

RESULTS

Hutchison Harbour Ring Limited (“the Company”) and its subsidiaries and associates (“the Group”) recorded an unaudited consolidated profit attributable to shareholders of HK\$32.8 million for the six months ended 30 June 2003 (six months ended 30 June 2002: HK\$23.4 million, as restated), representing a growth of 40% over the comparable period in 2002.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

REVIEW OF OPERATIONS

The Group’s turnover, including its share of associates’ turnover, for the period totaled HK\$796.3 million, compared to HK\$660.3 million in the first half of 2002. The turnover comprised revenue generated from the manufacturing and trading of toys, high quality consumer electronic products and accessories as well as rental income from properties. Turnover growth was mainly attributed to the increased turnover of the technology division established last year in the supply of customer electronic products and accessories as well as enhanced customer relationships and increase in demand for popular products such as digital cameras. Investment properties in Shanghai benefited from satisfactory occupancy rates and higher yields providing a steady source of income.

Hutchison Whampoa Limited has increased its indirect shareholding in the Group from 50.5% to 57.5% on 22 April 2003 by exercising in full its warrants to subscribe for new shares through its indirect wholly owned subsidiary. The Group continues to enhance its business opportunities with the Hutchison Whampoa group, and is supplying plastics, electronics and premium products and mobile phone accessories.

Toy Operation

The toy operation recorded satisfactory performance with HK\$676.5 million in turnover and earnings before interest expenses and taxation (“EBIT”) of HK\$20.1 million for the six months ended 30 June 2003 compared to HK\$586.4 million in turnover and EBIT of HK\$18.3 million in the comparable period last year. This core business of the Group comprises the manufacturing and trading of hard, soft and electronic toys. As an original equipment manufacturer, the Group has established strong relationships with major toy marketing companies worldwide in particular for supply to the United States of America. Manufacturing activities are conducted by the Group’s subsidiaries at facilities in Dongguan, Guangzhou and Zhongshan in southern China. In line with the industry norm, activities tend to intensify in the second half of the year for shipments of finished

products to countries all over the world in preparation for the Christmas season. Increased business in the manufacturing and trading of small Spring items counterbalanced the seasonal fluctuations to a certain extent.

Despite volatile global economic conditions, turnover grew by 15% in comparison to same period last year. Major customers included Hasbro, Mattel, Play Along, Playmates and Takara. Sales growth was mainly attributed to the good partnership relationships with long-term major customers and success enjoyed by these customers due to popularity of their products launched such as Carebear, Ello, Imaginext, Playskool, Teenage Mutant Ninja Turtle and Transformer.

The Group disposed of 80.1% interest in Canyield Printing Company Limited at a profit in furtherance of its strategy to focus management attention on the core businesses. Production facilities and machinery and equipment are being continually upgraded by the Group for performance improvement and increased efficiency has resulted from enhancement of production planning and flow.

Technology Operation

The technology division created in 2002 achieved good progress in the expansion of its product portfolio and customer base in the first half of 2003. Business development activities have generated positive results with HK\$115.3 million in turnover and EBIT of HK\$4.2 million for the six months ended 30 June 2003. For the comparable period last year, this division reported turnover of HK\$0.9 million and loss before interest expenses and taxation of HK\$2.7 million. The division offers high quality consumer electronic products and accessories including digital cameras, mobile phone chargers, FM radios, bluetooth headsets, computer peripherals and MP3 players. Major customers for the supply of mobile handset-related accessories included Motorola, NEC and Hutchison 3G in the United Kingdom, Italy and Austria. Strategic partnerships have been formed with design companies as well as research and development firms for the manufacturing, marketing and launch of technologically advanced products. An example is the virtual key board from VKB, that can include an optional bluetooth connection.

This division has become the preferred supplier for selected mobile phone accessories for Hutchison Whampoa group's 3G mobile multimedia services worldwide. In addition, it has commenced supplying the Kruidvat group, another Hutchison Whampoa group company and one of Europe's leading health and beauty retail operators with over 1,900 retail outlets in Europe.

Property Operation

Recently the property market in Shanghai has been encouraging due to China's strong economic growth and the growing popularity of Shanghai as the commercial and entertainment centre of

China. The Group's property investments in Shanghai comprised primarily Shanghai Harbour Ring Plaza and Shanghai Harbour Ring Huang Pu Centre in the Huangpu district, which have generated stable rental income. These property investments recorded higher rental yields as a result of increased occupancy rates and cost savings. All remaining 14 units of villas in Canadian Garden were sold during the period under review.

The property operation reported turnover of HK\$30.2 million and EBIT of HK\$14.3 million for the six months ended 30 June 2003. Excluding the operation results of the Shaoxing property investment portfolio disposed of in December 2002, the operation reported improved turnover and EBIT for the period under review comparing to same period last year.

GROUP CAPITAL RESOURCES AND LIQUIDITY

The Group continues to maintain a healthy financial position during the period. Total cash and cash equivalents plus other liquid listed investments amounted to HK\$1,896.1 million as at 30 June 2003 (31 December 2002: HK\$1,565.3 million). The Group was debt free at 30 June 2003 and 31 December 2002.

TREASURY POLICIES

At 30 June 2003, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2003, there was no charge on the Group's fixed assets (31 December 2002: HK\$48.4 million). Mortgage loan facilities totalling HK\$2.8 million (31 December 2002: HK\$5.7 million) granted by certain banks to purchasers of the Group's properties in China were secured by the guarantee of a subsidiary and a pledge of the Group's fixed deposits of approximately HK\$7.4 million (31 December 2002: HK\$7.4 million). Contingent liabilities did not change significantly from the end of 2002.

EMPLOYEES

At 30 June 2003, excluding associates, the Group employed a work force of 23,244 (31 December 2002: 20,232). During the first six months of the year, the employee costs, including directors' emoluments, amounted to HK\$176.7 million (2002: HK\$149.9 million). The Group's employment and remuneration policies remained the same as those described in the Annual Report for the year ended 31 December 2002.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM ACCOUNTS

The Audit Committee, consisting of two independent non-executive directors, has reviewed with management and approved the unaudited condensed consolidated accounts for the six months ended 30 June 2003.

OUTLOOK

Global economic conditions in the first half of 2003 were adversely impacted by economic uncertainties, conflict in the Middle East and SARS. The Group's manufacturing costs increased due to price fluctuations in plastics, the primary raw material in the toy manufacturing process, and higher recruitment costs in Guangdong as a result of the SARS outbreak. Despite these conditions, the Group leveraged its size and competitive advantages and reported satisfactory results. The Group has started to develop its original design manufacturing and original brand manufacturing business in pursuit of greater level of customerisation and product differentiation. The search for and development of technologically advanced products in collaboration with global research, development and technology partners are among the Group's top priorities.

Sales to members of the parent company, Hutchison Whampoa group, experienced gradual growth since the beginning of this year and is expected to pick up speed in the foreseeable future as the Group continues to explore business opportunities with this highly diversified conglomerate.

Looking ahead the Group will continue to grow by its expansion into technology product offerings. In particular, the Group expects the supply of mobile phone accessories to provide growth opportunities. Forward thinking, sustained focus, core expertise, efficiency improvement, product diversification, and solid customer base are all critical success factors providing the fuel to propel the Group's business forward in future years.

The Board of Directors would like to express their appreciation to the employees for their hard work and dedication and to our shareholders and business partners for their continued support.

By Order of the Board

Edith Shih

Director and Company Secretary

Hong Kong, 19 August 2003

INDEPENDENT REVIEW REPORT

To the board of directors of
Hutchison Harbour Ring Limited
(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 6 to 23.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

	Note	Unaudited	
		2003 HK\$'000	Restated 2002 (Note 1) HK\$'000
Turnover			
Company and subsidiaries		783,109	644,876
Share of associates		13,188	15,421
	2	796,297	660,297
Company and subsidiaries			
Turnover	2	783,109	644,876
Cost of sales		(674,774)	(555,068)
Gross profit		108,335	89,808
Other revenues	2	23,720	21,422
Other net operating income		11,872	4,675
Administrative expenses		(79,220)	(64,723)
Distribution costs		(22,987)	(16,133)
Impairment provision for non-trading securities		–	(8,410)
Operating profit	3	41,720	26,639
Share of profits less losses of associates		(212)	4,007
Finance costs		(136)	(10)
Profit before taxation		41,372	30,636
Taxation	4	(6,156)	(6,568)
Profit after taxation		35,216	24,068
Minority interests		(2,438)	(709)
Profit attributable to shareholders		32,778	23,359
Basic earnings per share	6	0.54 cent	0.42 cent
Fully diluted earnings per share	6	N/A	0.38 cent

CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2003	Restated Audited 31 December 2002 (Note 1) HK\$'000
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Fixed assets	7	915,598	881,217
Investments in associates		17,318	20,564
Held-to-maturity securities, listed	8	956,537	546,521
Non-trading securities	9	273	–
Loans receivable	10	14,001	15,372
Deferred tax assets		10,523	9,756
		1,914,250	1,473,430
Current assets			
Inventories		280,624	195,168
Properties held for sale		2,886	46,782
Trade and other receivables	11	502,910	385,924
Loans receivable due within one year	10	2,769	2,770
Trading securities		1,371	1,191
Deposits with banks		861,441	776,356
Cash at bank and in hand		84,198	248,638
		1,736,199	1,656,829
Current liabilities			
Trade and other payables	12	674,388	513,363
Taxation		34,236	40,376
		708,624	553,739
Net current assets		1,027,575	1,103,090
Total assets less current liabilities		2,941,825	2,576,520
Non-current liabilities			
Deferred tax liabilities		30,601	27,693
Minority interests	13	122,467	119,832
Net assets		2,788,757	2,428,995
Capital and reserves			
Share capital	14	670,500	561,000
Reserves		2,118,257	1,867,995
		2,788,757	2,428,995

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	Unaudited	
	2003 HK\$'000	2002 HK\$'000
Net cash inflow generated from operations	13,013	59,893
Net cash outflow from investing activities		
Purchase of held-to-maturity securities	(411,359)	(230,323)
Release of /(addition to) bank deposit with maturity over three months	4,700	(5,640)
Other investing activities	(10,490)	5,839
	(417,149)	(230,124)
Net cash inflow/(outflow) from financing		
Dividend paid	(100,575)	(84,150)
Issue of shares	427,048	–
Release of pledged deposits	–	2,763
Repayment of loan to a minority shareholder	–	(8,959)
Other financing activities	2,974	570
	329,447	(89,776)
Net decrease in cash and cash equivalents	(74,689)	(260,007)
Cash and cash equivalents at 1 January	1,012,915	1,088,621
Cash and cash equivalents at 30 June	938,226	828,614
Analysis of cash and other listed investments		
Cash at bank and in hand	84,198	183,387
Bank deposits with maturity of less than three months	861,441	652,554
Bank deposits pledged	(7,413)	(7,327)
Cash and cash equivalents as above	938,226	828,614
Held-to-maturity securities, listed	956,537	546,886
Bank deposit with maturity over three months	–	5,640
Trading securities	1,371	1,212
Bank deposits and other listed investments	957,908	553,738
Total cash and other listed investments	1,896,134	1,382,352

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Share capital HK\$'000	Treasury shares HK\$'000	Share premium HK\$'000	Capital reserve on		Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
				Share consolidation HK\$'000	Exchange reserve HK\$'000			
At 1 January 2003, as previously stated	561,000	-	1,495,889	46,383	(9,454)	3,758	346,132	2,443,708
Prior year adjustment (<i>Note 1</i>)	-	-	-	-	-	-	(14,713)	(14,713)
At 1 January 2003, as restated	561,000	-	1,495,889	46,383	(9,454)	3,758	331,419	2,428,995
Capital reserve released on disposal of a subsidiary				26	-	-	-	26
Exchange translation differences				-	485	-	-	485
Net gains not recognised in the consolidated profit and loss account				26	485	-	-	511
Profit for the period	-	-	-	-	-	-	32,778	32,778
Issue of new shares (<i>Note 14</i>)	109,500	-	317,548	-	-	-	-	427,048
2002 final dividend paid	-	-	-	-	-	-	(100,575)	(100,575)
At 30 June 2003	670,500	-	1,813,437	46,409	(8,969)	3,758	263,622	2,788,757

	Share Capital HK\$'000	Treasury shares HK\$'000	Share premium HK\$'000	Capital reserve on		Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
				Share consolidation HK\$'000	Exchange reserve HK\$'000			
At 1 January 2002, as previously stated	561,000	(13,478)	1,495,889	46,316	(21,137)	3,758	312,488	2,384,836
Prior year adjustment (<i>Note 1</i>)	-	-	-	-	-	-	(8,300)	(8,300)
At 1 January 2002, as restated	561,000	(13,478)	1,495,889	46,316	(21,137)	3,758	304,188	2,376,536
Realised gain on disposal of treasury shares					-	-	12,719	12,719
Exchange translation differences					-	(1,275)	-	(1,275)
Net gains/(losses) not recognised in the consolidated profit and loss account					-	(1,275)	12,719	11,444
Profit for the period, as adjusted for the effect of adopting SSAP12 (<i>Note 1</i>)	-	-	-	-	-	-	23,359	23,359
Movement of treasury shares	-	13,478	-	-	-	-	-	13,478
2001 final dividend paid	-	-	-	-	-	-	(84,150)	(84,150)
At 30 June 2002	561,000	-	1,495,889	46,316	(22,412)	3,758	256,116	2,340,667

As at 30 June 2003, other reserves include capital redemption reserve of HK\$3,558,000 (1 January 2003 and 30 June 2002: HK\$3,558,000) and legal reserve of HK\$200,000 (1 January 2003 and 30 June 2002: HK\$200,000).

NOTES TO THE ACCOUNTS

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

Basis of preparation

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting", as applicable to condensed interim accounts, issued by the Hong Kong Society of Accountants ("HKSA"), and Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2002, except that the Group has adopted the new SSAP 12 "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

Under the new SSAP12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine the deferred taxation. Any change in tax rates during the period are absorbed as an additional deferred tax charge during the six months ended 30 June 2003.

Deferred tax assets are recognised to the extent that it is probable that future taxation profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

NOTES TO THE ACCOUNTS (continued)

1 Principal accounting policies (continued)

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening retained profits at 1 January 2002 and 2003 have been reduced by HK\$8,300,000 and HK\$14,713,000 respectively, which represent the net deferred tax liabilities not provided for in prior years for subsidiaries of HK\$10,411,000 and HK\$17,624,000 respectively, net of corresponding debit to minority interests of HK\$2,111,000 and HK\$2,911,000 respectively. This change has resulted in an increase in deferred tax assets and deferred tax liabilities as at 31 December 2002 by HK\$9,756,000 and HK\$27,380,000 respectively. The profit for the six months ended 30 June 2002 has been increased by HK\$99,000, represented by a decrease in profit after taxation of HK\$288,000, net of an increase in minority interests of HK\$387,000.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2 Turnover, revenues and segment information

Turnover represents sales value of goods supplied to customers, rental income and service income. The amount of each category of revenues recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sales of toys and consumer electronic products	761,528	583,186
Rental and service income from investment properties and revenues from hotel operation	21,581	50,781
Sales of computer hardware and software	–	10,909
	783,109	644,876
Other revenues		
Interest income	23,692	21,388
Dividend income from trading securities	28	34
	23,720	21,422
Total revenues	806,829	666,298

NOTES TO THE ACCOUNTS (continued)

2 Turnover, revenues and segment information (continued)

Segment information is presented in respect of the Group's business and geographical segments. The Group is grouped into core business segments as set out below. Other corporate income and expenses represent head office administration, other income and expenses for non-operating purpose which are not allocated to the core business segments.

Primary segment information by business:

	Six months ended 30 June 2003					
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	Internet business-to-business investments HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
Company and subsidiaries						
– External sales	646,226	115,302	21,581	–	–	783,109
– Inter-segment sales	25,756	–	–	–	(25,756)	–
	671,982	115,302	21,581	–	(25,756)	783,109
Share of associates	4,521	–	8,667	–	–	13,188
	676,503	115,302	30,248	–	(25,756)	796,297
Segment results						
Company and subsidiaries	19,531	4,182	15,161	–		38,874
Other corporate income and expenses						2,846
Operating profit						41,720
Share of profits less losses of associates	600	–	(812)	–		(212)
Earnings before interest expense and taxation	20,131	4,182	14,349	–		41,508
Finance costs						(136)
Taxation						(6,156)
Minority interests						(2,438)
Profit attributable to shareholders						32,778

NOTES TO THE ACCOUNTS (continued)

2 Turnover, revenues and segment information (continued)

	Six months ended 30 June 2002					
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	Internet business-to- business investments HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
Company and subsidiaries						
– External sales	582,261	925	50,781	10,909	–	644,876
– Inter-segment sales	–	–	–	–	–	–
	582,261	925	50,781	10,909	–	644,876
Share of associates	4,142	–	11,279	–	–	15,421
	586,403	925	62,060	10,909	–	660,297
Segment results						
Company and subsidiaries	17,426	(2,746)	11,058	(15,753)		9,985
Other corporate income and expenses						16,654
Operating profit						26,639
Share of profits less losses of associates	875	–	3,132	–		4,007
Earnings before interest expense and taxation	18,301	(2,746)	14,190	(15,753)		30,646
Finance costs						(10)
Taxation						(6,568)
Minority interests						(709)
Profit attributable to shareholders						23,359

NOTES TO THE ACCOUNTS (continued)

2 Turnover, revenues and segment information (continued)

Secondary segment information by geographical locations:

	Six months ended 30 June			
	Turnover		Segment results	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries				
United States	392,447	342,556	5,834	6,098
Europe	124,536	99,841	2,223	1,644
Japan	120,409	47,714	3,724	786
Hong Kong	51,311	56,774	2,180	1,571
Mainland China	31,123	50,840	24,024	15,041
Singapore	1,409	11,868	21	(14,534)
Other regions	61,874	35,283	868	(621)
	783,109	644,876	38,874	9,985
Other corporate income and expenses			2,846	16,654
Operating profit			41,720	26,639

3 Operating profit

	Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of investment in a subsidiary (note 15)	6,931	–
Gain on disposal of fixed assets	597	–
Net exchange gain	1,895	689
Charging:		
Staff costs (including directors' emoluments)	176,736	149,922
Depreciation and impairment	21,715	27,286
Operating lease charges in respect of properties	16,218	15,450
Amortisation of goodwill	–	654
Loss on disposal of fixed assets	–	5,049
Loss on disposal of investment in a subsidiary	–	2,455

NOTES TO THE ACCOUNTS (continued)

4 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30 June	
	2003 HK\$'000	Restated 2002 HK\$'000
Hong Kong profits tax		
– current period provision	2,086	3,468
– (over)/under provisions in prior years	(1,775)	2,306
Overseas taxation	3,462	–
Deferred taxation		
– Hong Kong	(1,117)	(2,255)
– Overseas	3,428	2,453
	6,084	5,972
Share of taxation attributable to associates	72	596
Taxation charge	6,156	6,568

5 Dividend

At a meeting held on 18 March 2003, the directors proposed a final dividend of HK1.5 cents per share for the year ended 31 December 2002, a total of HK\$100,575,000 was paid on 25 May 2003 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2003.

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2003 (2002: Nil).

NOTES TO THE ACCOUNTS (continued)

6 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$32,778,000 (2002: HK\$23,359,000 as restated) and on the weighted average number of 6,021,381,000 (2002: 5,610,000,000) ordinary shares in issue during the period.

No fully diluted earnings per share is presented for the six months ended 30 June 2003 as there is no outstanding warrant as at the period end (note 14).

The calculation of fully diluted earnings per share for the period ended 30 June 2002 of HK0.38 cent is based on the restated profit attributable to shareholders of HK\$23,359,000 and 6,094,928,571 ordinary shares which comprises 5,610,000,000 ordinary shares in issue during the period plus the weighted average of 484,928,571 ordinary shares deemed to be issued at no consideration if all outstanding warrants had been exercised.

7 Fixed assets

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Opening net book value as at the beginning of the period/year	881,217	958,872
Additions	16,339	73,732
Transfer from properties held for resale	43,896	42,918
Disposal of subsidiaries	(3,377)	(100,372)
Acquisition of a subsidiary	–	45
Disposals	(1,235)	(37,865)
Depreciation and impairment	(21,715)	(56,087)
Exchange difference	473	–
Revaluation deficit	–	(26)
Closing net book value as at the end of the period/year	915,598	881,217

NOTES TO THE ACCOUNTS (continued)**8 Held-to-maturity securities, listed**

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Listed, overseas		
Held-to-maturity securities, at cost	959,208	547,849
Less: amortisation	(2,671)	(1,328)
	956,537	546,521

As at 30 June 2003, the market value of held-to-maturity securities was approximately HK\$998,734,000 (31 December 2002: HK\$574,924,000).

9 Non-trading securities

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Unlisted shares at cost – Hong Kong	273	–
Unlisted, overseas		
Equity securities	73,668	73,668
Convertible notes	19,500	19,500
Less: impairment provision	(93,168)	(93,168)
	273	–

The Group's investments in unlisted non-trading securities in overseas are mainly in entities engaged in Internet business-to-business investment activities. The directors have reviewed the carrying values of these investments and considered it appropriate to make an impairment provision against these investments.

NOTES TO THE ACCOUNTS (continued)

10 Loans receivable

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Gross loans receivable	16,770	18,142
Less: amount due within one year	(2,769)	(2,770)
	14,001	15,372

The gross loans receivable is the aggregate balance of the net amount of unsecured loans advanced by the Group to a third party (the "Third Party") to finance the construction, by the Third Party, of factory buildings in the People's Republic of China. The Third Party leased the factory buildings back to the Group and used the rent derived thereon to repay the principal and the interest. The loans bear interest at a range of Hong Kong dollar prime rate to 2% above Hong Kong dollar prime rate.

11 Trade and other receivables

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Trade receivables, net of provision	383,063	241,108
Deposits, prepayments and other receivables	119,847	144,816
	502,910	385,924

The Group's average credit period granted to trade debtors mainly ranges from 30 to 60 days. As at 30 June 2003 and 31 December 2002, the ageing analysis of trade receivables based on the date of invoice is as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
0-30 days	284,336	153,717
31-60 days	59,703	58,275
61-90 days	19,611	6,955
Over 90 days	19,413	22,161
	383,063	241,108

NOTES TO THE ACCOUNTS (continued)

12 Trade and other payables

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Trade payables	376,254	227,447
Other creditors and accruals	298,134	285,916
	674,388	513,363

At 30 June 2003 and 31 December 2002, the ageing analysis of trade payables is as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
0-30 days	222,171	143,655
31-60 days	73,165	24,913
61-90 days	15,065	4,191
Over 90 days	65,853	54,688
	376,254	227,447

13 Minority interests

	30 June 2003 HK\$'000	Restated 31 December 2002 HK\$'000
Equity interests	76,084	73,467
Loans from minority shareholders	46,383	46,365
	122,467	119,832

Loans from minority shareholders of subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayments.

NOTES TO THE ACCOUNTS (continued)

14 Share capital

	30 June 2003 Number of shares	30 June 2003 Amount HK\$'000	31 December 2002 Number of shares	31 December 2002 Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000	20,000,000,000	2,000,000
Issued and fully paid:				
At beginning of the period/year	5,610,000,263	561,000	5,610,000,263	561,000
Issue of new shares	1,095,000,000	109,500	–	–
At end of the period/year	6,705,000,263	670,500	5,610,000,263	561,000

As at 31 December 2002, the Company had warrants outstanding entitling the holders to subscribe in cash at any time on or after 4 May 2000 and until 3 May 2003 for ordinary shares up to 1,095,000,000 shares in the Company at a price of HK\$0.39 per share (the "subscription price"). On 22 April 2003, all the warrants were exercised at the subscription price. As a result, the issued share capital of the Company was increased by HK\$109,500,000 and the share premium was increased by HK\$317,548,000. The new shares issued rank pari passu in all respect with the existing shares. Upon the exercise of warrants as abovementioned, the Company has no outstanding warrants as at 30 June 2003.

15 Disposal of a subsidiary

On 9 April 2003, the Group disposed of 80.1% interest in its wholly owned subsidiary engaged in the manufacturing of colour packaging boxes, Canyon Printing Company Limited, for the consideration of HK\$10,201,000, and recorded a gain of HK\$6,931,000.

16 Contingent liabilities

- (a) As at 30 June 2003, mortgage loan facilities totalling HK\$2,799,000 (31 December 2002: HK\$5,720,000) were granted by certain banks to purchasers of the Group's properties in China and secured by a subsidiary's guarantees and a pledge of the Group's fixed deposits of approximately HK\$7,413,000 (31 December 2002: HK\$7,379,000).
- (b) One of the Group's subsidiaries (the "Subsidiary") was named in a law suit brought by a contractor relating to a property of the Group situated in the PRC since 1999. The dispute mainly includes outstanding balance of development costs, penalties on delay of construction and related damages. The amount due to this contractor has been fully accrued. While the final outcome of the proceedings is uncertain, in the opinion of the directors, additional liability (if any) will not have a material impact on the Group's financial position.

NOTES TO THE ACCOUNTS (continued)

17 Capital commitments

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	8,657	6,515
Authorised but not contracted for	46,731	65,212
	55,388	71,727

18 Operating leases

- (a) As at 30 June 2003 and 31 December 2002, the Group had future aggregate minimum lease receivables under non-cancellable leases in respect of investment properties as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Not later than one year	34,398	29,169
Later than one year and not later than five years	32,548	28,987
Later than five years	8,657	2,124
	75,603	60,280

- (b) As at 30 June 2003 and 31 December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Not later than one year	36,573	36,485
Later than one year and not later than five years	133,625	137,617
Later than five years	45,954	61,888
	216,152	235,990

NOTES TO THE ACCOUNTS (continued)

19 Material related party transactions

During the period, the Group had significant transactions with related parties, details of which are as follows:

- (a) The Group had transactions with minority shareholders of subsidiaries and their affiliates during the period as follows:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Rental expenses	9,929	9,616
Management fee expenses	1,864	2,366

The above transactions were carried out in normal course of business at terms determined and agreed by both parties.

- (b) The Group manufactured a range of products including the cap covers, injection moulds, premium items and mobile phone accessories for other group companies of Hutchison Whampoa Limited. The aggregate invoiced amount for the six months ended 30 June 2003 was approximately HK\$44,140,000 (30 June 2002: HK\$821,000).
- (c) Hutchison International Limited, a wholly owned subsidiary of Hutchison Whampoa Limited, has been providing and will continue to provide the administrative and support services to the Group. The aggregate fees charged for the six months ended 30 June 2003 was approximately HK\$862,500 (30 June 2002: Nil).

NOTES TO THE ACCOUNTS (continued)

19 Material related party transactions (continued)

- (d) Save as disclosed above, the Group had significant transactions with related parties during the period ended 30 June 2002 as follows:
- (i) On 31 January 2002, the Group entered into a Share Repurchase Agreement, a Shareholders' Agreement and an Option Agreement with Whizz-Work pursuant to which Whizz-Work agreed to repurchase 1,737,557 shares in Whizz-Work from the Group (the "First Share Repurchase") for a cash consideration of US\$5,850,000 (equivalent to approximately HK\$45,630,000). Upon completion of the First Share Repurchase, the Group's interest in Whizz-Work had been reduced from 75% to 15% and the Group recorded a loss of HK\$2,455,000 on the said reduction of interest. Pursuant to the Option Agreement, the Group had been granted a put option to require Whizz-Work to repurchase an additional 36,200 shares in Whizz-Work, representing 5% of the issued shares of Whizz-Work immediately following the First Share Repurchase, from the Group for a cash consideration of US\$200,000 (equivalent to approximately HK\$1,560,000). The put option is exercisable at any time between 31 January 2006 and 30 January 2009.
 - (ii) During the period ended 30 June 2002, the Group entered into a surrender agreement with The Centre (67) Limited ("the landlord"), a wholly owned subsidiary of a substantial shareholder of Hutchison Whampoa Limited. According to the agreement, the landlord received a lump sum of approximately HK\$3,622,000 for early termination of a lease with effect from 19 June 2002 on the terms and conditions stated therein. The lease was related to a premise of the entire 67th floor of The Centre with the term of three years from 1 May 2000 to 30 April 2003 at an average monthly rental of approximately HK\$776,800 including management fee and air-conditioning charges.

20 Subsequent events

On 15 July 2003, the Group disposed of certain wholly owned subsidiaries which are engaged in the manufacture of metal products and paper boxes. Total consideration of the disposals amounted to HK\$9,160,000. The aggregate profit on disposal of the subsidiaries is approximately HK\$3,700,000 and will be recognised in the financial year ending 31 December 2003.

21 Ultimate holding company

The directors consider the ultimate holding company to be Hutchison Whampoa Limited, which is incorporated and listed in Hong Kong.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares in the Company held	Approximate % of shareholding in the Company
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 (Note)	0.07%
Luk Tei, Lewis	Beneficial owner	Personal interest	4,630,000	0.07%
Ko Yuet Ming	(i) Beneficial owner	(i) Personal interest	(i) 3,000,000)	0.05%
	(ii) Interest of spouse	(ii) Family interest	(ii) 84,000)	
Endo Shigeru	Beneficial owner	Personal interest	80,000	0.001%
Tam Yue Man	Beneficial owner	Personal interest	2,100,000	0.03%

Note: Such shares were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations

(A) Long positions in the shares of Hutchison Whampoa Limited (“HWL”)

Name of Director	Capacity	Nature of interests	Number of shares in HWL held	Approximate % of shareholding in HWL
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	2,010,875 (Note 1)	0.05%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	0.001%
Luk Tei, Lewis	Beneficial owner	Personal interest	22,270	0.0005%
Ko Yuet Ming	Interest of spouse	Family interest	16,000	0.0004%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	0.004%
Edith Shih	Joint interest with spouse	Family interest	34,600	0.0008%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	5,000	0.0001%
Endo Shigeru	Beneficial owner	Personal interest	2,000	0.00005%
Cheung Wing Han, Miranda	Beneficial owner	Personal interest	12,000	0.0003%
Tam Yue Man	Beneficial owner	Personal interest	3,000	0.00007%
Ronald Joseph Arculli	Interest of a controlled corporation	Corporate interest	11,224 (Note 2)	0.0003%

Notes:

1. *Such shares in HWL were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.*
2. *Such shares in HWL were held by a company which is beneficially owned by Mr. Ronald Joseph Arculli.*

(B) Long positions in the shares of other associated corporations

As at 30 June 2003, Mr. Fok Kin-ning, Canning had the following interests:

- (i) interests in an aggregate of 2,574,001 ordinary shares and underlying shares in Hutchison Telecommunications (Australia) Limited ("HTAL") comprising:
 - (a) personal and corporate interests in 100,000 and 1,000,000 ordinary shares respectively which in aggregate represented approximately 0.16% of the then issued share capital of HTAL; and
 - (b) personal and corporate interests in 134,000 and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by HTAL;
- (ii) corporate interests in 300,000 common shares, representing approximately 0.07% of the then issued share capital, in Husky Energy Inc.;
- (iii) corporate interests in 225,000 American Depository Shares (each representing one ordinary share), representing approximately 0.12% of the then issued share capital, in Partner Communications Company Ltd. ("Partner Communications"); and
- (iv) corporate interests in a nominal amount of US\$32,050,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited and a nominal amount of US\$4,000,000 in the 13% Unsecured Senior Subordinated Notes due 2010 issued by Partner Communications.

Mr. Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally owned by Mr. Fok and his spouse.

Mr. Luk Tei, Lewis in his capacity as a beneficial owner had, as at 30 June 2003, personal interests in an aggregate nominal amount of US\$200,000 in US\$ Floating Rate Note due 2013 issued by Cheung Kong Finance Cayman Limited.

Ms. Edith Shih had, as at 30 June 2003 (i) in her capacity as a beneficial owner personal interests in a nominal amount of US\$200,000 in the 13% Unsecured Senior Subordinated Notes due 2010 issued by Partner Communications and (ii) joint interest with her spouse in the family interests in a nominal amount of US\$400,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited and a nominal amount of US\$600,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited.

Save as disclosed above, as at 30 June 2003, none of the directors or the chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the SEHK.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any directors or the chief executive of the Company, as at 30 June 2003, other than the interests and short positions of the directors or the chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions of substantial shareholders in the shares, underlying shares and debentures of the Company

Name	Capacity	Number of shares in the Company held	Approximate % of shareholding in the Company
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	3,855,284,508 <i>(Notes 1&2)</i>	57.50%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	3,855,284,508 <i>(Notes 1&2)</i>	57.50%
Li Ka-Shing Unity Trustee Corporation Limited ("LKSUTC")	Trustee and beneficiary of a trust	3,855,284,508 <i>(Notes 1&2)</i>	57.50%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	3,855,284,508 <i>(Notes 1&2)</i>	57.50%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	3,855,284,508 <i>(Notes 1&2)</i>	57.50%
HWL	Interest of a controlled corporation	3,855,284,508 <i>(Note 1)</i>	57.50%
Hutchison International Limited ("HIL")	Interest of a controlled corporation	3,855,284,508 <i>(Note 1)</i>	57.50%

Name	Capacity	Number of shares in the Company held	Approximate % of shareholding in the Company
Promising Land International Inc. ("Promising Land")	Beneficial Owner	3,855,284,508 (Note 1)	57.50%
Acefield (B.V.I.) Limited ("Acefield")	Interest of controlled corporations	970,473,579 (Note 3)	14.47%
Reading Investments Limited ("Reading")	Beneficial owner	858,473,579 (Note 3)	12.80%

Notes:

- Promising Land is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 3,855,284,508 shares of the Company held by Promising Land.*
- Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of LKSUTCO. LKSUTCO as trustee of The Li Ka-Shing Unity Trust, together with certain companies which LKSUTCO as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.*

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of LKSUTC as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and LKSUT as trustee of another discretionary trust ("DT2"). Each of LKSUTC and LKSUT holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, LKSUT, LKSUTC, LKSUTCO and CKH was deemed to be interested in the 3,855,284,508 shares of the Company held by Promising Land.

- 858,473,579 shares and 112,000,000 shares of the Company were held by Reading and International Toys (B.V.I.) Limited, both of which are wholly owned by Acefield, respectively. By virtue of the SFO, Acefield was deemed to be interested in an aggregate of 970,473,579 shares of the Company.*

Saved as disclosed above, as at 30 June 2003, there was no other person (other than the directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2003, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during this period.

CODE OF BEST PRACTICE

With the exception of the two independent non-executive directors having no set term of office and retiring from office on a rotational basis, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2003, in compliance with the Code of Best Practice as set out by the SEHK in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two independent non-executive directors of the Company. It meets regularly with management and the external auditors of the Company and reviews matters relating to audit, accounting and financial statements as well as internal control, risk evaluation and general compliance of the Group and reports directly to the board of directors of the Company.