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 2011

FINANCIAL HIGHLIGHTS

CONTINUOUS GROWTH IN TURNOVER AND PROFIT SUCCESSFULLY ENTERED INTO OVERSEAS MARKET

- Turnover increased by 91% to HK$1,834,302,000 (2010: HK$959,876,000)
- EBITDA on recurring basis increased by 46% to HK$661,806,000 (2010: HK$453,628,000)
- Profit attributable to equity shareholders increased by 43% to HK$351,668,000 (2010: HK$245,134,000)
- Basic earnings per share increased by 43% to HK9.61 cents (2010: HK6.73 cents)
- Interim dividend increased by 100% to HK2.0 cents per share (2010: 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 2011. 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 2011 – unaudited

		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Turnover	*3 & 4*	**1,834,302**	959,876
Direct costs and operating expenses		**(1,119,034)**	(472,129)
		715,268	487,747
Other revenue		**29,177**	27,373
Other loss		**(917)**	-
Administrative expenses		**(105,101)**	(80,969)
Valuation gains on investment properties		**6,074**	3,996
Profit from operations		**644,501**	438,147
Finance costs	*5(a)*	**(112,068)**	(85,251)
		532,433	352,896
Share of loss of associate		**-**	(588)
Profit before taxation	*5*	**532,433**	352,308
Income tax	*6*	**(162,480)**	(89,691)
Profit for the period		**369,953**	262,617
Attributable to:			
Equity shareholders of the Company		**351,668**	245,134
Non-controlling interests		**18,285**	17,483
Profit for the period		**369,953**	262,617
Earnings per share	*7*		
Basic		**HK9.61 cents**	HK6.73 cents
Diluted		**HK9.51 cents**	HK6.63 cents

Consolidated statement of comprehensive income
For the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**369,953**	262,617
Other comprehensive income for the period (after reclassification adjustments):		
Exchange differences on translation of financial statements of subsidiaries	**99,594**	24,837
Available-for-sale securities: net movement in fair value reserve	**(37,097)**	(1,706)
Tax effect relating to changes in fair value of available-for-sale securities	**8,884**	-
	71,381	23,131
Total comprehensive income for the period	**441,334**	285,748
Attributable to:		
Equity shareholders of the Company	**414,997**	265,706
Non-controlling interests	**26,337**	20,042
Total comprehensive income for the period	**441,334**	285,748

Consolidated balance sheet
At 30 June 2011 – unaudited

		At 30 June 2011		At 31 December 2010	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	*8*				
- Investment properties			**35,675**		28,856
- Other property, plant and equipment			**479,620**		385,021
			515,295		413,877
Intangible assets	*9*		**905,528**		638,728
Goodwill			**46,133**		46,133
Interest in associate			**-**		-
Other financial assets			**209,136**		244,949
Other receivables and deposits	*10*		**2,594,070**		2,399,734
Gross amounts due from customers for contract work	*11*		**5,320,008**		4,629,124
Finance lease receivables			**21,365**		-
Deferred tax assets			**10,404**		14,080
			9,621,939		8,386,625
Current assets					
Inventories		**46,569**		21,490	
Debtors, other receivables, deposits and prepayments	*10*	**774,193**		673,635	
Gross amounts due from customers for contract work	*11*	**445,663**		350,836	
Finance lease receivables		**411**		-	
Tax recoverable		**-**		5,381	
Pledged bank deposits		**67,459**		38,852	
Deposits with bank		**39,732**		52,087	
Cash and cash equivalents	*12*	**1,166,827**		1,341,485	
		2,540,854		2,483,766	
Current liabilities					
Bank loans					
- Secured		**441,462**		365,308	
- Unsecured		**497,047**		366,946	
		938,509		732,254	
Creditors, other payables and accrued expenses	*13*	**1,064,822**		853,444	
Current taxation		**47,289**		29,136	
		2,050,620		1,614,834	
Net current assets			**490,234**		868,932

Consolidated balance sheet
At 30 June 2011 – unaudited (continued)

	At 30 June 2011		At 31 December 2010	
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Total assets less current liabilities		**10,112,173**		9,255,557
Non-current liabilities				
Bank loans				
- Secured	**1,898,395**		1,817,165	
- Unsecured	**1,499,314**		1,219,978	
	3,397,709		3,037,143	
Other loans	**54,180**		53,271	
Loans from ultimate holding company	**119,443**		117,439	
Deferred tax liabilities	**398,637**		299,055	
		3,969,969		3,506,908
NET ASSETS		**6,142,204**		5,748,649
CAPITAL AND RESERVES				
Share capital		**367,546**		365,246
Reserves		**5,338,617**		4,972,806
Total equity attributable to equity shareholders of the Company		**5,706,163**		5,338,052
Non-controlling interests		**436,041**		410,597
TOTAL EQUITY		**6,142,204**		5,748,649

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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 February 2011.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretations 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, HKAS 19, *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

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

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the interim financial report.

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 six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Environmental energy project construction and operation: this segment engages in the construction and operation of waste-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, reusable water treatment plants and a surface water treatment plant to generate revenue from construction and upgrading services, revenue from operation services as well as finance income.
- Alternative energy project construction and operation: this segment engages in the construction and operation of methane-to-energy power plants, photovoltaic energy power plants and biomass power generation plants to generate revenue from construction services, revenue from operation services, finance income as well as finance lease 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.
- 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: this segment engages in the leasing of office premises to generate rental income and to gain from the capital appreciation of properties' values.

(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 assets, intangible assets, interest in associate, deferred tax assets and current assets with the exception of 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 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 services), 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 project construction and operation		**Environmental water project construction and operation**		**Alternative energy project construction and operation**		**Environmental technology and construction management**		**Infrastructure construction and operation**		**Property investment**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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*
For the six months ended 30 June														
Revenue from external customers	**1,116,032**	437,450	**335,848**	445,965	**296,762**	7,472	**-**	-	**84,849**	68,044	**811**	945	**1,834,302**	959,876
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**48,593**	55,597	**-**	-	**-**	-	**48,593**	55,597
Reportable segment revenue	**1,116,032**	437,450	**335,848**	445,965	**296,762**	7,472	**48,593**	55,597	**84,849**	68,044	**811**	945	**1,882,895**	1,015,473
Reportable segment profit (EBITDA)	**372,248**	216,272	**179,715**	182,925	**56,705**	5,646	**16,894**	15,854	**80,623**	62,406	**5,825**	4,739	**712,010**	487,842
Additions to non-current segment assets during the period	**702,384**	319,617	**192,728**	629,432	**368,860**	1,547	**5,151**	876	**12**	61	**-**	40	**1,269,135**	951,573
As at 30 June 2011/ 31 December 2010														
Reportable segment assets	**5,336,090**	4,480,791	**4,361,024**	4,343,109	**903,348**	530,881	**267,217**	202,769	**636,493**	611,180	**43,895**	44,086	**11,548,067**	10,212,816
Reportable segment liabilities	**2,661,510**	2,028,496	**1,943,343**	2,046,218	**356,193**	136,748	**83,052**	59,804	**214,105**	245,071	**5,887**	4,254	**5,264,090**	4,520,591

3. Segment reporting (continued)

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,882,895**	1,015,473
Elimination of inter-segment revenue	**(48,593)**	(55,597)
Consolidated turnover	**1,834,302**	959,876
Profit		
Reportable segment profit	**712,010**	487,842
Elimination of inter-segment profit	**(24,482)**	(23,027)
Reportable segment profit derived from the Group's external customers	**687,528**	464,815
Depreciation and amortisation	**(23,379)**	(20,065)
Finance costs	**(112,068)**	(85,251)
Unallocated head office and corporate income	**5,902**	2,014
Unallocated head office and corporate expenses	**(25,550)**	(9,205)
Consolidated profit before taxation	**532,433**	352,308

3. Segment reporting (continued)

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

	At 30 June 2011	At 31 December 2010
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**11,548,067**	10,212,816
Non-current other financial assets	**209,136**	244,949
Goodwill	**46,133**	46,133
Unallocated head office and corporate assets	**359,457**	366,493
Consolidated total assets	**12,162,793**	10,870,391
Liabilities		
Reportable segment liabilities	**5,264,090**	4,520,591
Unallocated head office and corporate liabilities	**756,499**	601,151
Consolidated total liabilities	**6,020,589**	5,121,742

4. Turnover

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

Turnover represents the revenue from construction services, revenue from environmental energy project, environmental water project and alternative energy project operation services, finance income, finance lease 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	
	2011	2010
	HK$'000	*HK$'000*
Revenue from environmental energy project construction services	**830,785**	236,864
Revenue from environmental water project construction services	**23,293**	155,236
Revenue from alternative energy project construction services	**281,867**	-
Revenue from environmental energy project operation services	**157,202**	125,002
Revenue from environmental water project operation services	**192,415**	175,467
Revenue from alternative energy project operation services	**12,673**	5,925
Finance income	**249,761**	192,393
Finance lease income	**646**	-
Toll bridge revenue	**84,849**	68,044
Gross rentals from investment properties	**811**	945
	1,834,302	959,876

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 2011, revenues from environmental energy project construction and operation services, environmental water project construction and operation services, alternative energy project construction and operation services and finance income derived from local governmental authorities in the PRC amounted to HK$1,747,863,000 (six months ended 30 June 2010: HK$890,887,000). The revenues are included in "Environmental energy project construction and operation", "Environmental water project construction and operation" and "Alternative energy 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	
	2011	2010
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**47,089**	23,949
Interest on other bank advances and other loans	**64,979**	61,302
	112,068	85,251
(b) Other items:		
Amortisation of intangible assets	**12,637**	12,115
Depreciation	**10,742**	7,950
Dividends and interest income	**(8,670)**	(6,235)
Value-added tax refund*	**(15,568)**	(17,614)

* Value-added tax refund of HK$15,568,000 (six months ended 30 June 2010: HK$17,614,000) was received for the six months ended 30 June 2011 in relation to environmental energy project operations and alternative 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	
	2011	2010
	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	**36,205**	23,582
Under-provision in prior periods	**20,137**	588
	56,342	24,170
Deferred tax		
Origination and reversal of temporary differences	**106,138**	59,688
Actual tax expense	**162,480**	89,691

No provision for Hong Kong Profits Tax has been made in the interim financial report as the Group's operation in Hong Kong sustained a loss for Hong Kong Profits Tax purpose during the six months ended 30 June 2011. The provision for Hong Kong Profits Tax was calculated by applying the estimated annual effective tax rate of 16.5% to the assessable profits for the six months ended 30 June 2010.

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.

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$351,668,000 (six months ended 30 June 2010: HK$245,134,000) and the weighted average number of 3,657,638,000 ordinary shares (six months ended 30 June 2010: 3,640,583,000 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$351,668,000 (six months ended 30 June 2010: HK$245,134,000) and the weighted average number of 3,696,905,000 ordinary shares (six months ended 30 June 2010: 3,695,203,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

8. Fixed assets

During the six months ended 30 June 2011, the Group acquired items of other property, plant and equipment with a cost of HK$134,229,000 (six months ended 30 June 2010: HK$12,314,000), among which HK$126,519,000 (six months ended 30 June 2010: HK$Nil) relates to construction in progress of environmental water projects and alternative energy projects. Items of other property, plant and equipment with a net book value of HK$108,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: HK$1,126,000), resulting in a loss on disposals of HK$108,000 (six months ended 30 June 2010: HK$203,000).

Government grant of HK$10,838,000 (six months ended 30 June 2010: HK$Nil) was granted during the six months ended 30 June 2011 to subsidise the construction of an alternative energy plant in the PRC and was deducted from the carrying amount of other property, plant and equipment.

9. Intangible assets

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC ("the grantors"). Pursuant to the service concession arrangements, the Group was granted rights to construct, operate and maintain a toll bridge and alternative energy power plants in the PRC for a period of 30 years. The toll bridge revenue and alternative energy power plant operation service fees receivables are determined based on the type of vehicles and the extent of services rendered respectively and are subject to the approvals from the relevant local government authorities. During the operating period, the Group is required to maintain the toll bridge and alternative energy power plants in good condition. The service concession arrangements do not contain renewal options. Both the grantors and the Group have the rights to terminate the agreements in the event of a material breach of the terms of the agreements.

Operating rights of the toll bridge and alternative energy power plants of HK$549,326,000 (31 December 2010: HK$552,671,000) and HK$356,202,000 (31 December 2010: HK$86,057,000) respectively were recognised as intangible assets as at 30 June 2011.

10. Debtors, other receivables, deposits and prepayments

	At 30 June 2011	At 31 December 2010
	HK$'000	*HK$'000*
Debtors	**291,727**	182,728
Other receivables, deposits and prepayments	**3,076,536**	2,890,641
	3,368,263	3,073,369
Less: Non-current portion		
- other receivables and deposits	**(2,594,070)**	(2,399,734)
Current portion	**774,193**	673,635

10. 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 2011	At 31 December 2010
	HK$'000	*HK$'000*
Current	**131,136**	111,593
Less than 1 month past due	**49,782**	31,360
1 to 3 months past due	**39,038**	20,570
More than 3 months but less than 12 months past due	**71,771**	19,205
Amounts past due	**160,591**	71,135
	291,727	182,728

Debtors are due within 30 days from the date of billing. Debtors past due of HK$83,171,000 have been subsequently settled after 30 June 2011.

Included in "Debtors, other receivables, deposits and prepayments" of the Group are debtors of HK$291,727,000 (31 December 2010: HK$182,728,000) of which HK$9,133,000 (31 December 2010: HK$8,246,000) and HK$90,861,000 (31 December 2010: HK$47,888,000) are due from a non-controlling shareholder and a related company respectively. Debtors represent toll bridge revenue and revenue from environmental energy project, environmental water project and alternative energy project operation services. There was no recent history of default in respect of the Group's debtors. Since most of the debtors are local governmental authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 30 June 2011 (31 December 2010: HK$Nil).

"Debtors, other receivables, deposits and prepayments" include balances totalling HK$2,790,006,000 (31 December 2010: HK$2,576,919,000) which bear interest at rates ranging from 5.94% to 7.83% (31 December 2010: 5.94% to 7.83%) per annum and represent the considerations paid for the acquisition of waste-water treatment plants under TOT (Transfer-Operate-Transfer) arrangements, among which HK$171,596,000 (31 December 2010: HK$161,945,000) and HK$1,095,317,000 (31 December 2010: HK$1,064,858,000) are due from a non-controlling shareholder and a related company respectively. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the TOT arrangements. No impairment loss was recognised by the Group at 30 June 2011 (31 December 2010: HK$Nil).

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

11. Gross amounts due from customers for contract work

	At 30 June	At 31 December
	2011	2010
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less anticipated losses	**6,811,184**	5,832,000
Less: Progress billings	**(1,045,513)**	(852,040)
Net contract work	**5,765,671**	4,979,960
Representing:		
Gross amounts due from customers for contract work		
– Non-current	**5,320,008**	4,629,124
– Current	**445,663**	350,836
	5,765,671	4,979,960

Included in "Gross amounts due from customers for contract work" are amounts of HK$252,196,000 (31 December 2010: HK$259,030,000) and HK$238,507,000 (31 December 2010: HK$216,958,000) 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 services under BOT (Build-Operate-Transfer) and BT (Build-Transfer) arrangements or upgrade services under TOT arrangements and bear interest at rates ranging from 5.94% to 7.83% (31 December 2010: 5.94% to 7.83%) per annum. Among the total of HK$5,765,671,000 (31 December 2010: HK$4,979,960,000), HK$3,837,230,000 (31 December 2010: HK$3,545,912,000) relates to BOT and TOT arrangements with operation commenced. The amounts for BOT and TOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the arrangements. The amount for BT arrangements will be settled according to respective repayment schedules as stated in the agreements.

12. Cash and cash equivalents

	At 30 June	At 31 December
	2011	2010
	HK$'000	*HK$'000*
Deposits with banks	**177,852**	269,020
Cash at bank and in hand	**988,975**	1,072,465
	1,166,827	1,341,485

Included in "Cash and cash equivalents" are deposits of HK$125,588,000 (31 December 2010: HK$279,178,000) which are placed with a related party bank.

13. 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 2011 *HK$'000*	At 31 December 2010 *HK$'000*
Due within 1 month or on demand	**33,795**	60,489
Due after 1 month but within 3 months	**73,439**	21,814
Due after 3 months but within 6 months	**45,757**	22,508
Due after 6 months	**612,907**	483,785
Total creditors	**765,898**	588,596
Other payables and accrued expenses	**298,924**	264,848
	1,064,822	853,444

Included in "Creditors, other payables and accrued expenses" of the Group is an amount of HK$3,780,000 (31 December 2010: HK$3,755,000) 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$759,252,000 (31 December 2010: HK$579,601,000) represent construction payables for the Group's BT, BOT and TOT arrangements, among which HK$10,662,000 (31 December 2010: HK$11,570,000) is due to a non-controlling shareholder. Included in the construction payables as at 31 December 2010 were also amounts due to related companies of HK$4,793,000 which were fully repaid during the period ended 30 June 2011. The construction payables are current and not yet due for payment. The amount due to a non-controlling shareholder is unsecured, interest free and expected to be settled within one year.

14. Dividends

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

	Six months ended 30 June	
	2011 *HK$'000*	2010 *HK$'000*
Interim dividend declared after the interim period of HK2.0 cents per ordinary share (six months ended 30 June 2010: HK1.0 cent per ordinary share)	**73,509**	36,422

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

14. 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	
	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.5 cents per ordinary share (six months ended 30 June 2010: HK1.2 cents per ordinary share)	**54,802**	43,683

BUSINESS REVIEW AND PROSPECT

Operating Results

In the first half of 2011, energy conservation and environmental protection have been accorded first priority among seven emerging strategic industries by the Central Government and efforts have been escalated to promote environmental protection and energy conservation industries. During the period of the Twelfth Five-Year Plan, the Central Government announced its intention to invest RMB3.1 trillion in environmental protection projects. Supported by favourable state strategies and global energy development trends, the Group has actively developed environmental protection and alternative energy businesses. In addition to the Group's existing businesses including environmental energy, environmental water, alternative energy, construction engineering and technological research and development, the Group has entered the environmental protection equipment manufacturing business in full gear. As a result, it has successfully developed grate furnaces and automatic control system products, thus penetrating the middle and upstream of the environmental protection industry. Other than our business operations in Jiangsu, Shandong, Guangdong and Anhui Provinces, the Group has extended its business to alternative energy market overseas and invested in a photovoltaic energy project in Germany.

In the first half of 2011, a number of construction projects were in full swing, driving revenue from construction services up. In addition, with the sustained increase in scale of operating projects and improvement of operating efficiency, revenue from operation services also recorded a steady growth. During the period under review, the Group's consolidated turnover amounted to HK$1,834,302,000, an increase of 91% from HK$959,876,000 in the same period last year. During the period, the EBITDA on recurring basis amounted to HK$661,806,000, an increase of 46% from HK$453,628,000 in the first half of last year. Profit attributable to equity shareholders during the period was HK$351,668,000, a growth of 43% as compared to the same period last year. Basic earnings per share for the first half of 2011 were HK9.61 cents, HK2.88 cents more than HK6.73 cents in the same period last year.

To reward shareholders for their support and consider the need of the Group to achieve long term continuous development, the Board declared to pay an interim dividend of HK2.0 cents per share (2010: HK1.0 cent per share).

Environmental Protection and Alternative Energy Businesses

During the period under review, to keep up with rapid development trend of the environmental protection and alternative energy industries, the Group has expanded businesses in both domestic and overseas markets. It has secured 9 new projects commanding a total investment of approximately RMB1.447 billion. Currently, the Group has secured 58 environmental protection and alternative energy projects commanding a total investment of approximately RMB12 billion. Of these projects, those with construction already completed had a total investment amounting to approximately RMB5.772 billion, whereas those under construction accounted for a total investment of about RMB2.619 billion. The estimated total investment of projects still at the preparatory stage was approximately RMB3.634 billion. Those projects under construction or preparation will lay a solid foundation of the future sustainable growth of the Group.

During the period under review, the turnover from the environmental protection and alternative energy businesses reached HK$1,748,642,000 (construction service revenue: 65%, operation service revenue: 21%, finance income and finance lease income: 14%), an increase of 96% as compared to the same period in 2010 and accounting for 95% of the Group's total turnover, 2 percentage points higher than that in 2010. The EBITDA amounted to HK$608,668,000, a rise of 50% when compared to the last corresponding period and accounting for 92% of the Group's total EBITDA.

Major financial data of the environmental protection and alternative energy businesses in the first half of 2011 is summarised below:

	2011			
	Environmental Energy Projects	**Environmental Water Projects**	**Alternative Energy Projects**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Turnover				
- Construction services	**830,785**	**23,293**	**281,867**	**1,135,945**
- Operation services	**157,202**	**192,415**	**12,673**	**362,290**
- Finance income and finance lease income	**128,045**	**120,140**	**2,222**	**250,407**
	1,116,032	**335,848**	**296,762**	**1,748,642**
EBITDA	**372,248**	**179,715**	**56,705**	**608,668**

	2010			
	Environmental Energy Projects	Environmental Water Projects	Alternative Energy Projects	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover				
- Construction services	236,864	155,236	-	392,100
- Operation services	125,002	175,467	5,925	306,394
- Finance income	75,584	115,262	1,547	192,393
	437,450	445,965	7,472	890,887
EBITDA	216,272	182,925	5,646	404,843

During the period under review, the Group has processed household and industrial solid waste of 992,000 tonnes and generated green electricity of 307,984,000 kWh, which can fulfill the electricity consumption of approximately 257,000 households per year and is equivalent to coal savings of 123,000 tonnes and reducing carbon dioxide (CO_2) emissions by 308,000 tonnes (including the Suzhou Landfill Methane-to-Energy Project). Meanwhile, the Group has processed 230,262,000 m^3 of waste water and leachate from waste-to-energy plants and reduced COD emission by 86,115 tonnes.

Environmental Energy

As at 30 June 2011, the Group's environmental energy business comprised 12 waste-to-energy projects and 4 industrial solid waste landfill projects, commanding a total investment of RMB5.4 billion. The designed total capacity included an annual household waste capacity of approximately 3,850,000 tonnes which is capable of producing an annual on-grid electricity of approximately 1,071,000,000 kWh. The annual safe landfill capacity of industrial solid waste is approximately 100,000 m^3.

In order to consolidate its leadership and set an example in the waste-to-energy industry in the PRC, during the period under review, the Group conducted works to upgrade its operating projects in accordance with the Euro 2000 Standard which is currently the highest standard in the world. Among all of its projects, the Suzhou Waste-to-energy Project was the first to complete the upgrade, consolidating its position as the largest waste-to-energy project under operation in the PRC adhering to the highest standards. The self-developed grate furnace and automatic control systems used in Phase II of the Jiangyin Waste-to-energy Project have shown satisfactory operational results. This equipment has outperformed imported machinery and is better suited for the waste-to-energy process in the PRC with a low calorific value. The application for the 7% increment in the waste processing fee at the Changzhou Waste-to-energy Project in accordance to the concession requirement has also been approved. This project has achieved outstanding results in operation and in environmental protection. With the subsequent high appreciation of both the local government and residents, the project has been designated as an urban utility demonstration project. In the first half of the year, the Suzhou Waste-to-energy Project and Changzhou Waste-to-energy Project have welcomed 6,800 visitors from overseas and local.

During the period under review, Yixing Environmental Protection Veinous Industrial Park and Suqian Hazardous Waste Landfill Project were added in the environmental energy business. Yixing Veinous Industrial Park is the sixth industrial park project following the ones in Suzhou, Changzhou, Suqian, Zhenjiang and Shandong Yantai. Suqian Hazardous Waste Landfill Project is also the largest hazardous waste landfill project in Subei area. These demonstrated the municipal governments' support to Everbright International's concept on "centralised planning, logical arrangement, better land utilisation and centralised handling".

During the period under review, the environmental energy projects of the Group altogether processed 992,000 tonnes of household waste, 23,000 m^3 of industrial solid waste and generated on-grid electricity of 239,671,000 kWh, an increase of 8%, 21% and 11% respectively against the same period last year. The environmental energy projects brought an EBITDA of HK$372,248,000, representing a rise of 72% against the last corresponding period. The increase of profit was mainly attributable to the increased construction service revenue as the waste-to-energy projects in Jinan, Zhenjiang and Suqian were under construction. In addition, the growth in processing volume in operating projects kept increasing which also increased the operation service revenue.

Major operating and financial data of the environmental energy business in the first half of 2011 is summarised below:

	Waste processing volume (tonne)		**On-grid electricity ('000 kWh)**		**EBITDA (HK$'000)**	
	2011	2010	**2011**	2010	**2011**	2010
- Suzhou Waste-to-energy Project ("Suzhou Project") Phase I and Phase II (1)	**450,000**	447,000	**115,610**	111,539	**81,200**	108,297
- Yixing Waste-to-energy Project ("Yixing Project") (2)	**118,000**	121,000	**26,362**	25,590	**17,051**	14,335
- Jiangyin Waste-to-energy Project ("Jiangyin Project") Phase I and Phase II (3)	**236,000**	163,000	**57,754**	36,870	**50,053**	29,108
- Changzhou Waste-to-energy Project ("Changzhou Project") (4)	**188,000**	191,000	**39,945**	41,156	**27,096**	28,290
- Jinan Waste-to-energy Project ("Jinan Project") (5)	-	-	-	-	**84,932**	14,753
- Zhenjiang Waste-to-energy Project ("Zhenjiang Project") (6)	-	-	-	-	**43,063**	11,042
- Suqian Waste-to-energy Project ("Suqian Project") (7)	-	-	-	-	**50,713**	(1,095)
- Huidong Waste-to-energy Project ("Huidong Project") (8)	-	-	-	-	**(969)**	(910)
	992,000	922,000	**239,671**	215,155	**353,139**	203,820
- Suzhou Industrial Solid Waste Landfill Project and Suqian Hazardous Waste Landfill Project (collectively "Solid Waste Projects") (9) (m^3)	**23,000**	19,000	-	-	**19,109**	12,452
					372,248	216,272

(1) The decrease in profit of the Suzhou Project was mainly attributable to the recognition of construction cost saving upon completion of the construction final accounts of Phase II in the corresponding period in last year. Excluding this cost saving, the profit rose by 2% year-on-year, representing the steady increase of operating revenue. The groundbreaking ceremony of Suzhou Project Phase III was held in May 2011 and the construction is expected to take 18 months with commercial operation to commence in 2013.

(2) The increase in profit of the Yixing Project was mainly attributable to the effective cost control which increased the overall operation efficiency.

（3） The increase in profit of the Jiangyin Project was mainly attributable to the commencement of operation of Phase II of the project which increased the waste processing volume and on-grid electricity, thereby drove up the operation service revenue.

（4） The decrease in profit of the Changzhou Project was mainly attributable to the maintenance expenditure during the period.

（5） Construction work of the Jinan Project started in February 2010 and commercial operation is expected to commence in the second half of 2011.

（6） Construction work of the Zhenjiang Project started in March 2010 and commercial operation is expected to begin in the second half of 2011.

（7） Construction work of the Suqian Project commenced in June 2010 and commercial operation is expected to commence in the second half of 2011.

（8） The Huidong Project is now under preparation and construction is expected to start in the second half of 2011.

（9） The increase in profit of the Solid Waste Projects was because of the growth of solid waste volume processed during the period under review which increased the operation service revenue of the project. Works for the extension of Suzhou Industrial Solid Waste Landfill Project Phase II and Suqian Hazardous Waste Landfill Project have commenced and are expected to be completed and handed over for use by the end of 2011.

Environmental Water

As at 30 June 2011, the Group’s environmental water sector comprised a total of 18 waste water treatment projects, 3 reusable water projects and 1 surface water project with a total investment of RMB3.7 billion. The designed annual waste water treatment capacity of the sector is approximately 566,000,000 m^3, as well as providing 13,000,000 m^3 of reusable water and handling 36,500,000 m^3 of surface water annually.

During the period under review, the Group’s environmental water sector implemented 3 reusable water projects. The Zibo Reusable Water Project and Jinan Reusable Water Project have been completed, laying a solid foundation for the further expansion of the environmental water sector. The application for the 15% increment in the waste water treatment fee at the Zibo Waste Water Treatment Project in accordance with the concession requirement has been approved. Both of the waste water treatment plants in Jinan and Zibo have been designated as “2010 Urban Waste Water Treatment Demonstration Unit of the Province” and the Jinan Waste Water Treatment Plant was ranked first in the province.

In the first half of 2011, the environmental water projects treated 230,262,000 m^3 of waste water, an increase of 9% as compared with the same period last year. These operations brought an EBITDA of HK$179,715,000, a decline of 2% against the same period last year. The decrease in profit during the period was mainly due to the decrease in construction service revenue which offset the growth of operation service revenue driven by the rise in waste water treatment volume.

Major operating and financial data of the environmental water sector in the first half of 2011 is summarised below:

	Waste water treatment volume (m^3)		EBITDA (HK$'000)	
	2011	2010	**2011**	2010
- Qingdao Waste Water Treatment Project (1)	**32,678,000**	31,844,000	**22,961**	12,273
- Zibo Waste Water Treatment Project (Southern and Northern Plants and High-Tech Zone Plant) (2)	**48,979,000**	56,024,000	**22,960**	19,569
- Jinan Waste Water Treatment Project (Plant 1, 2 and Plant 4) (3)	**90,516,000**	73,620,000	**60,497**	60,434
- Jinan Licheng Waste Water Treatment Project (Plant 3) (4)	**18,253,000**	16,965,000	**13,498**	9,813
- Boxing Waste Water Treatment Project (5)	**6,082,000**	5,694,000	**3,623**	(33)
- Zhoucun Waste Water Treatment Project (6)	**6,793,000**	8,501,000	**6,938**	956
- Jiangyin Waste Water Treatment Project (7)	**21,547,000**	19,445,000	**42,524**	64,738
- Ling County Waste Water Treatment Project (8)	**5,414,000**	-	**6,130**	13,683
- Xinyi BT Project (9)	**-**	-	**584**	1,492
	230,262,000	212,093,000	**179,715**	182,925

(1) The increase in profit of the Qingdao Waste Water Treatment Project was mainly attributable to the rise of waste water treatment fee which increased the operation service revenue.

(2) The rise in profit of the Zibo Waste Water Treatment Project was mainly attributable to the effective cost control which increased the overall operation efficiency.

(3) The increase in profit of the Jinan Waste Water Treatment Project was mainly attributable to the commencement of operation of Plant 4 in June 2010 which increased the overall waste water treatment volume and the operation service revenue which offset the impact on the decrease in construction service revenue.

(4) The increase in profit of the Jinan Licheng Waste Water Treatment Project was mainly attributable to the sustained increase in waste water treatment volume which increased the operation service revenue.

(5) The increase in profit of the Boxing Waste Water Treatment Project was mainly attributable to the sustained increase in waste water treatment volume which increased the operation service revenue.

(6) The increase in profit of the Zhoucun Waste Water Treatment Project was mainly attributable to the effective cost control which increased the overall operation efficiency.

(7) With the improvement in the sewage piping network of the Jiangyin Waste Water Treatment Project and the steady increase in waste water treatment volume, it is expected that the operation efficiency will gradually recover.

(8) The decrease in profit of Ling County Waste Water Treatment Project was mainly attributable to the recognition of construction service revenue during construction in the first half of last year. During the period under review, this project only recognised operation service revenue.

(9) The Xinyi BT Project has been completed and handed over to the municipal government last year. The decrease in profit was attributable to the recognition of construction service revenue last year.

Alternative Energy

In recent years, energy consumption has been growing along with the continuous development of the global economy. The consumption of fossil resources such as coal, oil and natural gas also continues to increase. Aware of the trend towards alternative energy, the Group has strived to develop alternative energy businesses such as photovoltaic energy, biomass power generation and wind power. This initiative has allowed the Group to maintain its leadership in the industry.

As at 30 June 2011, the Group has already secured 19 alternative energy projects, including 8 photovoltaic energy projects, 6 biomass power generation projects, 3 methane-to-energy projects and 2 waste water source heat pump project with a total investment of approximately RMB2.9 billion, a total designed annual processing capacity of approximately 1,750,000 tonnes of agricultural waste, and annual on-grid electricity of 1,172,000,000 kWh.

During the period under review, the alternative energy business has also been growing rapidly. Of the 9 newly added projects of the Group in the first half of the year, 7 of them were alternative energy projects. These included German Ground Photovoltaic Energy Project, Phase II of the Suqian Rooftop Photovoltaic Energy Project, Zhenjiang Rooftop Photovoltaic Energy Project, Changzhou Rooftop Photovoltaic Energy Project, Laiyang Biomass Power Generation Project, Hanshan Biomass Power Generation Project and Phase II of the Zibo Waste Water Source Heat Pump Project. The German Ground Photovoltaic Energy Project, the first overseas project of the Group, was secured in March 2011. Through the operation of the German Ground Photovoltaic Energy Project, the Group aims to enhance the level of construction, management and operation of the mainland photovoltaic energy projects. The Group has also continued to develop wind power projects and is conducting data analysis at its wind power project in Muping District, Yantai and conducting wind measurement tests at its wind farm in Ningwu County within Shanxi Province. The preliminary indicators are better than expected.

During the period under review, the Group's alternative energy projects have provided a total of 15,143,000 kWh of on-grid electricity, and brought an EBITDA of HK$56,705,000, representing an increase of 904% as compared to the same period last year. The rise in profit is mainly attributable to the recognition of construction service revenue generated by the ongoing construction of the Dangshan Biomass Power Generation Project. Moreover, the commencement of operation of 3 photovoltaic energy projects also contributed to the rise in the Group's overall profit.

Major operating and financial data of the alternative energy sector in the first half of 2011 is summarized below:

	On-grid electricity ('000 kWh)		**EBITDA (HK$'000)**	
	2011	2010	**2011**	2010
- Dangshan Biomass Power Generation Project ("Dangshan Project") (1)	**-**	-	**42,103**	(648)
- Suqian Rooftop Photovoltaic Energy Project ("Suqian Photovoltaic Energy Project") (2)	**1,249**	-	**3,093**	-
- Zhenjiang Ground Photovoltaic Energy Project ("Zhenjiang Photovoltaic Energy Project") (3)	**1,945**	-	**2,518**	-
- Huaining Ground Photovoltaic Energy Project ("Huaining Photovoltaic Energy Project") (4)	**322**	-	**(252)**	-
- Suzhou Methane-to-energy Project (5)	**11,627**	12,918	**5,448**	6,367
- Shenzhen Rooftop Photovoltaic Energy Project ("Shenzhen Photovoltaic Energy Project") (6)	**-**	-	**778**	-
- Zibo Heat Pump Project (7)	**-**	-	**3,017**	(73)
	15,143	12,918	**56,705**	5,646

(1) The Dangshan Project started construction in July 2010, and is expected to commence commercial operation by the end of 2011.

(2) The Suqian Photovoltaic Energy Project has started operation in the end of 2010, and has brought profit contribution to the Group during the period under review.

(3) The Zhenjiang Photovoltaic Energy Project has started operation in the end of 2010, and has brought profit contribution to the Group during the period under review.

(4) The Huaining Photovoltaic Energy Project has commenced commercial operation in May 2011.

(5) The decline in profit of the Suzhou Methane-to-energy Project was mainly attributable to the decrease in on-grid electricity during the period under review.

(6) Shenzhen Photovoltaic Energy Project has commenced commercial operation in the fourth quarter of 2010 and has brought profit contribution to the Group during the period under review.

(7) Zibo Heat Pump Project is expected to commence commercial operation in the fourth quarter of 2011.

Environmental Protection Engineering

Environmental protection engineering is the key business sector which supports construction of all of our environmental protection and alternative energy projects. Regardless of the scale and size of investment in a project, Everbright International has insisted on its belief of "producing quality facilities and building a brand" in carrying out its construction work of each project. In 2011, we have the highest number of construction projects since we initiated development of environmental protection industry. Currently, 28 projects are under construction or in the preparatory stage, commanding a total investment of RMB6.39 billion. Of which, certain projects will gradually complete construction and commence commercial operation. During the period under review, the Group has completed the reusable water projects in Jinan and Zibo, as well as the Huaining Photovoltaic Energy Project. In the coming six months, the Group will have to handle and complete several important construction projects, including Dangshan Project, the Group's first biomass power generation project, 3 waste-to-energy projects in Jinan, Zhenjiang and Suqian and 4 photovoltaic energy projects in Germany, Suqian, Zhenjiang and Changzhou. The completion of these projects is expected to further increase the Group's operating profit. The construction and operation of these projects have enabled the Group to continuously strengthen its technology and management capabilities, enabling it to implement a wider range of quality engineering projects while building its core competitiveness.

Environmental Protection Technology

Environmental protection technology is an important safeguard supporting the sustainable development of the Group. This business has become the Group's platform in collaborating with major technology research institutions for domestic and international technology transfer as well as technological research and development.

The leachate treatment technology of the Group is already in the leading position in the PRC. In the first half of 2011, the Group has further enhanced the technology used in the waste-to-energy projects in Zhenjiang, Suqian and Jinan that are still under construction. In the first half of 2011, the Group has also developed its grate furnaces and an automatic control system with a daily waste processing capacity of 400 tonnes, which were installed at Phase II of the Jiangyin Project. In addition, the Group developed grate furnaces and an automatic control system with respective daily waste processing capacities of 350 tonnes and 300 tonnes. Both had been installed at the Zhenjiang and Suqian waste-to-energy projects where the trial run has proceeded smoothly. To extend the industry chain, the Group has completed preliminary solutions for the development of sludge dehydration equipment and modifier, technology for small-scale waste water treatment projects and small-scale waste-to-energy projects and treatment of kitchen waste, electronic waste and construction waste. It has also conducted research on refining biomass into ethanol and methane, aiming to establish a foundation for the continuous expansion of its business scope and sustainable development. To develop the environmental protection equipment manufacturing business, the Group has invested in building a production base in Changzhou, Jiangsu to manufacture grate furnaces, biomass furnaces, sludge treatment and emission purification equipment. Upon completion of construction, the production base would provide a solid foundation enabling the Group to advance from the downstream to the midstream of the environmental protection industry, where the Group could produce and utilise self-developed equipment and production lines, thereby creating another new business segment. Upon completion, the production base would open a new income source for the Group and generate promising returns for its shareholders.

During the period under review, the Group has newly obtained 5 invention patents. There are totally 21 patents. Of which, 8 are invention patents and 13 are utility patents.

Infrastructure Business

Toll Bridge

Located at the major transportation hubs in the Fuzhou City of Fujian Province, traffic flow of Qingzhou Bridge has been steadily increasing since the opening in 2003, contributing steady cash flow for the Group. In the first half of 2011, the average daily number of standard vehicles crossing the bridge was increased by 21% to 50,919 as compared to corresponding period last year. During the period under review, the project generated an EBITDA of HK$80,623,000 to the Group, a rise of 29% as compared with corresponding period last year. With its prime location and increasing transportation needs in the region, it is expected that the traffic volume of Qingzhou Bridge will keep steadily increasing.

Post-Results Events

In July 2011, the Company signed a framework agreement with the People’s Government of Nanjing City regarding construction of a Nanjing veinous industrial park, to promote joint projects including waste-to-energy, sludge treatment and kitchen waste treatment.

Business Prospects

The energy conservation and environmental protection industry ranks the top among seven emerging industries in the PRC, thus a number of favourable polices have been launched to boost its development. Under the Twelfth Five-Year Plan, the PRC Government has planned to invest RMB3.1 trillion on environmental protection projects and to increase the proportion of clean energy to 15% by 2020. Therefore, the industry is expected to soon enter a fast growth stage.

From the global perspective, the nuclear crisis in Japan has forced some countries to gradually abandon their nuclear plans including Germany, Italy, Thailand, Malaysia and Switzerland. Germany was the first to announce the plan to close down all nuclear plants in the country by 2020 and seek other alternative energy to replace nuclear energy, which accounted for 22% of current energy output. Switzerland also announced a related plan to gradually close down five nuclear plants by 2034, which generated 40% of the existing energy output. To complement the power shortfall caused by suspension of nuclear energy, these governments are seeking safer alternative energy, which will drive the demand for alternative green energy to grow even faster. In Europe, the proportion of alternative energy is targeted to be increased to 20% by 2020. A study conducted by the European Photovoltaic Industry Association revealed that the demand for photovoltaic energy in Europe will increase from 2% to 12% by 2020, indicating a drastic future increase in the demand for alternative and green energy on the continent.

Driven by current favourable national policies and global trends of energy development, the Group will strive to seize the opportunities by following its principle of “implementing projects with one success followed by another”. Looking ahead, alternative and green energy will remain as its focus, while making efforts to extend the business chain to the middle and upper stream at the same time. Capitalising on its strong innovation and core competitiveness, the Group will develop its environmental protection equipment manufacturing business and further consolidate its leading presence in the environmental protection industry so as to make a constant contribution to environmental protection in the PRC.

In addition, the Group will continue to develop alternative energy market domestically and overseas. Particular interest will be investment projects in energy conservation, environmental protection, alternative energy and municipal infrastructure. Towards this end, the Group will leverage the experience gained through its environmental protection projects, and support from the environment protection industrial parks in Suzhou, Yantai, Changzhou, Zhenjiang, Suqian, Yixing and Nanjing. On top of consolidating its leading market presence in Jiangsu and Shandong, the Group is also investing in environmental energy and alternative energy projects in Pearl River Delta, including construction of waste-to-energy, photovoltaic energy and biomass power generation projects. Environmental protection and alternative energy projects have no boundaries. After the Group secured the first photovoltaic project in Germany, it has full confidence to push forward the development beyond the PRC into the overseas environmental-friendly alternative energy market, in order to solve environmental issues worldwide as well as fight for the best interests of its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

As at 30 June 2011, the Group had total assets amounted to HK$12,162,793,000, with HK$6,142,204,000 worth of net assets. Net asset value per share attributable to equity shareholders was HK$1.55 per share, representing an increase of 6% as compared to HK$1.46 per share as at the end of 2010. As at 30 June 2011, gearing ratio (total liabilities over total assets) of the Group was 50%, 3 percentage points more than 47% at last year end.

The Group generally finances its operations with internally generated cash flow, loan facilities from banks and funds from its ultimate holding company. As at 30 June 2011, the Group had an aggregate cash balance of approximately HK$1,274,018,000, representing a decrease of HK$158,406,000 as compared to HK$1,432,424,000 at the end of last year. As at 30 June 2011, the Group had outstanding borrowings of approximately HK$4,509,841,000, representing a rise of HK$569,734,000 as compared to HK$3,940,107,000 at the end of 2010. The borrowings comprised bank loans of HK$4,336,218,000, loans of HK$119,443,000 from the ultimate holding company and other loans of HK$54,180,000 from an unrelated party.

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 income in Renminbi. It has not used any financial instruments to hedge against bank borrowings in Renminbi, which are used mainly to meet capital requirements of its business in the PRC. The Group will closely manage and monitor foreign currency risks given the increased loan balances in Hong Kong dollars and US dollars.

Pledge of Assets

As at 30 June 2011, certain banking facilities of the Group were secured by certain revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages on fixed assets and equity interest of certain subsidiaries of the Company. The aggregate net book value of assets pledged amounted to approximately HK$4,736,134,000.

Commitments

As at 30 June 2011, the Group had outstanding commitments in connection with TOT arrangements entered into in the amount of HK$18,060,000 and purchase commitments outstanding of HK$267,484,000 in connection with construction contracts.

Contingent Liabilities
As at 30 June 2011, the Company had issued financial guarantees to 6 wholly-owned subsidiaries and 1 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 under the guarantees issued was the facility drawn down by the subsidiaries of HK$1,685,045,000.

Internal Management
The Group adheres diligently to the management principle that focuses on “people oriented, pragmatism, creativity and systematic management” and is committed to building a comprehensive risk management culture. Strengthening management and risk control have always been important duties of a corporation during its operations and development. With the efforts of the Risk Management Advisory Committee, the Engineering Technical Management Committee and the Budget Approval and Management Committee, the Group formulated strict regulations on investment in, and construction and operating of environmental protection projects. During the period under review, the Group has continued to conscientiously implement various management systems. The Group has completed the contingency plans for unexpected emergency environmental pollution incidents for its environmental protection and alternative energy projects across five major categories. It has also conducted internal audits of 5 environmental water projects in Jinan, Licheng, Ling County, Jiangyin and Qingdao; 3 photovoltaic energy projects in Suqian, Zhenjiang and Shenzhen; and a road and bridge project in Fuzhou. At the same time, the Group has developed the financial integrated computerised management system to improve its financial accounting and analysis functions, boosting overall management efficiency. It has also set up a taxation research team during the review period to enhance its understanding of preferential taxation policies. Moreover, it has set up a strategic planning team to devise the mid- to long-term strategic plans for the Group in an effort to set clear directions and goals for its prosperous and rapid growth in the future.

Human Resources
The Group highly values its human resources. It believes that realizing the full potential of its employees is crucial to its long term growth. The Group has arranged a variety of training courses during the period under review, highlighted by the Master of Environmental Engineering Program II of Tsinghua University and the International CEO Course II of Tsinghua University specially designed for enhancing the capabilities of the management and specialised technical staff. To assist newcomers to become familiar with and adapt to the corporate culture, the Group has also organised military outward bound training sessions in Beijing. In addition, financial training has been held in Jinan to enhance the professional knowledge of the financial staff of the whole Group. The Group has also invited outside speakers to conduct two video training sessions for the entire staff to broaden their exposure to the business. In the first half of the year, the Group has assigned newcomers involved in the waste-to-energy projects in Zhenjiang, Suqian and Jinan to get training in the existing operating projects in order to better prepare for the trials and operations of projects coming onstream during the second half of the year. To enhance management, technological standard and market expansion capabilities, the Group has also arranged a trip to Germany for its management and specialised technical staff to learn the construction technology of photovoltaic energy projects, thus helping in the design optimisation of its photovoltaic energy projects located in the Mainland.

As at 30 June 2011, the Group had approximately 1,600 employees in Hong Kong and the PRC. Employees of the Group are remunerated according to their qualifications, experience, job nature, performance, and with reference to market conditions. Apart from discretionary performance bonus, the Group also provides other benefits such as medical insurance and provident fund scheme to employees in Hong Kong. According to the share option scheme approved by the Company’s extraordinary general meeting on 26 May 2003, at the discretion of the Board, share options may be granted as performance incentives to any employees, including directors. During the period under review, no share option was granted.

Corporate Governance

The Group has strived to enhance its corporate governance standards, increase its transparency to markets and safeguard interest of the Company's shareholders. Towards this end, the Board has set up four committees, namely the Executive Committee, Audit Committee, Remuneration Committee and Management Committee. The Company's management believes good corporate governance is essential to drive the business development of the Company as well as to safeguard shareholder's interests.

The code provisions in 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.

As at 30 June 2011, the Company had complied with the provisions of the Code and most of the recommended best practices as set out in the Code.

Executive Committee

The Executive Committee comprises Mr. Tang Shuangning (Chairman), the Chairman of the Board, and six other executive directors, namely Mr. Zang Qiutao, Mr. Li Xueming, Mr. Chen Xiaoping, Mr. Wang Tianyi, Mr. Raymond Wong Kam Chung and Mr. Cai Shuguang. Its main responsibilities include performing the duties assigned by the Board as well as exercising the authority and rights authorised by the Board. The general mandate in relation to the Executive Committee in written form has already been established.

Audit Committee

The Audit Committee, currently comprising all three independent non-executive Directors of the Company, namely Mr. Selwyn Mar (Chairman), Mr. Aubrey Li Kwok Sing and Mr. Zhai Haitao, 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 Group. 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 will be set out in the 2011 interim report of the Company. The interim financial results for the six months ended 30 June 2011 have also been reviewed by the Company's Audit Committee.

Remuneration Committee

The Remuneration Committee comprises Mr. Zang Qiutao (Chairman), the Vice-chairman of the Board, and three independent non-executive Directors, namely Mr. Selwyn Mar, Mr. Aubrey Li Kwok Sing and Mr. Zhai Haitao. 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, etc. The terms of reference of the Remuneration Committee are disclosed on the website of the Company.

Management Committee

The Management Committee comprises Mr. Chen Xiaoping (Chairman), the Chief Executive Officer of the Company, Mr. Wang Tianyi (Vice-chairman), the General Manager of the Company, Mr. Raymond Wong Kam Chung, the Chief Financial Officer of the Company, Mr. Cai Shuguang, the person-in-charge of Environmental Energy sector, the General Manager of Everbright Environmental Protection Engineering (Shenzhen) Limited, the General Manager of Everbright Environmental Protection Technology Development (Beijing) Limited and the persons-in-charge of Environmental Water sector, Alternative Energy sector and the Investment Development Department, whereas the person-in-charge of the Investment Management Department and Legal Department attend the meetings as non-voting delegates. The Management Committee is the decision-making body for day-to-day operations and its main duties include performing the duties assigned by the Board as well as exercising the authority and rights authorised by the same. The general mandate in relation to the Management Committee in written form has already been established.

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 in the regard. Having made specific enquiry with the directors, all directors confirmed that they had complied with the required standard of dealings as set out therein the code during the six months ended 30 June 2011.

Other information

Interim Dividend
The Board has declared payment of an interim dividend of HK2.0 cents per ordinary share for the six months ended 30 June 2011 (2010: HK1.0 cent per ordinary share) to shareholders whose names appear on the register of members of the Company on Tuesday, 27 September 2011. Interim dividend will be paid to shareholders on or about Thursday, 20 October 2011.

Closure of Register of Members
The register of members of the Company will be closed from Tuesday, 27 September 2011 to Friday, 30 September 2011 (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 Monday, 26 September 2011.

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, 24 August 2011

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 Mr. Selwyn Mar, Mr. Aubrey Li Kwok Sing and Mr. Zhai Haitao.