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

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00257)

ANNOUNCEMENT
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

Consolidate the development in environmental protection business
Speed up the entering into alternative energy sector

- Turnover decreased by 13% to HK$959,876,000 (2009: HK$1,101,610,000)
- EBITDA on recurring basis increased by 20% to HK$453,628,000 (2009: HK$379,267,000)
- Profit attributable to equity shareholders increased by 24% to HK$245,134,000 (2009: HK$196,981,000)
- Basic earnings per share increased by 8% to HK6.73 cents (2009: HK6.26 cents)
- Interim dividend of HK1.0 cent per share (2009: HK1.0 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 2010. 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.

Consolidated income statement
For the six months ended 30 June 2010 – unaudited

		Six months ended 30 June	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Turnover	*3 & 4*	**959,876**	1,101,610
Direct costs and operating expenses		**(472,129)**	(680,133)
		487,747	421,477
Other revenue		**27,373**	16,063
Administrative expenses		**(80,969)**	(77,612)
Valuation gains on investment properties		**3,996**	-
Profit from operations		**438,147**	359,928
Finance costs	*5*	**(85,251)**	(86,059)
		352,896	273,869
Share of loss of associate		**(588)**	-
Profit before taxation	*5*	**352,308**	273,869
Income tax	*6*	**(89,691)**	(59,392)
Profit for the period		**262,617**	214,477
Attributable to:			
Equity shareholders of the Company		**245,134**	196,981
Non-controlling interests		**17,483**	17,496
Profit for the period		**262,617**	214,477
Earnings per share	*7*		
Basic		**HK6.73 cents**	HK6.26 cents
Diluted		**HK6.63 cents**	HK6.16 cents

Consolidated statement of comprehensive income
For the six months ended 30 June 2010 – unaudited

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period	**262,617**	214,477
Other comprehensive income for the period:		
- Exchange differences on translation of financial statements of subsidiaries	**24,837**	(1,041)
- Changes in fair value of available-for-sale securities	**(1,706)**	235
	23,131	(806)
Total comprehensive income for the period	**285,748**	213,671
Attributable to:		
Equity shareholders of the Company	**265,706**	196,302
Non-controlling interests	**20,042**	17,369
Total comprehensive income for the period	**285,748**	213,671

Consolidated balance sheet
At 30 June 2010 – unaudited

		At 30 June 2010		At 31 December 2009	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
- Investment properties			**28,520**		24,467
- Other property, plant and equipment			**147,030**		143,544
			175,550		168,011
Intangible asset			**545,178**		553,828
Goodwill			**46,133**		46,133
Interest in associate			**-**		588
Other financial assets			**20,695**		21,385
Other receivables and deposits	*8*		**2,177,862**		1,736,218
Gross amounts due from customers for contract work	*9*		**3,446,125**		3,174,793
Deferred tax assets			**21,454**		22,522
			6,432,997		5,723,478
Current assets					
Inventories		**17,966**		13,150	
Debtors, other receivables, deposits and prepayments	*8*	**983,457**		603,772	
Gross amounts due from customers for contract work	*9*	**299,699**		302,596	
Pledged bank deposits		**97,423**		29,425	
Deposits with bank		**34,579**		51,062	
Cash and cash equivalents	*10*	**1,239,074**		1,943,785	
		2,672,198		2,943,790	
Current liabilities					
Bank loans					
- Secured		**356,897**		380,395	
- Unsecured		**254,530**		315,927	
		611,427		696,322	
Creditors, other payables and accrued expenses	*11*	**452,270**		481,481	
Current taxation		**21,478**		10,017	
		1,085,175		1,187,820	
Net current assets			**1,587,023**		1,755,970

Consolidated balance sheet
At 30 June 2010 – unaudited (continued)

	At 30 June 2010		At 31 December 2009	
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Total assets less current liabilities		**8,020,020**		7,479,448
Non-current liabilities				
Bank loans				
- Secured	**1,565,370**		1,326,383	
- Unsecured	**923,869**		926,179	
	2,489,239		2,252,562	
Other loans	**39,963**		39,715	
Loans from ultimate holding company	**113,272**		112,707	
Deferred tax liabilities	**204,101**		144,698	
		2,846,575		2,549,682
NET ASSETS		**5,173,445**		4,929,766
CAPITAL AND RESERVES				
Share capital		**364,223**		363,932
Reserves		**4,433,102**		4,208,900
Total equity attributable to equity shareholders of the Company		**4,797,325**		4,572,832
Non-controlling interests		**376,120**		356,934
TOTAL EQUITY		**5,173,445**		4,929,766

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 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 December 2009 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 10 March 2010.

2. Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations - plan to sell the controlling interest in a subsidiary*
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement - eligible hedged items*

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

The amendments to HKAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combinations acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

2. Changes in accounting policies (continued)

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductive differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if re-acquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

2. Changes in accounting policies (continued)

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, the following policies will be applied as from 1 January 2010:
  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
  - If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recongised at fair value as if re-acquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- HK(IFRIC) 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the Group measured such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in HK(IFRIC) 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

Other change in accounting policies which are relevant to the Group's financial statements is as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3. Segment reporting

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Environmental energy and alternative energy project construction and operation: this segment engages in the construction and operation of waste-to-energy power plants, methane-to-energy power plants and industrial solid waste landfill to generate revenue from construction services, revenue from operation services as well as finance income.
- Environmental water project construction and operation: this segment engages in the construction, upgrade and operation of waste-water treatment plants to generate revenue from construction and upgrading services, revenue from operation services as well as finance income.
- Environmental technology and construction management: this segment engages in the conduct of environmental protection technology research projects and the provision of construction management services to generate management and consultancy fee income.

3. Segment reporting (continued)

- Infrastructure construction and operation: this segment engages in the construction and operation of a toll bridge to generate revenue from construction service and toll fee revenue.
- Property investment and management: this segment engages in the leasing and management of office premises and shopping arcades to generate rental and management fee income and to gain from the appreciation in the properties' values in the long term.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, investments in other financial assets, goodwill, intercompany receivables and other corporate assets. Segment liabilities include current taxation, deferred tax liabilities, creditors, other payables and accrued expenses attributable to the activities of the individual segments and borrowings managed directly by the segments, with the exception of intercompany payables.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment provision of construction management services, assistance provided by one segment to another, including technical know-how, is not measured.

The measure used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation". To arrive at EBITDA, the Group's earnings are further adjusted for the attributable share of loss of associate and items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning EBITDA, management is provided with segment information concerning revenue (including inter-segment revenue from construction management service), interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

3. Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the period is set out below:

	Environmental energy and alternative energy project construction and operation		Environmental water project construction and operation		Environmental technology and construction management		Infrastructure construction and operation		Property investment and management		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the six months ended 30 June												
Revenue from external customers	**444,922**	357,771	**445,965**	688,437	**-**	-	**68,044**	54,780	**945**	622	**959,876**	1,101,610
Inter-segment revenue	**-**	-	**-**	-	**55,597**	6,795	**-**	-	**-**	-	**55,597**	6,795
Reportable segment revenue	**444,922**	357,771	**445,965**	688,437	**55,597**	6,795	**68,044**	54,780	**945**	622	**1,015,473**	1,108,405
Reportable segment profit/(loss) (EBITDA)	**221,918**	167,277	**183,513**	189,500	**15,854**	(4,394)	**62,406**	52,745	**4,739**	399	**488,430**	405,527
Additions to non-current segment assets during the period	**321,164**	263,472	**629,432**	661,483	**876**	1,145	**61**	-	**40**	-	**951,573**	926,100
As at 30 June 2010/31 December 2009												
Reportable segment assets	**3,437,693**	2,782,766	**4,028,294**	3,562,195	**162,118**	176,511	**655,444**	616,404	**43,183**	37,403	**8,326,732**	7,175,279
Reportable segment liabilities	**1,399,507**	1,397,226	**2,000,782**	1,736,652	**30,309**	25,570	**329,820**	327,908	**4,228**	3,230	**3,764,646**	3,490,586

3. **Segment reporting (continued)**

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,015,473**	1,108,405
Elimination of inter-segment revenue	**(55,597)**	(6,795)
Consolidated turnover	**959,876**	1,101,610

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Profit		
Reportable segment profit	**488,430**	405,527
Elimination of inter-segment profits	**(23,027)**	(7,303)
Reportable segment profit derived from the Group's external customers	**465,403**	398,224
Depreciation and amortisation	**(20,065)**	(19,339)
Finance costs	**(85,251)**	(86,059)
Share of loss of associate	**(588)**	-
Unallocated head office and corporate expenses	**(7,191)**	(18,957)
Consolidated profit before taxation	**352,308**	273,869

3. Segment reporting (continued)

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities (continued)

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**8,326,732**	7,175,279
Interest in associate	**-**	588
Non-current other financial assets	**20,695**	21,385
Goodwill	**46,133**	46,133
Unallocated head office and corporate assets	**711,635**	1,423,883
Consolidated total assets	**9,105,195**	8,667,268

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**3,764,646**	3,490,586
Unallocated head office and corporate liabilities	**167,104**	246,916
Consolidated total liabilities	**3,931,750**	3,737,502

4. Turnover

The principal activities of the Group are construction, environmental protection project operation (waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plants and industrial solid waste landfill), environmental technology and construction management, toll bridge operation, property investments and management and investment holding.

Turnover represents the revenue from construction contracts, revenue from waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plants and industrial solid waste landfill operation services, finance income, toll bridge revenue and rental income. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Revenue from environmental water project construction services	**155,236**	458,270
Revenue from environmental energy and alternative energy project construction services	**236,864**	192,060
Revenue from environmental water project operation services	**175,467**	143,803
Revenue from environmental energy and alternative energy project operation services	**130,927**	96,436
Finance income	**192,393**	155,639
Toll bridge revenue	**68,044**	54,780
Gross rentals from investment properties	**945**	622
	959,876	1,101,610

The Group has transactions with the People's Republic of China ("PRC") local governmental authorities which in aggregate exceeded 10% of the Group's revenues. For the six months ended 30 June 2010, revenues from environmental water project construction and operation services, revenues from environmental energy and alternative energy project construction and operation services and finance income derived from local governmental authorities in the PRC amounted to HK$890,887,000 (six months ended 30 June 2009: HK$1,046,208,000). The revenues are included in "Environmental energy and alternative energy project construction and operation" and "Environmental water project construction and operation" segments as disclosed in note 3.

5. Profit before taxation

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**23,949**	24,059
Interest on other bank advances and other loans	**61,302**	61,170
Interest on loans from ultimate holding company	**-**	830
	85,251	86,059
(b) Other items:		
Amortisation of intangible asset	**12,115**	12,038
Depreciation	**7,950**	7,301
Dividends and interest income	**(6,235)**	(5,984)
Value-added tax refund*	**(17,614)**	(6,946)

* Value-added tax refund of HK$17,614,000 (six months ended 30 June 2009: HK$6,946,000) was received for the six months ended 30 June 2010 in relation to environmental energy project operations in the PRC. The entitlement of the value-added tax refund was unconditional and under the discretion of the relevant authorities.

6. Income tax

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**5,833**	-
Current tax –PRC income tax		
Provision for the period	**23,582**	12,675
Under/(over)-provision in prior years	**588**	(7,304)
	24,170	5,371
Deferred tax		
Origination and reversal of temporary differences	**59,688**	54,021
Actual tax expense	**89,691**	59,392

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the assessable profits for the six months ended 30 June 2010. No provision for Hong Kong Profits Tax was made in the interim financial report for the six months ended 30 June 2009 as the Group's operation 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.

Included in over-provision in prior years of the Group for the six months ended 30 June 2009 were tax credits totaling HK$4,615,000 recognised by a PRC subsidiary in connection with the purchases of domestically manufactured equipment pursuant to CaiShuiZi [2000] No.49 Notice on Relevant Issues Concerning the Offset or Exemption of Enterprise Income Tax for Foreign Investment Enterprises for Investment in the Purchase of Domestically Made Equipment.

7. 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$245,134,000 (six months ended 30 June 2009: HK$196,981,000) and the weighted average number of 3,640,583,000 ordinary shares (2009: 3,144,821,000 ordinary shares) in issue during the interim 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$245,134,000 (six months ended 30 June 2009: HK$196,981,000) and the weighted average number of 3,695,203,000 ordinary shares (2009: 3,199,199,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

8. Debtors, other receivables, deposits and prepayments

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Debtors	**239,059**	197,877
Other receivables, deposits and prepayments	**2,922,260**	2,142,113
	3,161,319	2,339,990
Less: Non-current portion		
- other receivables and deposits	**(2,177,862)**	(1,736,218)
Current portion	**983,457**	603,772

8. Debtors, other receivables, deposits and prepayments (continued)

Included in "Debtors, other receivables, deposits and prepayments" are debtors with the following ageing analysis as of the balance sheet date:

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Current	**140,322**	106,644
Less than 1 month past due	**42,520**	8,985
1 to 3 months past due	**38,195**	15,509
More than 3 months but less than 12 months past due	**18,022**	66,739
Amounts past due	**98,737**	91,233
	239,059	197,877

Debtors are due within 30 days from the date of billing.

Included in "Debtors, other receivables, deposits and prepayments" of the Group are debtors of HK$239,059,000 (31 December 2009: HK$197,877,000) of which HK$6,761,000 (31 December 2009: HK$7,169,000) and HK$28,205,000 (31 December 2009: HK$63,749,000) are due from a non-controlling shareholder and a related company respectively. Debtors represent toll bridge revenue, revenue from waste-water treatment plants, waste-to-energy power plants, methane-to-energy power plants and industrial solid waste landfill operation services. There was no recent history of default in respect of the Group's debtors. Since most of the debtors are local governmental authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 30 June 2010 (31 December 2009: HK$Nil).

"Debtors, other receivables, deposits and prepayments" include balances totaling HK$2,380,025,000 (31 December 2009: HK$1,919,206,000) which bear interest at rates ranging from 5.94% to 7.83% (31 December 2009: 5.94% to 7.83%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under Transfer-Operate-Transfer ("TOT") arrangements, among which HK$149,404,000 (31 December 2009: HK$141,001,000) and HK$1,052,794,000 (31 December 2009: HK$698,296,000) are due from a non-controlling shareholder and a related company respectively. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 30 June 2010 (31 December 2009: HK$Nil).

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

9. Gross amounts due from customers for contract work

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less anticipated losses	**4,431,919**	4,014,699
Less: Progress billings	**(686,095)**	(537,310)
Net contract work	**3,745,824**	3,477,389
Representing:		
Gross amounts due from customers for contract work		
– Non-current	**3,446,125**	3,174,793
– Current	**299,699**	302,596
	3,745,824	3,477,389

Included in "Gross amounts due from customers for contract work" are amounts of HK$260,513,000 (31 December 2009: HK$270,221,000) and HK$175,344,000 (31 December 2009: HK$181,671,000) which are due from a non-controlling shareholder and a related company respectively.

"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 5.94% to 7.83% (31 December 2009: 5.94% to 7.83%) 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.

10. Cash and cash equivalents

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Deposits with banks	**511,375**	1,259,835
Cash at bank and in hand	**727,699**	683,950
	1,239,074	1,943,785

Included in "Cash and cash equivalents" are deposits of HK$154,431,000 (31 December 2009: HK$31,717,000) which are placed with a related party bank.

11. Creditors, other payables and accrued expenses

Included in "Creditors, other payables and accrued expenses" are creditors with the following ageing analysis as of the balance sheet date :

	At 30 June 2010	At 31 December 2009
	HK$'000	*HK$'000*
Due within 1 month or on demand	**71,508**	58,861
Due after 1 month but within 3 months	**54,305**	45,129
Due after 3 months but within 6 months	**4,984**	52,368
Due after 6 months	**235,434**	228,244
Total creditors	**366,231**	384,602
Other payables and accrued expenses	**86,039**	96,879
	452,270	481,481

Included in "Creditors, other payables and accrued expenses" of the Group is an amount of HK$3,080,000 (31 December 2009: HK$3,719,000) 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, balances totaling HK$336,789,000 (31 December 2009: HK$374,518,000) represent construction payables for the Group, among which HK$4,623,000 (31 December 2009: HK$4,594,000) and HK$11,493,000 (31 December 2009: HK$11,754,000) are due to related companies and a non-controlling shareholder respectively. The construction payables are current and not yet due for payment. The amounts due to related companies and a non-controlling shareholder are unsecured, interest free and expected to be settled within one year.

12. Dividends

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Interim dividend declared after the interim period of HK1.0 cent per ordinary share (2009: HK1.0 cent per ordinary share)	**36,422**	31,507

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

12. 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	
	2010	2009
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.2 cents per ordinary share (six months ended 30 June 2009: HK1.0 cent per ordinary share)	**43,683**	31,447

In respect of the dividends attributable to the year ended 31 December 2009, the difference between the final dividend proposed and the amount approved and paid during the year represents the additional dividends to the ordinary shareholders upon the exercise of share options before the closing date of the register of members.

BUSINESS REVIEW AND PROSPECT

OPERATING RESULTS

The United Nations Climate Change conference in Copenhagen held at the end of 2009 has drawn the focus of the world to environmental protection issues. Addressing climate problems, developing a green economy and promoting the realisation of sustainable development across the world have become shared goals of the people of all countries.

As a responsible developing country, the PRC has recently escalated efforts to promote environmental protection businesses. The Group's strategy in the environmental protection and alternative energy businesses has been conceived with a full appreciation of the development focus and strategy of the country. At present, the Group has classified its businesses into three core sectors, Environmental Energy, Environmental Water and Alternative Energy. Hong Kong head office serves as an investment management centre and Shenzhen and Beijing as engineering technology management and technological research and development bases. The Group's operations are primarily spread over Jiangsu, Shandong, Guangdong and Anhui Provinces, focusing its businesses within certain major districts. This footprint has enabled the Group to effectively control construction and operating costs and achieve greater economies of scale and synergies of businesses.

The year 2010 is witnessing the most project construction ever undertaken by the Group in its history. In the first half of the year, many construction projects have commenced according to schedule. The Group expects a surge of construction service revenue as a result of construction works in full swing in the second half year. In addition, with the number of operating projects increasing, the operation service revenue is also forming a solid revenue base of the Group. During the period under review, the consolidated turnover of the Group amounted to HK$959,876,000, representing a decrease of 13% from HK$1,101,610,000 in the same period last year. The drop in turnover was mainly due to the decline in the construction service revenue during the period as compared to that in the same period last year. During the period, the EBITDA on recurring basis amounted to HK$453,628,000, representing an increase of 20% from HK$379,267,000 in the last corresponding period. Profit attributable to equity shareholders during the period was HK$245,134,000, representing a growth of 24% as compared to the same period last year. Basic earnings per share for the first half of 2010 were HK6.73 cents, 0.47 cent more than HK6.26 cents in the last corresponding period.

To reward shareholders for their support and considering the need of the Group to achieve long term continuous development, the Board declared to pay an interim dividend of HK1.0 cent per share (2009: HK1.0 cent per share).

Environmental Protection and Alternative Energy Businesses

During the period under review, the Group continued to explore its environmental protection and alternative energy businesses actively. The Group secured 9 new projects, commanding a total investment of approximately RMB692,000,000. Currently, the Group has 41 environmental protection and alternative energy projects commanding a total investment of approximately RMB8,509,000,000 (equivalent to approximately HK$9,715,000,000). The investment cost of projects that have completed construction amounted to approximately RMB5,214,000,000 (equivalent to approximately HK$5,953,000,000) while the investment in projects under construction was about RMB2,775,000,000 (equivalent to approximately HK$3,168,000,000). For projects yet to commence construction, the estimated investment cost is approximately RMB520,000,000 (equivalent to approximately HK$594,000,000). The total designed annual processing capacity of the projects of the Group is approximately 3,200,000 tonnes of household waste, approximately 38,000 m^3 of other waste, approximately 510,000 tonnes of agricultural and forestry waste, together capable of supplying on-grid electricity of approximately 1,275,000,000 kilowatt-hours a year. The designed annual waste water treatment capacity of all the waste water treatment projects is approximately 570,000,000 m^3.

During the period under review, the turnover from environmental energy, alternative energy and environmental water projects reached HK$890,887,000 (construction service revenue: 44%, operation service revenue: 34%, and finance income: 22%), a decrease of 15% when compared with the same period in 2009 and accounting for 93% of the Group's total turnover, 2 percentage points lower than in 2009. The turnover decreased as construction of certain new projects was still in the initial stage which resulted in lower construction service revenue to be recognized during the period. However, the continuing growth of profit contribution from the operating projects enhanced the overall profit of environmental protection and alternative energy businesses. During the period under review, EBITDA of the environmental protection and alternative energy businesses amounted to HK$397,670,000, an increase of 15% when compared with the last corresponding period and accounting for 88% of the Group's total EBITDA on recurring basis.

Major operating and financial data of the environmental protection and alternative energy businesses in the first half of 2010 is summarised in the chart below:

	2010			2009		
	Environmental Energy and Alternative Energy projects HK$'000	**Environmental Water projects HK$'000**	**Total HK$'000**	Environmental Energy and Alternative Energy projects HK$'000	Environmental Water projects HK$'000	Total HK$'000
Turnover						
- Construction service	**236,864**	**155,236**	**392,100**	192,060	458,270	650,330
- Operation service	**130,927**	**175,467**	**306,394**	96,436	143,803	240,239
- Finance income	**77,131**	**115,262**	**192,393**	69,275	86,364	155,639
	444,922	**445,965**	**890,887**	357,771	688,437	1,046,208
EBITDA	**218,336**	**179,334**	**397,670**	163,277	181,803	345,080

During the period under review, the Group has processed household and industrial waste of 922,000 tonnes and generated green (on-grid) electricity of 228,073,000 kilowatt-hours, which can fulfill the annual electricity consumption of approximately 190,000 households (calculation based on annual electricity consumption of 1,200 kilowatt-hours per household) and is equivalent to coal saving of 104,889 tonnes (power generation×0.4/1000) and reducing carbon dioxide (CO_2) emissions by 230,262 tonnes (including Suzhou Landfill Methane-to-energy Project ("Methane Project")). Meanwhile, the Group has processed 212,093,000 m^3 of waste water and leachate from waste-to-energy plants and reduced COD emission by 84,129 tonnes.

Environmental Energy

As at 30 June 2010, the Group's environmental energy business comprised 10 waste-to-energy projects, 5 environmental protection industrial parks and 2 industrial solid waste landfill projects. The designed total capacity included an annual household waste processing capacity of approximately 3,200,000 tonnes which is capable of producing an annual on-grid electricity of approximately 900,000,000 kilowatt-hours. The industrial waste storage capacity is approximately 400,000 m^3. To coordinate and manage all waste-to-energy and solid waste landfill projects, the Group established China Everbright Environmental Energy Limited in Suzhou last year.

During the period under review, the Group jointly invested with Jiangsu Dagang Co Ltd and Zhenjiang New Universe Solid Waste Disposal Co Ltd in the Zhenjiang Solid Waste Landfill Project ("Zhenjiang Landfill Project") of which the Group held 30% equity interest. The Zhenjiang Landfill Project is the only landfill in Zhenjiang City that processes hazardous waste and principally handles electroplating sludge, incineration ash and batteries, etc. As part of a master plan, the project will be constructed in phases. The capacity of Phase I is 200,000 m^3 with an investment of approximately RMB100,000,000, and an estimated annual processing capacity of 18,000 m^3. The project is expected to commence construction by the fourth quarter of 2010.

Moreover, the Group is now negotiating with the municipal governments of Suzhou and Yixing cities in respect of the expansion of waste-to-energy projects. Announcements will be made once the formal agreements are signed.

During the period under review, the environmental energy projects of the Group together processed 922,000 tonnes of household waste, 19,000 m^3 of solid waste and generated on-grid electricity of 215,155,000 kilowatt-hours, representing an increase of 32%, 164% and 47% against the same period last year. The environmental energy projects brought an EBITDA of HK$212,750,000, representing an increase of 35% against the last corresponding period. The increase in profit was mainly attributable to the beginning of the construction work of Jinan Waste-to-energy Project ("Jinan Project"), Zhenjiang Waste-to-energy Project ("Zhenjiang Project") and Jiangyin Waste-to-energy Project ("Jiangyin Project") Phase II which increased the construction service revenue. In the meantime, the rise of waste processing volume also increased the profit contribution from the operating projects during the period under review.

Major operations and financial data of the environmental energy business in the first half of 2010 is summarised below:

	Waste processing volume (tonne)		**On-grid electricity (kWh)**		**EBITDA (HK$'000)**	
	2010	2009	**2010**	2009	**2010**	2009
- Suzhou Waste-to-energy Project ("Suzhou Project") Phase I and Phase II (1)	**447,000**	225,000	**111,539,000**	52,476,000	**107,325**	83,411
- Yixing Waste-to-energy Project ("Yixing Project") (2)	**121,000**	115,000	**25,590,000**	22,480,000	**14,133**	15,059
- Jiangyin Project Phase I and Phase II (3)	**163,000**	174,000	**36,870,000**	34,770,000	**28,559**	23,076
- Changzhou Waste-to-energy Project ("Changzhou Project") (4)	**191,000**	183,000	**41,156,000**	37,030,000	**27,891**	33,453
- Jinan Project (5)	-	-	-	-	**14,016**	-
- Zhenjiang Project (6)	-	-	-	-	**10,514**	-
- Suqian Waste-to-energy Project ("Suqian Project") (7)	-	-	-	-	**(1,095)**	-
- Huidong Waste-to-energy Project ("Huidong Project") (8)	-	-	-	-	**(910)**	-
	922,000	697,000	**215,155,000**	146,756,000	**200,433**	154,999
- Suzhou Solid Waste Landfill Project ("Solid Waste Project") (m^3)(9)	**19,000**	7,200	-	-	**12,317**	2,858
					212,750	157,857

(1) The increase in profit of Suzhou Project was mainly attributable to the recognition of construction cost saving upon completion of the construction final accounts of Phase II, the increase in power generation and the gradual increase in operational efficiency.

(2) The decrease in profit of Yixing Project was mainly attributable to the increase in maintenance cost during the first half of the year.

(3) The increase in profit of Jiangyin Project was mainly attributable to the construction of Phase II during the period under review which generated construction service revenue.

(4) The decrease in profit of Changzhou Project was mainly attributable to the recognition of revenue generated during the trial run period in the first half of 2009.

(5) Construction work of Jinan Project commenced in February 2010. Commercial operation is expected to commence in 2011.

(6) Construction work of Zhenjiang Project commenced in March 2010. Commercial operation is expected to commence in 2011.

(7) Construction work of Suqian Project commenced in June 2010. Commercial operation is expected to commence in 2012.

（8） Huidong Project is now under preparation as planned. Construction is expected to commence in the second half of 2010.

（9） The increase in profit of Solid Waste Project was mainly attributable to the increase in solid waste treatment volume which increased the revenue of the Project.

Environmental Protection Industrial Parks

Environmental protection industrial parks are another environmental energy business which the Group has strived to expand. With centralised management, the projects in the industrial parks will enjoy greater economies of scale and synergies. Apart from the Suzhou Veinous Industrial Park, the Group currently has agreements with the municipal governments of Zhenjiang, Suqian, Changzhou and Yantai to develop industrial parks.

During the period under review, the Group has signed an investment cooperative framework agreement with the People's Government of Mudu County in Wuzhong District, Suzhou City, Jiangsu Province to increase its investment in Suzhou Veinous Industrial Park. Pursuant to the agreement, the total designed scale of the Suzhou Veinous Industrial Park rise to approximately RMB3,330,000,000 (approximately HK$3,800,000,000) with the building of more than 10 additional environmental protection projects. In June 2010, the Suzhou Veinous Industrial Park was named as a Model Veinous Ecological Industrial Pilot Park for Sino-Japanese Technology Cooperation by the Ministry of Environmental Protection of the PRC.

In March 2010, the Group has signed a cooperative framework agreement with the Changzhou Urban Administration Bureau in relation to the Changzhou Everbright Low Carbon Emission Economic Park. The Group is to invest approximately RMB1,000,000,000 and build 9 projects within this park in two phases. The projects include integrated wind and photovoltaic alternative energy, waste landfill methane-to-energy and treatment of leachate, integrated treatment of kitchen wastes, integrated treatment of construction wastes and incineration residues, integrated treatment of electronic wastes, research and development in alternative energy technology and an environmental protection education base, etc.

In June 2010, the Group has signed a framework agreement with Yantai Municipal People's Government of Shandong Province for investment and construction of a veinous industrial park to improve and optimise the development of environment and energy structure in Yantai. The total investment of which is approximately HK$3,000,000,000 to HK$5,000,000,000. The project will be implemented in phases according to the principle of "implementing projects with one success followed by another". This is the fifth industrial park after similar facilities in Suzhou, Zhenjiang, Suqian and Changzhou, all in Jiangsu Province.

Environmental Water

As at 30 June 2010, the Group's environmental water sector comprised a total of 18 waste water treatment projects and 2 reusable water projects with an annual waste water treatment capacity of approximately 570,000,000 m^3. During the period, the Group has also established China Everbright Water Investments Limited in Jinan which is responsible for the coordination and management of all water projects.

During the period under review, the environmental water projects treated 212,093,000 m^3 of waste water, representing an increase of 36% as compared with the same period last year. These operations brought an EBITDA of HK$179,334,000, representing a decrease of 1% against the last corresponding period. The slight decrease in profit was mainly attributable to the decline in construction service revenue which offset the growth of profit contribution from the operating projects.

Major operating and financial data of the environmental water sector in the first half of 2010 is summarised in the chart below:

	Waste water treatment volume (m^3)		**EBITDA (HK$'000)**	
	2010	2009	**2010**	2009
- Qingdao Waste Water Treatment Project ("Qingdao Project") (1)	**31,844,000**	31,224,000	**11,993**	16,357
- Zibo Waste Water Treatment Project (including Southern and Northern Plants) ("Zibo Southern and Northern Plants Project") (2)	**39,976,000**	37,611,000	**13,981**	9,725
- Zibo High-tech Zone Waste Water Treatment Project ("Zibo High-tech Zone Project") (2)	**16,048,000**	14,997,000	**5,142**	5,086
- Jinan Waste Water Treatment Project (Plant 1 and Plant 2) ("Jinan Waste Water Project") (3)	**73,620,000**	54,961,000	**51,350**	74,014
- Jinan Licheng Waste Water Treatment Project (Plant 3) ("Jinan Licheng Project") (4)	**16,965,000**	-	**9,689**	19,522
- Jinan Xike Waste Water Treatment Project (Plant 4) ("Jinan Xike Project") (5)	**-**	-	**8,043**	-
- Boxing Waste Water Treatment Project ("Boxing Project") (6)	**5,694,000**	3,138,000	**15**	6,174
- Zhoucun Waste Water Treatment Project ("Zhoucun Project") (7)	**8,501,000**	-	**821**	5,910
- Jiangyin Waste Water Treatment Project ("Jiangyin Waste Water Project") (8)	**19,445,000**	14,543,000	**64,083**	45,015
- Ling County Project Plant 2 ("Ling County Plant 2 Project") (9)	**-**	-	**13,000**	-
- Xinyi Waste Water Treatment Project ("Xinyi Project") (10)	**-**	-	**1,217**	-
	212,093,000	156,474,000	**179,334**	181,803

(1) The decrease in profit of Qingdao Project was mainly attributable to the receipt of waste water treatment adjustment fee of RMB7,040,000 in the first half of 2009.

(2) The increase in profit of Zibo Southern and Northern Plants Project and Zibo High-tech Zone Project was mainly attributable to the global economic recovery during the period under review which increased the waste water treatment volume as well as the operation service revenue.

(3) The decrease in profit of Jinan Waste Water Project was mainly attributable to the recognition of construction service revenue of overall upgrading work in the first half of 2009. During the period under review, this project mainly recognized operation service revenue.

(4) The decrease in profit of Jinan Licheng Project was mainly attributable to the recognition of construction service revenue during construction in the first half of 2009. During the period under review, this project mainly recognized operation service revenue.

(5) Jinan Xike Project commenced commercial operation in June 2010.

(6) The decrease in profit of Boxing Project was mainly attributable to the recognition of construction service revenue during construction in the first half of 2009. This project is now implementing technological debugging in order to enhance the long term operating efficiency.

(7) The decrease in profit of Zhoucun Project was mainly attributable to the recognition of construction service revenue during construction in the first half of 2009. During the period under review, this project mainly recognized operation service revenue.

(8) The increase in profit of Jiangyin Waste Water Project was mainly attributable to the increase in waste water treatment volume which in turn increased the operation service revenue.

（9） Construction work of Ling County Plant 2 Project was completed and commercial operation commenced in June 2010.

（10）Xinyi Waste Water Project commenced construction in March 2010 and is expected to be completed in the fourth quarter of 2010.

During the period under review, the Group has continuously expanded its environmental water business and successfully obtained reusable water projects. In February 2010, the Group through its wholly-owned subsidiary, Everbright Water (Zibo) Limited, signed a Reusable Water Supply Agreement with Huadian Zibo Power Company Limited to supply supplementary water for power plant boilers. This marked the Group's breakthrough to cover reusable water operation. At a total investment of RMB55,000,000, this project is designed to process 400 m^3 of water an hour. With construction started in March 2010, it is expected to begin trial run by the end of this year. In May 2010, the Group through its wholly-owned subsidiary, Everbright Water (Jinan Licheng) Limited ("Everbright Licheng"), has entered into an agreement in respect of the reusable water project with Huangtai Heat and Power Company（"Huangtai Power Plant"）of the Shandong Luneng Development Group, pursuant to which Everbright Licheng will provide reusable water to Huangtai Power Plant as recycled chilled water. The project, with an investment of RMB15,000,000, has an annual designed water capacity of 6,000,000 m^3. Construction of the project commenced in July and is expected to start trail run at the year end.

Located in Jinan City, Shandong Province, the Jinan Xike Project with a designed daily treatment capacity of 30,000 m^3 has been constructed in compliance with Grade 1A national standard and commenced commercial operation in June 2010. Together with the existing Jinan Waste Water Project Plant 1 and Plant 2 and the Jinan Licheng waste water treatment plant, the Group's total daily treatment capacity in Jinan city has increased to 630,000 m^3. These plants have also reached Grade 1A national waste water discharge standard. Ling County Plant 2 Project in Dezhou city, Shandong Province, with a total investment cost of approximately RMB58,000,000 and a designed daily treatment capacity of 30,000 m^3, has also commenced commercial operation in the same period. In addition, the Group has entered into an agreement with the Government of Ling County to acquire the Ling County Plant 1 Waste Water Treatment Project at a total investment of RMB33,720,000. The project, with a designed daily treatment capacity of 30,000 m^3, has met Grade 1B national waste water discharge standard. This project was handed over for operation in June 2010.

In addition to self-built and self-operated projects, the Group has also signed a Build and Transfer ("BT") contract in January 2010 for construction of Phase I of a waste water treatment plant in the Xinyi Economic Development Zone in Jiangsu Province. The project commands a total investment of approximately RMB62,150,000 and has a daily designed waste water treatment capacity of 10,000 m^3. The Group is responsible for the construction and upon completion in the fourth quarter of 2010, the project will be transferred to the Xinyi Government.

Alternative Energy

The country has been actively striving to build a low-carbon economy in recent years and renewable energy has become a new economic growth driver. The Group has been pursuing the growth opportunities with determination, confidently developing a green energy and alternative energy business in the bid to expand the coverage and establish a strong position in the sector. During the period, the Group has established China Everbright Alternative Energy Investment Limited in Beijing to coordinate and manage all of its alternative energy projects.

As at 30 June 2010, the Group has already secured 13 alternative energy projects with a total designed annual power generation capacity of approximately 375,000,000 kilowatt-hours. 9 of these are independent projects, with a total investment of approximately RMB909,000,000, including the Suzhou

Methane-to-Energy Project Phase I & II, the Zibo Waste Water Source Heat Pump Project, the Xinyi Straw Cogeneration Project, the Dangshan Biomass Power Generation Project, the Huaining Photovoltaic Energy Project, the Shenzhen Rooftop Photovoltaic Energy Project, the Zhenjiang Photovoltaic Energy Project and the Suzhou Leachate Methane-to-Energy Project. Of these, the construction of the Zibo Waste Water Source Heat Pump Project, the Huaining Photovoltaic Energy Project, the Shenzhen Rooftop Photovoltaic Energy Project and the Zhenjiang Photovoltaic Energy Project are to be completed for commercial operation this year.

In addition to the Methane Project, the Group is currently developing the leachate methane-to-energy projects in Suzhou, Yixing and Changzhou to enhance the long term operation efficiency of the relevant projects. During the period under review, the Methane Project supplied 12,918,000 kilowatt-hours of electricity to the power grid and brought an EBITDA of HK$6,307,000, representing an increase of 16% as compared with the same period last year.

The Group has also pushed forward solar energy and biomass power generation projects, making satisfactory progress. This thrust in developing alternative energy is not only aligned with global trends and the PRC’s quest for sustainable development, but is expected to become a profit driver for the Group in the near future.

In January 2010, the Group signed an investment agreement for a biomass combustion power and heat cogeneration project in Xinyi City with the Xinyi Municipal Government in Jiangsu Province. With a total investment of approximately RMB338,000,000, the project, which will be equipped with two 15MW electricity generators, has a designed daily processing capacity of 800 tonnes or an annual processing capacity of 260,000 tonnes of agricultural and forestry waste. It is expected to commence commercial operation in 2012.

The Group has signed an investment cooperative framework agreement with the Dangshan Municipal Government in Suzhou City, Anhui Province, in relation to the Dangshan Biomass Power Generation Project. The project is to be built in two phases. Phase I, with an investment of approximately RMB312,000,000 is to include one 150t/h furnaces and one 30MW electricity generator. The project, with an annual processing capacity of 250,000 tonnes of agricultural and forestry waste, is expected to commence commercial operation in 2012.

In February 2010, the Group signed a framework agreement with the People’s Government of Huaining County, Anhui Province, for construction of a solar photovoltaic power station in an on-grid electricity project. The Group is to invest RMB50,470,000 in Phase I to build a 2MWp photovoltaic power station with four 500kWp photovoltaic power generation sub-systems, and is expected to be completed and to commence commercial operation by the end of 2010. The project has been included by the National Finance Commission and Development and Reform Commission and falls under the category of “2009-2011 Grid-linked Solar Energy Projects of the Golden Sun Pioneer Project List”.

In June 2010, the Group entered into a cooperative agreement with DuPont Apollo (Shenzhen) Limited for a rooftop photovoltaic energy generation project. The Everbright Environmental-DuPont Apollo Photovoltaic Energy Golden Sun Pilot Project is to carry a total investment of approximately RMB27,917,000. Under the project, a photovoltaic energy generation station is to be built on the rooftop of the DuPont plant at the DuPont Photovoltaic Energy Technology Industrial Park in Dongpian District, Guangming New District, Shenzhen. With an operation term of 25 years, the energy generation station will have a total installed capacity of approximately 1,300 kilowatt-hours and is expected to be completed in October this year. The project has been included in the “2009-2011 National Golden Sun Pilot Project List”.

In June 2010, the Group also signed an investment agreement in relation to the Zhenjiang solar energy photovoltaic energy project with the Management Committee of Zhenjiang New District in Jiangsu

Province. This is the Group's first photovoltaic energy project in Jiangsu Province which would facilitate the study of the feasibility of the combination of photovoltaic energy and ecological agriculture. With a total investment of approximately RMB73,490,000, the project is planned to have a capacity of 3.5MWp and a term of operation of 25 years. The project is expected to be completed and to commence commercial operation by the end of this year.

During June 2010, the Group signed investment cooperative framework agreements with the People's Governments of Lixin County in Bozhou City of Anhui Province and Shuyang County in Suqian City of Jiangsu Province in relation to the Lixin Biomass Power Generation Project and the Shuyang Biomass Power Generation Project. The projects cover the construction of biomass power generation projects in these counties using agricultural waste and straw as fuel. The Group is currently negotiating the detail terms of the projects with the respective municipal governments. Announcements will be made after formal agreements are signed.

Environmental Protection Engineering

Everbright Environmental Protection Engineering (Shenzhen) Limited ("Everbright Environmental Engineering") is the Group's engineering technology platform for environmental protection construction business development in the PRC. Everbright Environmental Engineering holds a licence of a "Main Contractor for Municipal Public Works" and ISO9001:2000 (Quality), ISO-14001 (Environment) and OHSMS28001 (Occupational Health and Safety) Management System accreditations. It is also a "High-tech Enterprise". Completed projects of Everbright Environmental Engineering include construction of household waste-to-energy plants, solid waste landfills and methane-to-energy plants in Suzhou City, Yixing City, Jiangyin City and Changzhou City in Jiangsu Province, and construction and upgrading of waste water treatment plants in Zibo City and Jinan City in Shandong Province. Other projects in progress include household waste-to-energy projects and waste water treatment projects in Jiangyin City, Zhenjiang City, Suqian City and Xinyi City in Jiangsu Province and Jinan City and Zibo City in Shandong Province.

In 2010, the Group has focused on the construction of 10 major projects including 5 environmental energy projects in Jinan, Jiangyin (Phase II), Zhenjiang, Suqian and Huidong, 2 alternative energy projects in Xinyi and Dangshan and 3 waste water treatment projects in Jinan Xike, Xinyi and Ling County. 2 waste water treatment projects in Jinan Xike and Ling County have been completed in the first half of the year. 4 environmental energy projects in Jinan, Jiangyin (Phase II), Zhenjiang and Suqian and the Xinyi Waste Water Project, the Jinan Reusable Water Project and the Zibo Reusable Water Project have commenced construction. In the second half of the year, the Group will put great effort to commence construction work of other projects.

Environmental Protection Technological Development

Everbright Environmental Protection Technology Development (Beijing) Limited ("Everbright Technology Development") is the Group's platform for cooperation with technology research institutions, advanced international technology transfer and technological research and development.

To facilitate the Group's expansion into the alternative energy business, Everbright Technology Development is to be responsible for the technological design and construction engineering of alternative energy projects. In the first half of the year, it has decided the schedules of the biomass power generation projects, among which the biomass power generation project in Dangshan has started construction.

In 2010, the Group identified 10 major research and development topics including domestically developed grate furnaces and automatic control systems; standardisation of design of waste-to-energy and waste water treatment projects; technologies on waste-to-energy and waste water treatment in small to medium cities; technology application on reusable water; solar energy, wind power and biomass power generation; and establishment of a sludge treatment and waste leachate treatment centre. Among these, the waste water source heat pump project in Zibo and the leachate-to-energy projects in Zhenjiang and

Jinan have started construction.

During the period under review, the Group also obtained one invention patent. The assessment of 9 other patent applications has entered the public inspection stage. In the first half of the year, the Group has submitted applications for 5 research projects in various districts.

Infrastructure Investment

Toll Bridge

Located at a major transportation hub in Fujian Province, the traffic flow of Qingzhou Bridge has been steadily increasing since its opening in 2003, contributing a steady cash flow for the Group. In the first half of 2010, the average daily number of standard vehicles crossing the bridge was increased by 23% to 42,092 as compared with the last corresponding period. During the period under review, the project generated an EBITDA of HK$62,406,000 to the Group, an increase of 18% as compared with the last corresponding period. With the gradual recovery of the global economy bringing an increase in the number of trucks, it is expected that the traffic volume of Qingzhou Bridge will steadily keep increasing.

Honours and Recognition

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

Date	***Organizer***	***Awards***
February 2010	solidwaste.com.cn	2009 Top 10 Most Influential Solid Waste Companies in the PRC
June 2010	China Vitality Association and China Enterprise News	2010 Most Innovative Companies in the PRC

Business Prospects

The energy shortage around the world has pushed the PRC, as a major energy production and consumption country, to improve its energy structure and strengthen the development of alternative energy and renewable energy. Currently, the wind, solar and biomass power generation industries have made satisfactory progress. The solar energy output in the country ranks the first in the world. At present, the alternative energy, new materials, energy saving and environmental protection, biopharmaceutical, information networking and high-end manufacturing industries have been categorised as strategic new industries which are supported by favourable governmental policies.

While seizing opportunities in developing its alternative energy and environmental protection sectors, the Group will also focus on the low-carbon technology industry. Looking ahead, it intends to develop the wind power segment on top of the solar energy, biomass power generation and methane-to-energy businesses, within the alternative energy market. In addition to its existing businesses in Shandong, Jiangsu and Anhui, the Group will also study the feasibility of land and marine wind power projects to further penetrate the alternative energy market.

In the future, the Group will concentrate on the low-carbon ecological and environmentally friendly, energy saving and recycling businesses. Guided by the principle of “implementing projects with one success followed by another” and the philosophy of “Integrity, efficiency, innovation and pragmatism”, it will continue to consolidate its leadership in the existing market sectors where it currently operates, while seeking to develop other new market sectors with an aim to further expand the coverage of its environmental protection and alternative energy businesses within the country.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

As at 30 June 2010, the Group had total assets amounting to approximately HK$9,105,195,000. Net assets attributable to equity shareholders of the Company were HK$4,797,325,000 . Net asset value per share attributable to equity shareholders was HK$1.317, 5% higher than that of HK$1.257 at the end of 2009. As at 30 June 2010, gearing ratio (total liabilities over total assets) of the Group was 43%, same as that of the last year end .

Financial Resources

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funding. It primarily finances its operations with internally generated cash flow and loan facilities from banks and funds from its ultimate holding company. As at 30 June 2010, the Group had cash and bank balances of approximately HK$1,371,076,000, representing a decrease of HK$653,196,000 as compared to HK$2,024,272,000 for the last year end. The decrease was mainly due to the payment of construction costs during the period. Currently, most of its cash, about 99%, is denominated in Hong Kong dollars and Renminbi.

Borrowings

In 2009, the Group was granted a 10-year US$200,000,000 loan facility from the Asian Development Bank. Up to the date of this announcement, such loan has not yet been utilized. As the construction of new projects will gradually enter into peak period, it is expected the loan will be utilized in the second half of the year which provides a solid financial support to the Group.

As at 30 June 2010, the Group had outstanding borrowings of approximately HK$3,253,901,000, representing an increase of HK$152,595,000 compared to HK$3,101,306,000 at the end of 2009. The borrowings comprised secured bank loans of HK$1,922,267,000, unsecured bank loans of HK$1,178,399,000, other loans of HK$39,963,000 and loans of HK$113,272,000 owed to the ultimate holding company. The borrowings are mainly, about 93%, denominated in Renminbi and the remainder are denominated in US dollars and Hong Kong dollars. The borrowings have variable interest rates. For the first half of 2010, the average interest rate of the Group’s borrowings dropped from 5.88% in the same period last year to 5.37%, which was mainly attributable to interest rate cut.

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2010, certain banking facilities of the Group were secured by certain revenue and receivables in connection with the Group’s service concession arrangement, bank deposits, mortgages on fixed assets and shares of a subsidiary of the Company. The aggregate net book value of assets pledged amounted to HK$4,486,942,000 as at 30 June 2010.

Commitments

As at 30 June 2010, the Group had outstanding purchase commitments outstanding in connection with construction contracts of HK$565,658,000.

Contingent Liabilities
As at 30 June 2010, the Company had issued financial guarantees to five wholly-owned subsidiaries and a non-wholly owned subsidiary. 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 2010 under the guarantees issued is the facility drawn down by the subsidiaries of HK$1,182,395,000.

Internal Management
The Group adheres diligently to the management principle of "People-orientation, Pragmatism, Creativity and Systematic Management" and is committed to building a solid risk management culture. During the period under review, the Group has adopted a series of measures to strengthen internal management and optimised the management and standardisation of construction procedures to further enhance the quality of the relevant practice. It has further revised its "Investment Project Management Policy" and the "Staff Salary and Remuneration Management Policy", strengthened a "Financial Computerised Management and System" and a "Management Policy of Environmental and Social Responsibility of Waste-to-energy Projects". With the help of the Risk Management Advisory Committee, the Engineering Technical Management Committee and the Budget Approval and Management Committee, the Group has formulated strict regulations on investment in and construction and operation of environmental protection and alternative energy projects.

Human Resources
The Group highly values its human resources. It believes realising the full potential of its employees is crucial to its long term growth. In the first half year, the Group held outdoor training to facilitate new staff to better understand the corporate culture, operational concepts and development strategy, to help them to unite the company's employees and to build their team spirit. Four interactive video training sessions were held in the first half year as well, where external professionals were invited to share their insights about environmental protection, intellectual property, sociology, and other topics. Financial and legal training was also provided to enrich the professional knowledge of staff. The modules for the first master's degree course in Engineering co-organised with the School of Environmental Science and Engineering of Qinghua University have been completed and students have begun preparing the theses. Preparations for the second master's degree course are currently underway, and the course is planned to start next year. The Group intends to provide more appropriate training and learning opportunities for our staff, thereby cultivating more manpower to support the Group's sustainable development.

As at 30 June 2010, the Group had approximately 1,200 employees in Hong Kong and the PRC. Employees of the Group are remunerated according to their qualifications, experience, job responsibilities, performance, and with reference to market conditions. Apart from discretionary performance bonus, the Group also provides other benefits including medical insurance and provident fund schemes to employees in Hong Kong. According to the share option scheme approved at 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 employees, including directors. During the period under review, no share option was granted.

Corporate Governance
The Code on Corporate Governance ("the Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") has been duly adopted by the Board as the code on corporate governance practices of the Company.

For the six months ended 30 June 2010, the Company had complied with the code provisions of the Code and most of the recommended best practices as set out in the Code.

Audit Committee

The Audit Committee comprises three members, all independent non-executive directors, namely Sir David Akers-Jones (the Chairman), Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar. Its responsibilities include 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. 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 2010 interim report of the Company. The interim financial results have also been reviewed by the Company's Audit Committee.

Remuneration Committee

The Remuneration Committee comprises Mr. Zang Qiutao (the Chairman), Vice-chairman of the Board, and three independent non-executive directors, namely Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar. Its main duties include advising the Board on matters pertaining to the remuneration policy and remuneration structure of the directors and senior management of the Company. 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 set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiry was made with all the directors, who confirmed they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2010.

Other Information

Interim dividend

The Board has declared payment of an interim dividend of HK1.0 cent per ordinary share for the six months ended 30 June 2010 (2009: HK1.0 cent per ordinary share) to shareholders whose names appear on the register of members of the Company on Friday, 17 September 2010. Dividend warrants will be dispatched to shareholders on or about Thursday, 14 October 2010.

Closure of register of members

The register of members of the Company will be closed from Friday, 17 September 2010 to Wednesday, 22 September 2010 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 16 September 2010.

Purchase, sale or redemption of the Company's listed securities
There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the period.

By Order of the Board
China Everbright International Limited
Chen Xiaoping
Chief Executive Officer

Hong Kong, 19 August 2010

As at the date of this announcement, the Board comprises : (i) 7 executive directors, namely Mr. Tang Shuangning, Mr. Zang Qiutao, Mr. Li Xueming, Mr. Chen Xiaoping, Mr. Wang Tianyi, Mr. Raymond Wong Kam Chung and Mr. Cai Shuguang; (ii) 1 non-executive director, Mr. Philip Fan Yan Hok; and (iii) 3 independent non-executive directors, namely Sir David Akers-Jones, Mr. Aubrey Li Kwok Sing and Mr. Selwyn Mar.