Renminbi. The Group mainly settles business expenses in the PRC with Hong Kong dollar-remittance and income in Renminbi. It has not used any financial instruments to hedge against bank borrowings in Renminbi, which are used mainly to meet capital requirements of its business in the PRC. The Group will closely manage and monitor its foreign currency risks in view of the increase in the loan balances in Hong Kong dollars and US dollars.

## **PLEDGE OF ASSETS**

As at 30 June 2008, certain banking facilities of the Group are secured by toll bridge revenue, revenue from waste water treatment plants and waste-to-energy power plants operation services, gross amounts due from customers for contract work, certain receivable and deposits relating to considerations paid for the acquisition of waste water treatment plants under TOT arrangements, bank deposits, mortgages on fixed assets and shares of a subsidiary of the Company. The aggregate net book value of assets pledged amounted to approximately HK\$2,606,460,000 as at 30 June 2008.

## **COMMITMENTS**

As at 30 June 2008, the Group had outstanding commitments in connection with TOT arrangements entered into which amounted to HK\$517,200,000. In addition, purchase commitments outstanding in connection with the Group's construction contracts at 30 June 2008 not provided for in the financial statements amounted to HK\$133,991,000.

## **CONTINGENT LIABILITIES**

As at 30 June 2008, the Company has issued financial guarantees for two wholly-owned subsidiaries expiring on 2 August 2015 and 30 November 2015 respectively. The directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2008 under the guarantees issued is the facility drawn down by the subsidiaries of HK\$481,157,000.

## **INTERNAL MANAGEMENT**

The Group works by the management principle that focuses on "people, integrity, pragmatism, creativity and systematic management" and is committed to building a solid risk management culture. During the period under review, the Group adopted a series of measures to strengthen risk management including setting up a risk prevention system. With the efforts of the Risk Management Advisory Committee, the Engineering Technical Management Committee and the Budget Approval and Management Committee, the Group introduced strict regulations on investment in, and construction and operation of environmental protection projects. During the period under review, the Group also modified the appraisal system for all projects in operation or construction. Review taskforces were formed to conduct regular on-site evaluation of progress of different projects to ensure they are effectively managed with sustainable development in mind. With its four major business sectors taking shape, the Group has set up management teams to manage each business sector and look for new projects. The aim of the move is to realize overall operational integration, which will give the Group maximum regional competitive advantage and allow it to maximize returns from its human and material resources.



## **HUMAN RESOURCES**

The Group values its human resources. The Group believes realizing the full potential of its employees is crucial to its long term growth.

Employee training is one of the main focuses of the Group in 2008 and “broadening horizons, enhancing knowledge” is the underlying goal of the programs. To this end, the Group set up a training centre in Beijing to take care of overall planning of staff development and training. Four courses had been provided in the first half of 2008 and the attendance reached almost 1,000 man-days. The courses covered wide topics including environmental protection policies, professional knowledge and corporate culture.

As at 30 June 2008, the Group had more than 1,000 employees in Hong Kong and the PRC. Employees of the Group are remunerated according to their qualifications, experience, job nature, performance, and with reference to market conditions. Apart from discretionary performance bonus, the Group also provides other benefits such as medical insurance and provident fund scheme to employees in Hong Kong. According to the share option scheme approved by the Company’s extraordinary general meeting on 26 May 2003 at the discretion of the Board, share options may be granted as performance incentives to any employee, including directors. During the period under review, no share option was granted.

## **CORPORATE GOVERNANCE**

The Group has continuously strived to strengthen corporate governance, increase operational transparency and safeguard shareholders’ interest. The Board has set up four committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Management Committee. The management believes good corporate governance is conducive to business development of the Company and to the protection of shareholders’ interest.

In the six months ended 30 June 2008, the Company had complied with the code provisions of the Code on Corporate Governance set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

## **AUDIT COMMITTEE**

The Audit Committee, comprising three members, all independent non-executive directors, namely Sir David Akers-Jones (the Chairman), Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar, is primarily responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing internal control and financial reporting matters of the Company. The terms of reference of the Audit Committee are disclosed on the website of the Company. The Audit Committee had reviewed with the management the unaudited interim financial report of the Company for the six months ended 30 June 2008. During the period under review, the Internal Audit Department of the Company has conducted internal audit function. At the request of the Audit Committee, the Company’s auditors KPMG had carried out a review of the unaudited interim financial report 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. The independent review report from the auditors is set out in the interim report.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises Mr. Tang Shuangning (the Chairman), the Chairman of the Board, Mr. Zang Qiutao, the Vice-chairman of the Board, and three independent non-executive directors of the Board, namely Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar. Its main duties include offering advice to the Board on matters pertaining to the remuneration policy and remuneration structure of the directors and senior management of the Company, etc. The terms of reference of the Remuneration Committee are disclosed on the website of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted the model code for securities transactions by directors set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of the directors, all directors have complied with the required standard of dealings as set out therein the code during the six months ended 30 June 2008.

## **OTHER INFORMATION**

### *Interim Dividend*

The Board has declared payment of an interim dividend of HK0.6 cent per share for the six months ended 30 June 2008 (2007: HK0.6 cent per share) to shareholders whose names appear on the register of members of the Company on Tuesday, 14 October 2008. Dividend warrants will be despatched to shareholders on or about Wednesday, 29 October 2008.

### *Closure of Register of Members*

The register of members of the Company will be closed from Tuesday, 14 October 2008 to Friday, 17 October 2008 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 13 October 2008.

### *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 International Limited**  
**Chen Xiaoping**  
*Chief Executive Officer*

Hong Kong, 11 September 2008

As at the date of this announcement, the board of directors of the Company comprises: (i) 7 executive directors, namely Mr. Tang Shuangning (Chairman), Mr. Zang Qiutao (Vice-chairman), Mr. Li Xueming (Vice-chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Philip Fan Yan Hok, Mr. Raymond Wong Kam Chung and Ms. Zhang Weiyun, and (ii) 3 independent non-executive directors, namely Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing and Mr. Mar Selwyn.