



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 2007

FINANCIAL HIGHLIGHTS

- Turnover increased by 43% to HK\$519,686,000
- EBITDA on recurring basis increased by 102% to HK\$182,365,000
- Profit attributable to equity shareholders increased by 95% to HK\$167,551,000
- Basic earnings per share increased by 72% to HK5.44 cents
- Interim dividend of HK0.6 cent per share (2006 : HK0.6 cent per share)

INTERIM RESULTS

The board of directors (the “Board”) of China Everbright International Limited (“the Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively “the Group”) for the six months ended 30 June 2007. 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

		Six months ended 30 June	
		2007	2006
			(restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	519,686	362,846
Direct costs and operating expenses		<u>(324,032)</u>	<u>(264,851)</u>
		195,654	97,995
Other revenue		29,757	9,177
Other income		23,683	27,745
Administrative expenses		(56,586)	(29,779)
Valuation gains on investment properties		<u>13,664</u>	<u>6,971</u>
Profit from operations		206,172	112,109
Finance costs	5	<u>(28,967)</u>	<u>(32,159)</u>
		177,205	79,950
Share of profits of associates	4	<u>3</u>	<u>24,542</u>
Profit before taxation	5	177,208	104,492
Income tax	6	<u>1,449</u>	<u>(6,781)</u>
Profit for the period		<u>178,657</u>	<u>97,711</u>
Attributable to:			
Equity shareholders of the Company		167,551	86,088
Minority interests		<u>11,106</u>	<u>11,623</u>
Profit for the period		<u>178,657</u>	<u>97,711</u>
Dividends payable to equity shareholders of the Company attributable to the interim period			
Interim dividend declared after the balance sheet date	7	<u>18,567</u>	<u>18,371</u>
Earnings per share			
Basic	8	<u>HK5.44 cents</u>	<u>HK3.17 cents</u>
Diluted	8	<u>HK5.25 cents</u>	<u>HK3.11 cents</u>

Consolidated balance sheet – unaudited

		At 30 June 2007		At 31 December 2006 (restated)	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets					
- Investment properties			187,898		168,308
- Other property, plant and equipment			100,536		95,131
			<u>288,434</u>		<u>263,439</u>
Intangible assets			557,775		549,649
Goodwill			46,133		46,133
Interest in associates			673		442
Other financial assets			56,902		62,976
Other receivables and deposits	9		443,051		408,559
Gross amounts due from customers for contract work	10		1,231,530		944,161
Deferred tax assets			<u>31,705</u>		<u>22,922</u>
			2,656,203		2,298,281
Current assets					
Inventories		4,431		3,445	
Debtors, other receivables, deposits and prepayments	9	178,198		155,413	
Gross amounts due from customers for contract work	10	93,065		61,747	
Pledged bank deposits		50,088		99,314	
Deposits with bank		-		10,909	
Cash and cash equivalents		<u>642,521</u>		<u>756,763</u>	
			968,303		1,087,591
Current liabilities					
Secured bank loans		91,931		88,448	
Creditors, other payables and accrued expenses	11	168,048		249,179	
Current taxation		<u>3,506</u>		<u>1,515</u>	
			263,485		339,142
Net current assets			<u>704,818</u>		<u>748,449</u>

Consolidated balance sheet – unaudited (continued)

	At 30 June 2007		At 31 December 2006 (restated)		
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities			3,361,021		3,046,730
Non-current liabilities					
Secured bank loans		889,071		802,584	
Loans from ultimate holding company		98,828		98,828	
Deferred tax liabilities		33,647		32,122	
			<u>1,021,546</u>		<u>933,534</u>
NET ASSETS			<u>2,339,475</u>		<u>2,113,196</u>
CAPITAL AND RESERVES					
Share capital			309,451		307,601
Reserves			<u>1,896,233</u>		<u>1,688,522</u>
Total equity attributable to equity shareholders of the Company			2,205,684		1,996,123
Minority interests			<u>133,791</u>		<u>117,073</u>
TOTAL EQUITY			<u>2,339,475</u>		<u>2,113,196</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 2006 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2007 annual financial statements. Details of these changes in accounting policies are set out in note 2.

1 Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2006 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 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2007.

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 2007. The Directors have determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007, 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 2007 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 except for HK(IFRIC) 12, *Service concession arrangements*, which is effective for accounting periods beginning on or after 1 January 2008.

The following sets out further information on the change in accounting policy for the annual accounting period beginning on 1 January 2007 which has been reflected in the interim financial report.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement for the six months ended 30 June 2006 and consolidated balance sheet at 31 December 2006 as previously reported.

2 Changes in accounting policies (continued)

(i) Consolidated income statement for the six months ended 30 June 2006

	2006 (as previously reported) <i>HK\$'000</i>	Effect of HK(IFRIC) 12 (increase/ (decrease) in profit for the period) <i>HK\$'000</i>	2006 (as restated) <i>HK\$'000</i>
Turnover	94,344	268,502	362,846
Direct costs and operating expenses	<u>(27,341)</u>	<u>(237,510)</u>	<u>(264,851)</u>
	67,003	30,992	97,995
Other revenue	9,177	-	9,177
Other income	27,745	-	27,745
Administrative expenses	(31,718)	1,939	(29,779)
Valuation gains on investment properties	<u>6,971</u>	<u>-</u>	<u>6,971</u>
Profit from operations	79,178	32,931	112,109
Finance costs	<u>(19,415)</u>	<u>(12,744)</u>	<u>(32,159)</u>
	59,763	20,187	79,950
Share of profits of associates	<u>24,542</u>	<u>-</u>	<u>24,542</u>
Profit before taxation	84,305	20,187	104,492
Income tax	<u>(3,603)</u>	<u>(3,178)</u>	<u>(6,781)</u>
Profit for the period	<u>80,702</u>	<u>17,009</u>	<u>97,711</u>
Attributable to:			
Equity shareholders of the Company	71,620	14,468	86,088
Minority interests	<u>9,082</u>	<u>2,541</u>	<u>11,623</u>
Profit for the period	<u>80,702</u>	<u>17,009</u>	<u>97,711</u>
Earnings per share			
Basic	<u>HK2.64 cents</u>	<u>HK0.53 cent</u>	<u>HK3.17 cents</u>
Diluted	<u>HK2.59 cents</u>	<u>HK0.52 cent</u>	<u>HK3.11 cents</u>

2 Changes in accounting policies (continued)

(ii) Consolidated balance sheet at 31 December 2006

	At 31 December 2006 (as previously reported) HK\$'000	Effect of HK(IFRIC) 12 (increase/ (decrease) in net assets) HK\$'000	At 31 December 2006 (as restated) HK\$'000
Non-current assets			
Fixed assets			
- Investment properties	168,308	-	168,308
- Other property, plant and equipment	1,209,741	(1,114,610)	95,131
- Interest in leasehold land held under operating leases	242,583	(242,583)	-
	<u>1,620,632</u>	<u>(1,357,193)</u>	<u>263,439</u>
Intangible assets	66,412	483,237	549,649
Goodwill	48,318	(2,185)	46,133
Interest in associates	442	-	442
Other financial assets	62,976	-	62,976
Other receivables and deposits	-	408,559	408,559
Finance lease receivables	789,177	(789,177)	-
Gross amounts due from customers for contract work	-	944,161	944,161
Deferred tax assets	<u>18,625</u>	<u>4,297</u>	<u>22,922</u>
	<u>2,606,582</u>	<u>(308,301)</u>	<u>2,298,281</u>
Current assets			
Inventories	3,445	-	3,445
Debtors, other receivables, deposits and prepayments	123,319	32,094	155,413
Finance lease receivables	14,643	(14,643)	-
Gross amounts due from customers for contract work	-	61,747	61,747
Pledged bank deposits	99,314	-	99,314
Deposits with bank	10,909	-	10,909
Cash and cash equivalents	<u>756,763</u>	<u>-</u>	<u>756,763</u>
	<u>1,008,393</u>	<u>79,198</u>	<u>1,087,591</u>

2 Changes in accounting policies (continued)

(ii) Consolidated balance sheet at 31 December 2006 (continued)

	At 31 December 2006 (as previously reported) <i>HK\$'000</i>	Effect of HK(IFRIC) 12 (increase/ (decrease) in net assets) <i>HK\$'000</i>	At 31 December 2006 (as restated) <i>HK\$'000</i>
Current liabilities			
Secured bank loans	88,448	-	88,448
Creditors, other payables and accrued expenses	539,031	(289,852)	249,179
Current taxation	1,515	-	1,515
	<u>628,994</u>	<u>(289,852)</u>	<u>339,142</u>
Net current assets	<u>379,399</u>	<u>369,050</u>	<u>748,449</u>
Total assets less current liabilities	<u>2,985,981</u>	<u>60,749</u>	<u>3,046,730</u>
Non-current liabilities			
Secured bank loans	802,584	-	802,584
Loans from ultimate holding company	98,828	-	98,828
Deferred tax liabilities	26,276	5,846	32,122
	<u>927,688</u>	<u>5,846</u>	<u>933,534</u>
NET ASSETS	<u>2,058,293</u>	<u>54,903</u>	<u>2,113,196</u>
CAPITAL AND RESERVES			
Share capital	307,601	-	307,601
Reserves	1,633,737	54,785	1,688,522
Total equity attributable to equity shareholders of the Company	1,941,338	54,785	1,996,123
Minority interests	116,955	118	117,073
TOTAL EQUITY	<u>2,058,293</u>	<u>54,903</u>	<u>2,113,196</u>

2 **Changes in accounting policies (continued)**

(b) *Estimated effect of changes in accounting policies on the current period*

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet for the six months ended 30 June 2007 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Estimated effect on the consolidated income statement for the six months ended 30 June 2007

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in profit for the period) <i>HK\$'000</i>
Turnover	322,424
Direct costs and operating expenses	<u>(269,137)</u>
	53,287
Administrative expenses	<u>9,379</u>
Profit from operations	62,666
Finance costs	<u>(1,664)</u>
Profit before taxation	61,002
Income tax	<u>(15,546)</u>
Profit for the period	<u>45,456</u>
Attributable to:	
Equity shareholders of the Company	44,976
Minority interests	<u>480</u>
Profit for the period	<u>45,456</u>
Earnings per share	
Basic	<u>HK1.46 cents</u>
Diluted	<u>HK1.41 cents</u>

2 **Changes in accounting policies (continued)**

(ii) Estimated effect on the consolidated balance sheet at 30 June 2007

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in net assets) HK\$'000
Non-current assets	
Fixed assets	
– Other property, plant and equipment	(1,423,672)
– Interest in leasehold land held under operating leases	(238,607)
	<u>(1,662,279)</u>
Intangible assets	482,421
Goodwill	(2,261)
Other receivables and deposits	440,990
Finance lease receivables	(767,431)
Gross amounts due from customers for contract work	1,231,530
Deferred tax assets	(6,364)
	<u>(283,394)</u>
Current assets	
Debtors, other receivables, deposits and prepayments	47,849
Finance lease receivables	(15,627)
Gross amounts due from customers for contract work	93,065
	<u>125,287</u>
Current liabilities	
Creditors, other payables and accrued expenses	(271,032)
Net current assets	<u><u>396,319</u></u>
Total assets less current liabilities	112,925
Non-current liabilities	
Deferred tax liabilities	10,093
NET ASSETS	<u><u>102,832</u></u>

2 **Changes in accounting policies (continued)**

(ii) Estimated effect on the consolidated balance sheet at 30 June 2007 (continued)

	Estimated effect of HK(IFRIC) 12 (increase/(decrease) in net assets) HK\$'000
CAPITAL AND RESERVES	
Exchange reserve	2,631
Retained profits	<u>99,601</u>
Total equity attributable to equity shareholders of the Company	102,232
Minority interests	<u>600</u>
TOTAL EQUITY	<u>102,832</u>

(c) *Service concession arrangements (HK(IFRIC) 12: Service concession arrangements)*

In prior years, the Group recognised property, plant and equipment of certain of its build-operate-transfer (“BOT”) and transfer-operate-transfer (“TOT”) arrangements as finance lease receivables in accordance with HK(IFRIC) 4, *Determining whether an arrangement contains a lease*. The lease receivables were reduced when lease payments, being a portion of the waste-water treatment revenue, waste treatment revenue and electricity income, were received and an imputed finance lease income on the lease receivables was recognised using an estimate of the lessee’s incremental borrowing rate of interest. The leasehold land on which the waste-water treatment plants are situated was classified as an operating lease and rental income was recognised in profit or loss in equal instalments over the periods covered by the lease term.

Apart from the above, the Group recognised toll bridge and its ancillary facilities under BOT arrangement as property, plant and equipment. Toll bridge was depreciated on an units-of-usage basis which was based on the actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group was granted the right to operate the bridge. Toll bridge ancillary facilities were depreciated on a straight-line basis over their estimated useful lives of 5 to 10 years.

2 Changes in accounting policies (continued)

(c) Service concession arrangements (HK(IFRIC) 12: Service concession arrangements) (continued)

In 2007, the Group has early adopted HK(IFRIC) 12. With effect from 1 January 2007, in accordance with HK(IFRIC) 12, the BOT and TOT arrangements of the Group, such as the waste-water treatment projects, waste-to-energy projects, methane-to-energy project, waste disposal project and toll bridge project, are service concession arrangements under HK(IFRIC) 12. Infrastructure within the scope of HK(IFRIC) 12 is not recognised as property, plant and equipment or finance lease receivables (according to HK(IFRIC) 4) as control of the infrastructure of the projects remains in public hands but the Group is responsible for construction or upgrade activities, as well as for operating and maintaining the public sector infrastructure.

As a result, the Group accounts for revenue and costs relating to construction or upgrade services of the infrastructure in accordance with HKAS 11, Construction contracts. In accordance with HKAS 11, when the outcome of a construction contract can be estimated reliably, revenue from construction services is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under “Debtors, other receivables, deposits and prepayments”.

Considerations received or receivable by the Group for the construction or upgrade services are recognised at their fair values as financial assets (for waste-water treatment projects, waste-to-energy projects, methane-to-energy project and waste disposal project) or an intangible asset (for toll bridge project). For financial assets recognised, they are reduced when payments, being a portion of the waste-water treatment revenue, waste treatment revenue and electricity income, are received. Finance income on the financial assets is recognised using an estimate of the service concession grantors’ incremental borrowing rate of interest. For intangible asset recognised, it is amortised on a straight-line basis over its estimated useful life of 30 years.

Borrowing costs incurred for the construction and upgrade services are not capitalised and are expensed in the period in which they are incurred, except for the toll bridge project which are capitalised and included as intangible asset.

The new accounting policy has been applied retrospectively with comparatives restated. The adjustments for each financial statement line affected for accounting periods beginning on 1 January 2006 and 2007 are set out in notes 2(a) and 2(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		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(restated)		(restated)				(restated)				(restated)		(restated)	
	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	262,449	152,308	206,366	165,859	-	-	43,198	35,044	7,673	9,635	-	-	519,686	362,846
Inter-segment revenue	-	-	-	-	90,734	32,588	-	-	-	-	(90,734)	(32,588)	-	-
Other revenue and other income from external customers	13,643	67	1,834	804	824	308	3,252	372	887	16,651	-	-	20,440	18,202
Unallocated other revenue and other income	-	-	-	-	-	-	-	-	-	-	-	-	33,000	18,720
Total	276,092	152,375	208,200	166,663	91,558	32,896	46,450	35,416	8,560	26,286	(90,734)	(32,588)	573,126	399,768
Segment results	86,005	21,701	65,482	36,659	28,568	29,041	32,129	22,522	18,808	29,148	(34,608)	(32,588)	196,384	106,483
Unallocated operating income and expenses													9,788	5,626
Finance costs													(28,967)	(32,159)
Share of profits of associates	-	-	3	(92)	-	-	-	24,634	-	-	-	-	3	24,542
Income tax													1,449	(6,781)
Profit after taxation													178,657	97,711
Depreciation and amortisation for the period	471	153	416	305	245	858	10,873	10,318	83	1,103				
Valuation gains on investment properties	-	-	-	-	-	-	-	-	(13,664)	(6,971)				

3 Segmental information (continued)

Revenue from external customers represents:

	Six months ended 30 June	
	2007	2006
		(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from construction services	306,522	257,340
Toll bridge revenue	43,198	35,044
Revenue from waste-water treatment plants operation services	78,640	37,381
Revenue from waste-to-energy power plant operation services	26,340	-
Revenue from methane-to-energy power plant operation services	4,590	-
Finance income	52,723	23,446
Property rental income	5,952	7,948
Property management fee income	1,721	1,687
	<u>519,686</u>	<u>362,846</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 profits of associates

	Six months ended 30 June	
	2007	2006
		(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of profits of associates before taxation	3	28,736
Share of associates' taxation	-	(4,194)
	<u>3</u>	<u>24,542</u>

5 Profit before taxation

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

	Six months ended 30 June	
	2007	2006 (restated)
	HK\$'000	HK\$'000
Interest on bank advances wholly repayable within five years	1,092	409
Interest on other bank advances	27,875	19,779
Interest on loans from ultimate holding company	-	11,971
	<u>28,967</u>	<u>32,159</u>
Amortisation of intangible assets	10,801	10,258
Depreciation	2,736	2,871
Dividends and interest income	(13,294)	(9,115)
Gain on sale of available-for-sale equity securities	(23,683)	(11,542)
Gain on sale of investment properties	-	(16,203)

6 Income tax

	Six months ended 30 June	
	2007	2006 (restated)
	HK\$'000	HK\$'000
Current tax – PRC income tax		
Provision for the period	6,064	3,451
Deferred tax		
Origination and reversal of temporary differences	10,173	3,330
Effect of increase in tax rate on deferred tax balances	(17,686)	-
	<u>(1,449)</u>	<u>6,781</u>

6 Income tax (continued)

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.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. According to the new tax law, except for certain subsidiaries of the Company which are taxed at preferential rates, the income tax rate applicable to the Group's PRC operations will be changed to 25% from 1 January 2008.

7 Dividends

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

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK0.6 cent per ordinary share (2006: HK0.6 cent per ordinary share)	<u>18,567</u>	<u>18,371</u>

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

(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	
	2007	2006
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2006, approved and paid during the following interim period, of HK0.6 cent per ordinary share (year ended 31 December 2005: HK0.6 cent per ordinary share)	18,462	15,311
Special dividend in respect of the financial year ended 31 December 2006, approved and paid during the following interim period, of HK0.4 cent per ordinary share (year ended 31 December 2005: Nil)	<u>12,308</u>	<u>-</u>
	<u>30,770</u>	<u>15,311</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\$167,551,000 (six months ended 30 June 2006 (restated): HK\$86,088,000) and the weighted average number of 3,080,368,054 ordinary shares (2006: 2,715,237,114 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\$167,551,000 (six months ended 30 June 2006 (restated): HK\$86,088,000) and the weighted average number of 3,193,873,332 ordinary shares (2006: 2,766,275,030 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 2007 <i>HK\$'000</i>	At 31 December 2006 (restated) <i>HK\$'000</i>
Debtors	45,210	40,434
Other receivables, deposits and prepayments	<u>576,039</u>	<u>523,538</u>
	621,249	563,972
Less: non-current portion		
– Other receivables and deposits	<u>(443,051)</u>	<u>(408,559)</u>
Current portion	<u>178,198</u>	<u>155,413</u>

Included in "Debtors, other receivables, deposits and prepayments" of the Group are debtors of HK\$45,210,000 (31 December 2006: HK\$40,434,000) of which HK\$6,142,000 (31 December 2006: HK\$6,001,000) is due from a minority shareholder. Debtors are current and not yet due for payment and represent toll bridge revenue and revenue from waste-water treatment plants, waste-to-energy power plant and methane-to-energy power plant operation services for the month of June 2007 and which are expected to be settled in the following month.

Other receivables, deposits and prepayments include balances totalling HK\$488,839,000 (31 December 2006 (restated): HK\$439,653,000) which bear interest at rates ranging from 6.39% to 7.02% per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT arrangements, among which HK\$83,664,000 (31 December 2006 (restated): HK\$70,397,000) 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.

10 Gross amounts due from customers for contract work

	At 30 June 2007 <i>HK\$'000</i>	At 31 December 2006 (restated) <i>HK\$'000</i>
Contract costs incurred plus recognised profits less anticipated losses	1,389,091	1,044,293
Less: Progress billings	<u>(64,496)</u>	<u>(38,385)</u>
Net contract work	<u>1,324,595</u>	<u>1,005,908</u>

Represented by:

Gross amounts due from customers for contract work		
- Non-current	1,231,530	944,161
- Current	<u>93,065</u>	<u>61,747</u>
	<u>1,324,595</u>	<u>1,005,908</u>

Included in gross amounts due from customers for contract work is an amount of HK\$271,303,000 (31 December 2006: HK\$260,063,000) which is due from a minority shareholder of a non-wholly owned subsidiary.

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 2007 <i>HK\$'000</i>	At 31 December 2006 (restated) <i>HK\$'000</i>
Due within 1 month or on demand	24,990	36,398
Due after 1 month but within 3 months	33,621	3,056
Due after 3 months but within 6 months	24,442	29,625
Due after 6 months	<u>31,287</u>	<u>102,121</u>
	<u>114,340</u>	<u>171,200</u>

11 Creditors, other payables and accrued expenses (continued)

Included in creditors, other payables and accrued expenses of the Group is an amount of HK\$4,618,000 (31 December 2006: HK\$3,798,000) 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\$107,692,000 (31 December 2006: HK\$165,530,000) which represent construction payables for the Group's BOT arrangements, among which HK\$16,783,000 (31 December 2006: HK\$45,759,000) and HK\$18,085,000 (31 December 2006: HK\$22,192,000) 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 Prospects

Operating results

In the past few years, as the Chinese economy prospered, the problem of industrial pollution also became more and more serious. The Central government recognizes the urgency of protecting the environment and controlling pollution. Sustainable development is a key focus in the country's Eleventh Five-Year Plan, and environmental protection for the first time carries the same weight as economic development, reflecting Central Government's dedication to environmental protection. In the "Principles of the 11th Five-Year Plan for National Economic and Social Development" approved in the Fourth Session of the Tenth National People's Congress, the mandated target for reduction of pollutant emission is 10%, showing the strategic importance of reducing pollution and energy conservation for the country. The State Council has also recently adjusted the country's economic austerity measures demanding more active efforts among enterprises in saving energy and reducing emission. All these point to potential increase in government spending on environmental protection projects and bright prospects for the environmental protection industry. Having spotted this trend four years ago, in 2003, the year it completed its business transformation, the Group has been relentless in developing environmental protection business as its core business. It has, to date, created a good strategic framework for the business. Environmental protection business has become the Group's main source of operating revenue.

In the first half of 2007, the Group adopted HK (IFRIC) Interpretation 12 – Service Concession Arrangements issued by the HKICPA. Incomes from performing the construction or upgrade and operation services under BOT (Build-Operate-Transfer) and TOT (Transfer-Operate-Transfer) arrangements are recognized as revenue in the income statement to reflect their corresponding values under the Group's environmental protection business and infrastructure business. During the period under review, the Group's environmental protection business had grown rapidly. As construction of several environmental protection projects was in full swing, higher revenue from construction service was recognized. In addition, the increase in processing volume of existing environmental protection projects also enhanced the growth in turnover and profit. During the period, the Group continued to re-structure its non-core operations and sold non-core financial assets, realizing a disposal gain of HK\$23,683,000. In the same period last year, the Group recorded disposal gains of HK\$27,745,000 from the sale of investment properties and certain financial assets. In the first half of 2007, the Group's consolidated turnover amounted to HK\$519,686,000, representing an increase of 43% from HK\$362,846,000 as restated in the corresponding period last year. During the period, profit attributable to equity shareholders was HK\$167,551,000, an increase of 95% as compared with the restated profit of HK\$86,088,000 in the last corresponding period. Basic earnings per share for the first half of 2007 were HK5.44 cents, HK2.27 cents more than the restated HK3.17 cents of last year.

Considering the Group's business development in the future, the Company will strive to increase its investments in environmental protection business with a view to enhance the returns to shareholders. The Board resolved to pay an interim dividend of HK0.6 cent per share (2006: HK0.6 cent per share) to the equity shareholders of the Company.

Environmental protection business

Starting from 2003, the Group has strived to actively develop environmental protection business including more than a dozen projects in Jiangsu and Shandong provinces and completed strategic deployment in these two major regions. The total investment amounted to approximately HK\$3,500,000,000. As at 30 June 2007, the Group had completed environmental protection projects of total worth approximately HK\$1,900,000,000. The projects still under construction commanded an investment of approximately HK\$1,100,000,000. For those yet to commence construction, the required investment is estimated at approximately HK\$500,000,000. During the period under review, the Group secured two projects – Phase II of the waste-to-energy plant in Suzhou (“Suzhou Project”) and extension of the Suzhou methane-to-energy project (“Methane Project”), thereby consolidating its strategic position in Jiangsu province. During the period, construction of the waste-to-energy project in Jiangyin (“Jiangyin Project”), waste-to-energy project in Changzhou (“Changzhou Project”) and Zibo High-tech Zone Waste Water Treatment Project (“Zibo High-tech Zone Project”) proceeded smoothly, which will increase the Group's construction service revenue and profit. In addition, the commencement of the industrial solid waste disposal project in the Suzhou Everbright Environmental Protection Industrial Zone (“Industrial Solid Waste Disposal Project”), the extension facilities of Maidao waste water treatment plant (“Extension of Maidao Plant”) and the Yixing waste-to-energy project (“Yixing Project”) in the second half of 2007 will also boost the Group's operation service revenue.

In the first half of 2007, the Group's environmental protection business processed 210,000 tonnes of waste (these projects were under construction during same period last year), and 130,049,000 tonnes of waste water (59,773,000 tonnes in the same period last year). The processing volume of environmental protection business grew substantially, giving the Group's core business a consolidated revenue base. During the period under review, turnover from the environmental protection business was HK\$468,815,000 (construction service revenue 65%, operation service revenue 24% and finance income 11%), an increase of 47% when compared with the last corresponding period and accounting for 90% of the Group's total turnover, 2 percentage point higher than in the last corresponding period. EBITDA reached HK\$146,582,000, representing an increase of 162% against the same period last year. With strong and healthy development and tremendous growth potential, the environmental protection business is expected to present the Group with strong impetus for revenue growth.

Major operating and financial data of the environmental protection business in the first half of 2007 :

	Waste processing volume (tonne)		Upload electricity (kWh)	
	2007	2006	2007	2006
Solid waste treatment projects				
- Suzhou Project Phase I	210,000	*	46,420,000	*
- Methane Project	-	*	9,189,000	*
	210,000	*	55,609,000	*

	Waste water processing volume (tonne)	
	2007	2006
Waste water treatment projects		
- Qingdao Project	27,404,000	24,899,000
- Zibo Southern and Northern Plants Project	42,887,000	34,874,000
- Jinan Project	59,758,000	#
	130,049,000	59,773,000

* Under construction in the first half of 2006

Acquired in November 2006

	2007			2006		
	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	204,957	101,565	306,522	140,360	116,980	257,340
- Operation service	30,930	78,640	109,570	-	37,381	37,381
- Finance income	26,561	26,162	52,723	11,948	11,498	23,446
	262,448	206,367	468,815	152,308	165,859	318,167
EBITDA	83,232	63,350	146,582	20,567	35,470	56,037

Solid Waste Treatment Projects

Suzhou Project Phase I

Suzhou project phase I is the Group's first wholly owned environmental protection project. Since it started operation on 18 July 2006, it has run smoothly with emission levels meeting standards and commended by the industry as well as the municipal government. It has been visited for more than 30 times by various parties which included municipal governments, local and international professionals. The project company has been granted the "First batch of experimental enterprises in the recycling economy" and "Outstanding Contributor to Environmental Protection 2006" by Suzhou Municipal Government. The project has boosted the Group's brand in the waste-to-energy field. Supported by favorable policy, the project was approved to charge an upload electricity tariff of RMB0.575 per kilowatt-hour, which significantly increased its operation service revenue. During the period under review, the project brought an EBITDA of HK\$41,430,000, HK\$28,716,000 higher than in the same period last year and became a major revenue source of the Group.

Yixing Project

After 20 months' work in construction and testing, the Yixing Project was completed and it commenced operation in June 2007. Upload electricity tariff was fixed at RMB0.646 per kilowatt-hour. The plant is designed to process 500 tonnes of waste per day and is expected to generate an average of not less than 44,500,000 kilowatt-hour of electricity per year for the power grid. Combining proven domestic and foreign technologies, the Yixing Project can achieve gas emission statistics meeting or better than the national standard. Smoke, dust and dioxin emissions of the plant actually complies with EU I and EU II standards. During the period under review, the Yixing Project contributed an EBITDA of HK\$6,471,000 to the Group, representing a decrease of HK\$669,000 against the same period last year. The decrease was because construction was completed in the first half year, which resulted in lower construction service revenue relative to the same period last year. In the second half year, the Project is expected to start bringing in operation service revenue to the Group.

Jiangyin Project

Construction of Jiangyin Project in Jiangsu Province progressed smoothly during the review period. Major imported equipment had arrived in Jiangyin city and installation had begun. In July 2007, the boiler was ready for hydraulic testing meeting an important milestone. The project is expected to commence commercial operation in the first quarter of 2008. Phase I of the project has a designed daily processing capacity of 800 tonnes of waste and is expected to generate an average of not less than 77,000,000 kilowatt-hour of electricity per year for the power grid. During the period under review, Jiangyin Project brought HK\$22,952,000 in EBITDA to the Group. In light of the satisfactory progress of the project, the Group is now discussing with the Jiangyin Municipal Government about expanding the scope of cooperation.

Changzhou Project

During the period under review, the civil engineering work of the Changzhou Project in Jiangsu Province has begun. Foundation piling work for the project has been completed and excavation is now in progress. The project is expected to begin operation in the second half of 2008. The project has a designed daily processing capacity of 800 tonnes of waste and is expected to generate an average of not less than 77,000,000 kilowatt-hour of electricity per year for the power grid. It is the Group's fourth waste-to-energy project in Jiangsu Province. The proximity of this project with the three other projects in the province, namely Suzhou Project Phase I, Yixing Project and Jiangyin Project has enabled the Group to unify management of the projects and thus save costs. During the period under review, the Changzhou Project brought an EBITDA of HK\$5,736,000.

Suzhou Project Phase II

Suzhou Project Phase II is the Group's first Phase II project in environmental protection business. Improving the execution model and construction standards on those of Phase I, the project took the Group's environmental protection business another step forward. The new phase will be equipped with imported advance equipment including incinerators and systems for emission control, automation and online monitoring. Construction of the project began on 4 July 2007 and is expected to be finished by the end of 2008. Together with Phase I already in operation, the expanded plant will be able to process more than 2,000 tonnes of waste per day and generate about 200,000,000 kilowatt-hour of electricity per year for the power grid. When Phase II commences operation, the Suzhou Project will be one of the largest waste-to-energy projects in the country.

Integrated environmental protection project – Suzhou Everbright Environmental Protection Industrial Zone

The Suzhou Everbright Environmental Protection Industrial Zone (“Industrial Zone”) is the country's first integrated zone for environmental protection that acts as a showcase of centralized disposal of industrial and household solid waste. The Zone has received attention from the State Environmental Protection Administration and backed in a major way by the Suzhou Municipal Government. Occupying an area of not less than 2.5 sq. km., the construction of the Industrial Zone will be completed according to the overall plans and in phases within three to five years. The estimated total investment cost of the project is approximately HK\$1,500,000,000. It contains a waste-to-energy plant (Suzhou Project Phase I and II), a methane-to-energy plant (Methane Project) and the Industrial Solid Waste Disposal Project etc. The Group intends to develop this into the country's first integrated zone that centralizes disposal of industrial and household solid waste and at the same time a scenic industrial zone and a base for environmental education in Suzhou.

Currently, the two 1,250 kilowatt generators of the Methane Project in the Industrial Zone are operating at full load. During the period under review, this project brought an EBITDA of HK\$3,666,000 to the Group, representing an increase of HK\$2,734,000 as compared with same period last year. With its two generators in full operation now, it is evident the landfill can generate even more methane than expected. As investment in this type of project is low, it is also quick to build, it provides a high economic return. The Group has decided to add another generator to enhance the processing capacity of the facility. The new equipment is expected to be up and running in the first half of 2008 and shall increase the profit contribution to the Group.

The construction of first phase of the Suzhou Industrial Solid Waste Disposal Project, the Group's wholly-owned and operated project, was completed during the period under review and started commercial operation on 4 July 2007. The Group has 30 years' exclusive right in operating the project with a total storage capacity of 600,000 cubic metres, 200,000 cubic metres of which is under Phase I. During the period under review, this project brought an EBITDA of HK\$2,977,000 to the Group. This project is the only solid waste disposal centre in Suzhou and the Group has signed industrial solid waste disposal agreements with several enterprises. These contracts are expected to generate operating profit for the Group in the second half of 2007 and is another important revenue driver of the Group.

With the gradual roll-out of different projects, the Industrial Zone has established a basic framework. With initial planning of the Industrial Zone completed, the Group is currently discussing with the Suzhou Municipal Government on details of the plan and other projects there, including a leachate treatment plant, integrated utilization of slag and sludge treatment center. The Group will gradually implement the projects as and when appropriate.

Waste Water Treatment Projects

Qingdao Project

The Qingdao Waste Water Treatment Project ("Qingdao Project") is the Group's first environmental protection project in Shandong province. The Extension Project of Maidao Plant has completed construction and commenced commercial operation in July 2007. This means another major ancillary facility for the sailing event of the 2008 Beijing Olympics is in place. With the completion of the extension work, the project will be able to increase its daily waste water treatment capacity gradually from 150,000 tonnes to 220,000 tonnes and bring increasing operation service revenue to the Group. During the period under review, the project brought an EBITDA of HK\$18,513,000 to the Group, representing a decrease of HK\$7,362,000 as compared with same period last year. The decrease was because construction of the Project was completed in the first half year, thus lowered the construction service revenue when compared with the same period last year. Furthermore, the Group continued to upgrade the equipment of its Haibohe Waste Water Treatment Plant and completed 24 items in the period, assuring the long term smooth operation of the facility.

Zibo Southern and Northern Plants Project

The waste water treatment project in Zibo city (including the Southern Plant and the Northern Plant) has been in stable operation since inauguration. It contributed an EBITDA of HK\$20,186,000 to the Group during the period, HK\$10,591,000 more than in the corresponding period last year. On 28 August 2006, the Group came into an agreement with the Zibo Municipal Government to invest RMB130,221,000 to upgrade the two plants, with the aim of improving the quality of processed waste water to Grade 1A. The upgrade work will be completed in the fourth quarter of 2007. The upgraded Southern and Northern plants will command a waste water treatment fee of RMB0.98 per tonne, up from the previous RMB0.75 per tonne. The Group believes the upgraded waste water treatment plants together with water recycling potential will bring higher returns to the Group.

Zibo High-tech Zone Project

Pre-operation test-running of Phase I of the Zibo High-tech Zone Project was underway during the period. This project has a designed daily treatment capacity of 100,000 tonnes and commenced operation in September 2007. During the period under review, the project contributed an EBITDA of HK\$12,431,000 to the Group. It is the Group's first waste water treatment project on BOT basis, and the PRC's first high standard waste water treatment project in commercial operation to adopt the Grade 1A standard. As such, it is a milestone in the Group's development in the field of waste water treatment. When the project commences operation in the second half of the year, the Group will be covering all of the waste water treatment needs of the urban areas and high-tech zone of Zibo city. This project will not only enhance the Group's development in the region, but will also allow resources sharing by different operations of the Group, facilitating improvement in overall management and operational efficiency.

In February 2007, it was named a "Model of Labor Protection and Integrity" for 2006 by the Labor Bureau of Zibo city in recognition for its efforts to safeguard the welfare of staff while enhancing management standards after acquiring the project. This honor enhances the Group's solid foundation for building the Zibo project into a "benchmark enterprise in Shandong and an environmental education base in Zibo".

Jinan Project

Jinan Project is a 30-year waste water treatment project developed by way of TOT arrangement with the Jinan Municipal Government. The project includes the Jinan No. 1 and No. 2 Waste Water Treatment Plants with total designed daily waste water treatment capacity of 420,000 tonnes. The project has been delivering stable performance after it began operation in November last year. During the period under review, the Group upgraded the two plants and related works were completed two months ahead of schedule, which majorly increased the daily volume of waste water treatment. The Group also smoothly reformed the employment system with the aim of fully realizing the work enthusiasm and creativity of its staff, creating a harmonious working environment and enhancing operational efficiency at the same time. In the first half of 2007, the two waste water treatment plants met all effluent standards and contributed an EBITDA of HK\$12,220,000 to the Group. The project's proper management was highly commended by the local government. The Jinan project company was named one of Jinan's "Ten Best Foreign-invested Enterprises" by the Jinan Municipal Government in recognition of its efforts to uphold the principles of "integrity, pragmatism and high efficiency" in the acquisition of the two waste water treatment plants. The Group aims to develop the project into a model environmental protection project. It believes the Jinan Project will give the Group a strong base in investing in other environmental protection projects and public utility projects in Jinan.

Enhanced environmental protection research and development capabilities

Strategic Partnerships

Apart from seeking to secure different environmental protection projects, the Group has been keen in carrying out technological research and development. The Group has regularly invited international and domestic experts on environmental protection to explain development, approaches and trends of the field, and sent its own engineers in batches overseas to learn new skills. The Group also strived to strengthen its complementary partnerships with internationally renowned enterprises. During the period under review, the Group engaged in exchanges and cooperative researches with institutes such as the Tsinghua University and Tongji University of Shanghai with the aim of boosting its core competence in research and development.

Research and Development Facility

The Group has formed a technology research and development center specializing in research of waste-to-energy operation, and waste water and sludge treatment technologies. The aim of these endeavors is to boost the Group's core technology and thus its competitive strengths. The Group has also required each project company to set up its own technological innovation team. It has also introduced policies and provisions such as an environmental expert data base, a research and development project development fund and research and development project management guidelines to standardize related efforts. During the period under review, the Group acquired an office building in Zhong Guan Cun, Beijing as the Beijing headquarter of Everbright Environmental Protection. The Group plans to set up an Everbright Environmental Protection Technology Research Institute in Beijing to provide funding to research projects and serve as a base for experiments. It will provide laboratories for experiments on solid waste treatment, waste water treatment and integrated environmental protection technologies. The Group believes investment in technological research is essential to ensuring the Company's core competitiveness in the long run.

Research projects and patent

Since the establishment of Everbright Environmental Protection technology research and development center in 2006, the Group has identified 17 research topics in key areas including development of technology of cement production from processing waste incineration ash, intensive treatment technology of refuse filtrate, sludge resources development and slaging and ash deposit management technology. During the period under review, all 17 projects are in progress. Meanwhile, the Group has applied for 2 patents for waste-to-energy operation and waste water treatment technologies, 2 projects for registration under the National Technology Program and 7 projects under the Provincial Technology Plan, of which 5 items under the Guangdong Provincial Technology Plan and 1 under Shenzhen Municipal Corporate Research and Development Centre have received preliminary approval. In June 2007, the Group was named "The Enterprise with the Most Growth Potential" of Shenzhen Technology and Innovation Award by the Shenzhen Municipal Government.

Infrastructure Investment

Toll Bridge

During the period under review, traffic on the Qingzhou Bridge continued to grow and generated steady cash flow for the Group. In the first half of 2007, the average daily traffic on the bridge increased to 30,108 standard vehicles, 17% more than that for corresponding period last year. EBITDA for the period was HK\$43,002,000, 31% more than the restated earnings in the same period last year. Operating profit before taxation for the period amounted to HK\$26,605,000, representing an increase of 60% as compared with the same period last year. Taking into account the deferred tax and the profit attributable to minority shareholders, the project generated HK\$23,970,000 in net profit attributable to the Group in the first half of the year. Since the highway to the Fuzhou airport was opened in late 2006, the economic growth in its neighboring areas have started to boom and drive steady growth in traffic flow on Qingzhou Bridge and in turn brought steady cash flow to the Group.

Property Investment

In the PRC, the Group owns a four-storey commercial complex with a shopping arcade in Shenzhen Zhongshan Garden for lease. The property has been a source of steady rental income and cash flow for the Group. Its major tenants include Walmart, Park'n Shop and McDonald's, and the occupancy rate was 99% during the review period. The Group recorded a profit before taxation of HK\$4,868,000 from this property, representing a growth of 4% from HK\$4,664,000 in the same period last year. Taking into account the deferred tax, net profit for the period amounted to HK\$9,720,000. In addition, the Group recorded valuation gains of HK\$13,664,000 during the period (2006: HK\$6,971,000) because of the rise in value of its investment properties in the PRC.

The Group's 14%-owned Shanghai Trade Square and International Apartments continued to generate steady income. During the period under review, this project distributed a cash dividend of approximately HK\$7,010,000 to the Group.

Honors and Recognitions

The Group's efforts in developing its environmental protection business, as well as upholding the principles of "integrity, pragmatism, high efficiency and innovation" are well recognized. The awards won by the Group during the period are listed as follows:

Date	Organizer	Awards
February 2007	Labor Bureau of Zibo city	2006 "Role Model of Labor Protection and Integrity"
February 2007	Jinan Municipal Government	"Ten Best Foreign-invested Enterprises"
February 2007	Jinan Water Association	"Most Advanced Entity under Jinan Water Association"
March 2007	Suzhou Municipal Government	"First batch of experimental enterprises in the recycling economy"
March 2007	Suzhou Municipal Government	"Outstanding Contributor to Environmental Protection 2006"
May 2007	Capital Magazine	"Outstanding Environmental Protection Corporation Award" of "The Second Capital Outstanding China Enterprise Award"
June 2007	China INTL Famous Brand Association and Organizing Committee of China Integral Corporation Branding Building and Innovation Conference	"Top 100 renowned honesty enterprise in China"
June 2007	Shenzhen Technology Bureau	"The Enterprise with the Most Growth Potential"

Business Prospects

In 2007, the State Environmental Protection Administration will step up efforts in environmental protection, including perfecting the pollutant emission monitoring mechanism, preventing illegal discharges in drinking water protection zones and industrial parks, developing an economic model for recycling, encouraging ecology-friendly designs in and improvement of industrial parks and reducing discharge of waste water from the chemical, brewing and printing and dyeing industries. Furthermore, the government will continue to actively encourage corporations to invest in waste water treatment, waste-to-energy and hazardous waste treatment, etc. Apart from value-added tax and import tariff exemption for purchases of related facilities, corporations can also enjoy incentives in using and selling regenerative electricity. From the macro perspective, the State has never been as serious and as active as now in supporting environmental protection and related industries.

Riding on the strong support of its parent company China Everbright Holding Company Limited ("CEH") and the well-established "Everbright Environment" brand, the Group will seek to seize business opportunities in the booming environmental protection industry. It will actively pursue different projects that convert waste to energy and recycle processed waste water.

The Group will grow its environmental protection business following the direction of “development, consolidation and enhancement”. With the strong support from CEH as well as the Group’s well established brand, the Group will continue to maintain stable growth and actively explore new markets and secure new projects, upgrade existing projects and management and operational standards to strengthen its business foundation. It will also endeavor to develop business in neighboring areas to its facilities to extend its industry chain and open new markets to effect business growth. Furthermore, the Group will keep bringing in new international technologies and embark on new technical and management concepts to raise its standards on all aspects. It will seek to realize the complementary strengths of the Group and its world leading environmental protection allies in and outside China to consistently boost its core competitiveness and consolidate its market leadership.

Management discussion and analysis

Change in accounting policy

As mentioned in the 2006 annual report, the Group started in early 2007 to evaluate the effects in adopting HK(IFRIC) Interpretation 12 “Service Concession Arrangements” (“the Interpretation”) issued by the Hong Kong Institute of Certified Public Accountants on the Group’s operating results and financial position. The Interpretation will be effective for annual period beginning on 1 January 2008, with early adoption permitted. As the Group’s major investment projects including the waste-to-energy projects, waste water treatment projects, methane-to-energy project, industrial solid waste disposal project and toll bridge project all fall within the service concession arrangements under the Interpretation, and the adoption of the Interpretation will pose material impact on the Group’s financial statements, the Group decided to early adopt the Interpretation and state in detail the effects in the interim report.

During the period under review, incomes from performing the construction or upgrade and operation service under BOT (Build-Operate-Transfer) and TOT (Transfer-Operate-Transfer) arrangements were recognized as revenue in the income statement in accordance with the standards in the Interpretation. The Group believes that the adoption of the Interpretation can better reflect the value of its construction or upgrade and operation services under the respective service concession arrangements. In the first half of 2007, revenue from the Group’s construction service and operation service under environmental protection business were HK\$306,522,000 and HK\$109,570,000 respectively, representing increases of 19% and 193% as compared with HK\$257,340,000 and HK\$37,381,000 in the last corresponding period. EBITDA of the environmental protection business for the period was HK\$146,582,000, representing an increase of 162% as compared with HK\$56,037,000 in the same period last year.

Financial results

Consolidated turnover of the Group for the first half of 2007 was HK\$519,686,000, representing an increase of 43% as compared with the restated HK\$362,846,000 for the last corresponding period. The increase in turnover was mainly attributable to full steam construction of several projects during the period bringing in higher construction service revenue and also the enhanced processing volume of the operating environmental protection projects. EBITDA on recurring basis (excluding the disposal gain of financial assets, the disposal gain of investment properties, valuation gains on investment properties and the share of results in Mawan Power) for the first half year amounted to HK\$182,365,000, an increase of 102% as compared with HK\$90,430,000 for the same period last year. The growth in profit was mainly attributable to the increase in revenue from the environmental protection business. During the period under review, the Group also disposed certain non-core financial assets and recorded a disposal gain of HK\$23,683,000. In the same period last year, the Group recorded disposal gains of HK\$27,745,000 from the sale of investment properties and certain financial assets. Profit attributable to equity shareholders of the Company for the first half year was HK\$167,551,000, representing an increase of 95% against the restated HK\$86,088,000 for the last corresponding period. During the period, basic earnings per share amounted to HK5.44 cents, an increase of HK2.27 cents as compared with the restated HK3.17 cents for the last corresponding period.

Financial position

As at 30 June 2007, the Group had total assets of approximately HK\$3,624,506,000. Net assets attributable to equity shareholders of the Company were HK\$2,205,684,000 and net assets per share attributable to equity shareholders of the Company were HK\$0.713, representing an increase of 10% as compared with the restated HK\$0.649 as at the end of last year. As at 30 June 2007, gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 35%, 3 percentage point less than the restated 38% at the end of last year.

The Group generally finances its operations with internally generated cash flow, loan facilities from banks and from its ultimate holding company. As at 30 June 2007, the Group had an aggregate cash balance of approximately HK\$692,609,000, representing a decrease of HK\$174,377,000 as compared with HK\$866,986,000 at the end of last year. At present, the Group has ample cash on hand to fulfill its contracted capital commitments of approximately HK\$350,483,000. As at 30 June 2007, the Group had outstanding borrowings of approximately HK\$1,079,830,000, representing an increase of HK\$89,970,000 against HK\$989,860,000 at the end of last year. The borrowings comprised secured bank loans of HK\$981,002,000 and loans from ultimate holding company of HK\$98,828,000.

Foreign exchange risk management

As the majority of the Group's assets, borrowings and major transactions are denominated in Renminbi, the Group is not exposed to serious risk of being impacted by exchange rate fluctuations. The Group mainly settles expenses of its business 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 the Group's business in the PRC.

Pledge of assets

As at 30 June 2007, the bank facilities of the Group are secured by revenue from the operations of toll bridge, waste water treatment plants and waste-to-energy plants, certain debtors and amounts due from customers for contract work, bank deposits, mortgages on fixed assets and shares of a subsidiary to secure bank loans. The aggregate net book value of the assets pledged amounted to approximately HK\$1,651,726,000. Such banking facilities were utilized to the extent of HK\$981,002,000 at 30 June 2007.

Capital commitments

As at 30 June 2007, the Group's contracted capital commitments amounted to HK\$350,483,000.

Contingent liabilities

As at 30 June 2007, the Group had no contingent liabilities.

Internal management

The Group adheres diligently to a management principle that stresses "people-oriented, honesty, pragmatism, creativity and standard 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 management on investment projects. It adjusted the responsibilities and functions of the investment management department and modified the appraisal system for all construction and operating projects. Review taskforces are formed to conduct regular on-site evaluation of the progress of different projects to ensure they are effectively managed and that the Group can rest assured of its long-term, stable and sustainable development. With its two major strategic markets Jiangsu and Shandong taking shape, the Group will push on at full steam with promoting interaction and connection among the different projects developing in the regions. Its aim is to realize overall operational integration, which will give it maximum regional competitive advantage and allow it to maximize returns from human and material resources application.

Human resources

The Group is attentive to human resources management with the objective of developing and realizing the full potential of each employee as a member of a quality workforce that can support the long term business development of the Group. During the period under review, the Group organized training for its management staff with the Guanghua School of Management of the Peking University during the period under review. The training courses have familiarized managers of the Group with modern management concepts and in turn enhanced the Group's management standard.

As at 30 June 2007, the Group had approximately 840 employees in Hong Kong and the PRC. The employees 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. The average pay rise of employees in Hong Kong is 5% in 2007. According to the share option scheme approved by the Company's extraordinary general meeting on 26 May 2003, the Board has the authority to grant share options as performance incentives to any employees, including directors. During the period under review, no share option was granted to any employee.

Corporate Governance

The Group has continuously strived to strengthen corporate governance, increase operational transparency and safeguard shareholders' interest. The Board has set up four governing 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 2007, 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 2007. At the request of the Board, 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 2007.

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 2007 (2006: HK0.6 cent per share) to shareholders whose names appear on the register of members of the Company on Wednesday, 17 October 2007. Dividend warrants will be despatched to shareholders on or about Wednesday, 31 October 2007.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 17 October 2007 to Tuesday, 23 October 2007 (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 Tuesday, 16 October 2007.

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, 20 September 2007

As at the date of this announcement, the board of directors of the Company comprises: (i) 8 executive directors namely Mr. Tang Shuangning (Chairman), Mr. Zang Qiutao (Vice-chairman), Mr. Li Xueming (Vice-chairman), Chen Xiaoping (Chief Executive Officer), Mr. Philip Fan Yan Hok, Mr. Raymond Wong Kam Chung, Mr. Chen Shuang 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.