



(Stock Code: 715)



A Hutchison Whampoa Company



2008 Interim Report

CORPORATE INFORMATION

Chairman

FOK Kin-ning, Canning, BA, DFM, CA (Aus)

Deputy Chairman

LAI Kai Ming, Dominic, BSc, MBA

(Also Alternate to CHOW WOO Mo Fong, Susan)

Executive Directors

CHAN Wen Mee, May (Michelle), BBA

(Managing Director)

CHOW WOO Mo Fong, Susan, BSc

CHOW Wai Kam, Raymond, BA, B.Arch., AP-List 1, JP

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCS, FCIS

(Also Alternate to FOK Kin-ning, Canning)

ENDO Shigeru, BA

KWOK Siu Kai, Dennis, MBA, ACA, CPA, FCCA

Non-executive Director

Ronald Joseph ARCULLI, GBS, CVO, OBE, JP

Independent Non-executive Directors

KWAN Kai Cheong, BA, CA (Aus)

(Also Alternate to Ronald Joseph ARCULLI)

LAM Lee G, BSc, MSc, MBA, DPA, LLB (Hons), PCLL, PhD, FHKIoD

(Also Alternate to LAN Hong Tsung, David)

LAN Hong Tsung, David, Member-CPPCC, GBS, ISO, JP

Audit Committee

KWAN Kai Cheong *(Chairman)*

Ronald Joseph ARCULLI

LAM Lee G

Remuneration Committee

FOK Kin-ning, Canning *(Chairman)*

KWAN Kai Cheong

LAM Lee G

Company Secretary

Edith SHIH

Qualified Accountant

KWOK Siu Kai, Dennis

Auditor

PricewaterhouseCoopers

Bankers

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

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CHAIRMAN'S STATEMENT

Financial Results

The Group's consolidated revenue for the first half year amounted to HK\$1,036.6 million, a 5% decrease over the same period in 2007. The Group's consolidated earnings before interest expense and tax ("EBIT") for the six months ended 30 June 2008 ("the period") was HK\$2,180.4 million (2007: HK\$89.3 million). These results included a profit on revaluation of investment properties of HK\$98.3 million (2007: HK\$20,000) and a net profit on disposal of investments and others of HK\$2,001.1 million (2007: HK\$19.0 million), comprising a gain on disposal of an investment property of HK\$2,141.3 million and certain provisions made by the Toy Division of HK\$140.2 million (2007: Nil). Excluding these one-time items, EBIT from recurring operations amounted to HK\$81.0 million for the period, representing a 15% increase from HK\$70.2 million for the same period last year. The improved results reflected better performances from all business divisions except for the Toy Division, which continues to operate in a highly challenging environment.

Finance costs for the period were HK\$1.5 million (2007: HK\$23.8 million). The reduction in finance costs was mainly due to the savings from the early full redemption of a convertible note in October 2007. The tax charge for the period was HK\$73.6 million, as compared to a net tax credit of HK\$110.6 million in the same period last year, which included a release of deferred tax liabilities amounting to HK\$172.6 million following the announced reduction in corporate income tax rate in the People's Republic of China ("PRC"). The Group's consolidated profit attributable to shareholders for the period increased by 1,132% to HK\$2,083.8 million (2007: HK\$169.1 million) and the basic earnings per share increased by 824% to HK23.28 cents (2007: HK2.52 cents).

Dividend

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the period (2007: Nil). The recommendation on the payment of a final dividend for the year ending 31 December 2008 will be made after the completion of a detailed review of the Group's capital requirements for its existing businesses and potential investment opportunities and full-year results are available.

Review of Operations

Technology Division

The Technology Division continued to expand steadily. The Division recorded a 3% increase in revenue from HK\$372.0 million in 2007 to HK\$384.0 million for the period in 2008. While overall revenue in the established markets of United States, Europe and South East Asia regions for the period was similar to last year's, the Division also achieved promising increases in sales in new markets including Dubai and other Middle East countries, as well as India.

The Division delivered an EBIT increase of 5% to HK\$27.6 million (2007: HK\$26.4 million), as a result of increased sales and improved production and operating efficiency, which have offset the impact of cost inflation. The Division will leverage its competitive strengths in product innovation and proven research and development capabilities to focus on quality high-margin orders to deliver continued improvement in profitability. However, in view of the rising power, materials and labour costs, and Renminbi ("RMB") appreciation, the manufacturing environment in the PRC continues to be challenging. While the Division will continue to expand through launching of new products and further market penetration, the Division will also focus on costs control and workflow enhancements in order to achieve long-term profitability.

Toy Division

The Toy Division was affected by the very competitive environment, rising costs and softening demand. The Division recorded revenue of HK\$444.1 million for the period in 2008, a decrease of 17% from HK\$535.9 million in 2007. The decrease in revenue was mainly due to lower demand from the United States, as well as our strategy focusing on higher-margin orders and foregoing lower-margin orders.

The Division's loss before interest expense and tax ("LBIT") for the period was HK\$178.6 million, as compared to the LBIT of HK\$5.6 million for the same period in 2007. During the period, in view of the continuous difficult environment, the Division has made provisions for fixed assets impairment, doubtful debts, obsolete inventories and others totalling HK\$140.2 million. Last year's reported LBIT included a total gain on disposal of an office building and warehouse previously occupied by the Toy Division amounting to HK\$24.0 million. Excluding these one-time items, the recurring LBIT for the period was HK\$38.3 million, compared to last year's reported LBIT of HK\$29.7 million.

Property Division

The Property Division recorded a 4% increase in revenue from HK\$153.6 million in 2007 to HK\$159.8 million for the period, reflecting an increase in average rental rate and RMB appreciation, partially offset by one-and-a-half month less rental income contribution from a forty-storey office tower as a result of its disposal.

EBIT of the Division increased from HK\$122.6 million in 2007 to HK\$2,375.9 million for the same period in 2008, which included a gain on disposal of the forty-storey office tower of HK\$2,141.3 million and a profit on revaluation of investment properties of HK\$98.3 million (2007: HK\$20,000).

Excluding the gain on disposal of the forty-storey office tower and change in fair value of investment properties in both periods, recurring EBIT for the period was HK\$136.4 million, an increase of 11% compared to HK\$122.5 million for the same period last year. The improved recurring EBIT is mainly due to the growth in rental income.

CHAIRMAN'S STATEMENT

Licensing and Sourcing Division

The revenue of the Licensing and Sourcing Division increased 65% from HK\$29.7 million in 2007 to HK\$49.0 million for the period. The increase in revenue was attributable to the improved performance of the trading business and sales of Beijing Olympic Mascots.

The Division recorded an LBIT of HK\$3.0 million for the period, a 79% reduction in LBIT from HK\$14.2 million in 2007 mainly due to increased sales and lower costs following the rationalisation of the retail operations during 2007.

Outlook

In the second half of 2008, the Technology Division will continue with its current focus on higher-margin Original Design Manufacturer and Original Brand Manufacturer products and expansion into new markets; further enhancing its distribution networks and sales forces in established markets; and on research and development to develop and produce innovative products and broaden its product ranges.

The Toy business environment is expected to continue to be difficult. This Division will continue to look at ways to improve its operating result.

The Property Division's investments in two remaining office and commercial premises will continue to provide stable recurring revenue and profit to the Group.

The Licensing and Sourcing Division will continue to focus on the Warner Bros. agency business and other trading businesses, which already delivered improved results in the first half year. The Division will also cautiously explore emerging opportunities in international sports events and the licensing business with other branded products.

The net cash proceeds of HK\$4.6 billion realised from the disposal of an investment property places the Group in a very strong financial position to tackle the challenges it faces and fund suitable investment opportunities that meet its investment criteria.

On behalf of the Board, I would like to express my sincere gratitude to my fellow directors and the Group's employees for their dedication, hard work and contributions to the Group. I would also take this opportunity to thank all our shareholders, business partners and customers for their continuous support to the Group.

Fok Kin-ning, Canning

Chairman

Hong Kong, 18 August 2008

Capital Resources and Liquidity

As at 30 June 2008, the Group's total cash and cash equivalents together with other listed investments amounted to HK\$5,772.7 million (31 December 2007: HK\$1,079.4 million).

As at 30 June 2008, the Group's total borrowings were HK\$48.6 million (31 December 2007: HK\$47.7 million), which were the loans from minority shareholders of the Group's subsidiaries.

Treasury Policies

As at 30 June 2008, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Charges and Contingent Liabilities

As at 30 June 2008 and 31 December 2007, the Group had no charges on its assets.

There was no guarantee provided by the Group as at 30 June 2008. As at 31 December 2007, the Group had provided guarantees of HK\$2.9 million for mortgage loan facilities granted to certain purchasers of the properties in Mainland China.

Human Resources

As at 30 June 2008, excluding an associated company, the Group employed 10,945 people (30 June 2007: 25,581). Total employee costs for the period ended 30 June 2008, including directors' emoluments, amounted to HK\$147.8 million (2007: HK\$240.7 million). The Group's employment and remuneration policies remain the same as those described in the Annual Report for the year ended 31 December 2007.

Review of Accounts

The unaudited condensed consolidated interim accounts of the Company and its subsidiaries for the six months ended 30 June 2008 have been reviewed by the Company's auditor, PricewaterhouseCoopers, 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 auditor's independent review report is set out on page 15 of this Interim Report. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2008 have also been reviewed by the Audit Committee of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2008, 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 the period.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2008, the interests and short positions of the Directors and 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 Issuers adopted by the Company (the "Model Code") were as follows:

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

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 ⁽¹⁾	-	5,000,000	0.05587%
Luk Tei, Lewis ⁽²⁾	(i) Beneficial owner (ii) Beneficiary of a trust (iii) Interest of spouse	(i) Personal interest (ii) Other interest (iii) Family interest	(i) 149,495,078 (ii) 1,000,000 (iii) 48,000,000	-)))	198,495,078	2.21786%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	-	12,000,000 ⁽³⁾	12,000,000	0.13408%
Endo Shigeru	Beneficial owner	Personal interest	80,000	5,000,000 ⁽³⁾	5,080,000	0.05676%
Kwok Siu Kai, Dennis	Beneficial owner	Personal interest	-	8,000,000 ⁽³⁾	8,000,000	0.08939%

Notes:

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

(2) Mr Luk Tei, Lewis retired as Executive Director and Deputy Chairman with effect from 15 February 2008.

(3) These represented the interests in underlying shares in respect of the share options granted by the Company, the details of which are set out in the section titled "Share Options and Directors' Rights to Acquire Shares" on pages 12 to 13.

DISCLOSURE OF INTERESTS

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

(A) Long positions in the shares and underlying shares of Hutchison Whampoa Limited ("HWL")

Name of Director	Capacity	Nature of interests	Number of shares held in HWL	Total	Approximate % of shareholding of HWL
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	4,310,875 ⁽¹⁾	4,310,875	0.10111%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	50,000	0.00117%
Luk Tei, Lewis ⁽²⁾	Beneficial owner	Personal interest	22,270	22,270	0.00052%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	531	531	0.00001%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	150,000	0.00352%
Edith Shih	(i) Beneficial owner (ii) Interest of spouse	(i) Personal interest (ii) Family interest	(i) 27,200) (ii) 7,400)	34,600	0.00081%
Endo Shigeru	Beneficial owner	Personal interest	2,000	2,000	0.00005%
Ronald Joseph Arculli	Interest of a controlled corporation	Corporate interest	11,224 ⁽³⁾	11,224	0.00026%
Lan Hong Tsung, David	Beneficial owner	Personal interest	20,000	20,000	0.00047%

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) Mr Luk Tei, Lewis retired as Executive Director and Deputy Chairman with effect from 15 February 2008.

(3) Such shares in HWL were held by a company which is beneficially owned by Mr Ronald Joseph Arculli.

DISCLOSURE OF INTERESTS

(B) Long positions in the shares, underlying shares and debentures of other associated corporations

As at 30 June 2008, Mr Fok Kin-ning, Canning had the following interests:

- (i) 5,100,000 ordinary shares, representing approximately 0.68% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;
- (ii) corporate interest in (1) a nominal amount of US\$2,500,000 in the 6.25% Notes due 2014; (2) a nominal amount of US\$2,500,000 in the 5.45% Notes due 2010; and (3) a nominal amount of US\$2,000,000 in the 7.45% Notes due 2033 issued by Hutchison Whampoa International (03/33) Limited;
- (iii) corporate interest in a nominal amount of US\$2,500,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited;
- (iv) corporate interest in 1,202,380 ordinary shares, representing approximately 0.03% of the then issued share capital, in Hutchison Telecommunications International Limited ("Hutchison Telecom"); and
- (v) corporate interest in 225,000 ordinary shares, representing approximately 0.14% of the then issued share capital, in Partner Communications Company Ltd.

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.

As at 30 June 2008, Mrs Chow Woo Mo Fong, Susan had personal interests in her capacity as a beneficial owner in 250,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in Hutchison Telecom.

As at 30 June 2008, Ms Edith Shih had the following interests:

- (i) personal interests in her capacity as a beneficial owner in (1) a nominal amount of US\$500,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited ("HWI (03/13) Notes"); and (2) a nominal amount of US\$300,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited ("HWI (03/33) Notes"); and
- (ii) family interests in (1) a nominal amount of US\$100,000 in the HWI (03/13) Notes and (2) a nominal amount of US\$100,000 in the HWI (03/33) Notes held by her spouse.

Save as disclosed above, as at 30 June 2008, none of the Directors and chief executive of the Company and 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 recorded in the registers required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the SEHK.

DISCLOSURE OF INTERESTS

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to the Directors and chief executive of the Company, as at 30 June 2008, 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 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:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares of the Company held	Total	Approximate % of shareholding of the Company
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.51%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.51%
Li Ka-Shing Unity Trustee Corporation Limited ("LKSUTC")	Trustee and beneficiary of a trust	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.51%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.51%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.51%
Hutchison Whampoa Limited ("HWL")	Interest of controlled corporations	6,399,728,952 ^{(1),(2)}	6,399,728,952	71.51%
Hutchison International Limited ("HIL")	Interest of controlled corporations	6,399,728,952 ^{(1),(2)}	6,399,728,952	71.51%
Promising Land International Inc. ("Promising Land")	Beneficial owner	4,155,284,508 ⁽¹⁾	4,155,284,508	46.43%
Uptalent Investments Limited ("Uptalent")	Beneficial owner	2,244,444,444 ⁽²⁾	2,244,444,444	25.08%

Notes:

- (1) 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 4,155,284,508 shares of the Company held by Promising Land.
- (2) Uptalent 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 2,244,444,444 shares of the Company held by Uptalent.
- (3) 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 4,155,284,508 and 2,244,444,444 shares of the Company in which Promising Land and Uptalent were interested respectively.

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding of the Company
Kwok Sau Po	Beneficial owner	719,752,000	8.04%

Save as disclosed above, as at 30 June 2008, there was no other person (other than the Directors or the chief executive of the Company) who was recorded in the register of the Company as having an interest 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.

DISCLOSURE OF INTERESTS

Share Options and Directors' Rights to Acquire Shares

The Company operates a share option scheme which was adopted in 2004. Particulars of options outstanding at the beginning and at the end of the financial period for the six months ended 30 June 2008 and options granted, exercised, cancelled or lapsed under such scheme during the period were as follows:

	Grant date	Options held at 1 January 2008	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Options held at 30 June 2008	Exercise Period ⁽¹⁾	Exercise price per share HK\$	Share price on the grant date ⁽²⁾ HK\$	Weighted average closing price of shares immediately before the dates on which the options were exercised HK\$
Directors										
Luk Tei, Lewis ⁽³⁾	3.6.2005	10,000,000	-	-	(10,000,000)	-	3.6.2006 – 2.6.2015	0.822	0.82	N/A
Chan Wen Mee, May (Michelle)	3.6.2005	12,000,000	-	-	-	12,000,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
Endo Shigeru	3.6.2005	5,000,000	-	-	-	5,000,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
Kwok Siu Kai, Dennis	(i) 3.6.2005	4,000,000	-	-	-	4,000,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	(ii) 25.5.2007	4,000,000	-	-	-	4,000,000	25.5.2008 – 24.5.2017	0.616	0.61	N/A
Sub-total		35,000,000	-	-	(10,000,000)	25,000,000				
Other employees										
	3.6.2005	27,500,000	-	-	(7,600,000)	19,900,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	25.5.2007	28,600,000	-	(1,076,000)	(4,600,000)	22,924,000	25.5.2008 – 24.5.2017	0.616	0.61	0.71
Sub-total		56,100,000	-	(1,076,000)	(12,200,000)	42,824,000				
Total		91,100,000	-	(1,076,000)	(22,200,000)	67,824,000				

Notes:

- (1) The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.
- (2) The stated price was the closing price of the shares quoted on the SEHK on the trading day immediately prior to the date of the grant of the share options.
- (3) Mr Luk Tei, Lewis retired as Executive Director and Deputy Chairman with effect from 15 February 2008.

DISCLOSURE OF INTERESTS

As at 30 June 2008, out of the 67,824,000 (31 December 2007: 91,100,000) outstanding share options, 49,263,000 (31 December 2007: 38,928,000) were exercisable.

The fair value of share options granted on 3 June 2005 and 25 May 2007, determined using the Binomial valuation model, was as follows:

Date of grant of share options	25.5.2007	3.6.2005
Value of each share option	HK\$0.2565	HK\$0.2498
Significant inputs into the valuation model:		
Share price at grant date	HK\$0.61	HK\$0.82
Exercise price	HK\$0.616	HK\$0.822
Expected volatility ^(a)	37.4%	31.7%
Expected life of share options	7 years	7 years
Expected dividend yield	0.98%	2.44%
Annual risk-free interest rate	4.318%	3.444%

Notes:

(a) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.

(b) Any change in the above variables adopted may affect the fair value estimation.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance as it believes that effective corporate governance practices provide a framework and solid foundation for enhancing shareholder value and safeguarding shareholder interests. The principles of corporate governance adopted by the group emphasise a quality board, sound internal control, transparency and accountability to all stakeholders.

Compliance with the Code on Corporate Governance Practices

The Company has been fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2008 save for the deviation from code provision E.1.2 in that the Chairman of the Board was unable to attend the Annual General Meeting of the Company held on 16 May 2008 due to other commitments overseas which he must attend to.

Corporate governance practices adopted by the Company during such period are in conformity with those adopted by the Company for the year ended 31 December 2007, which were set out in the Annual Report 2007 of the Company.

Compliance with the Model Code

The Board of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. All Directors have confirmed that they had complied with the Model Code throughout the six months ended 30 June 2008.

Audit Committee

The Audit Committee of the Company comprises two Independent Non-executive Directors and one Non-executive Director who possess the appropriate business and financial experience and skills to understand financial statements and internal control. It is chaired by Mr Kwan Kai Cheong and the other members of the Committee are Mr Ronald Joseph Arculli and Dr Lam Lee G. The Audit Committee meets regularly with management and the external auditor 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 the Company. The terms of reference of the Audit Committee adopted by the Board are published on the Group's website.

Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by the Chairman, Mr Fok Kin-ning, Canning with Mr Kwan Kai Cheong and Dr Lam Lee G, both Independent Non-executive Directors as members.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating people of the highest calibre and experience needed to shape and execute strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies including assessing the performance of Directors and senior executives of the Group and determining their remuneration packages. The terms of reference of the Remuneration Committee adopted by the Board are published on the Group's website.

**To the Board of Directors of
Hutchison Harbour Ring Limited**
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim accounts set out on pages 16 to 31, which comprise the condensed consolidated balance sheet of Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2008 and the related condensed consolidated profit and loss account, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim accounts to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim accounts in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim accounts based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim accounts consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim accounts are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2008

INTERIM ACCOUNTS

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	Unaudited	
		2008 HK\$'000	2007 HK\$'000
Revenue	2	1,036,553	1,087,157
Cost of sales		(861,911)	(922,213)
Gross profit		174,642	164,944
Interest income		25,122	12,647
Other gains, net		2,099,336	19,067
Administrative expenses		(88,761)	(74,300)
Selling and distribution costs		(29,714)	(32,307)
Operating profit	3	2,180,625	90,051
Share of loss of an associated company		(241)	(792)
Earnings before interest expense and tax		2,180,384	89,259
Finance costs	4	(1,495)	(23,835)
Profit before tax		2,178,889	65,424
Tax (charge)/credit	5	(73,646)	110,564
Profit for the period		2,105,243	175,988
Attributable to: Shareholders of the Company		2,083,823	169,138
Minority interests		21,420	6,850
		2,105,243	175,988
Earnings per share for profit attributable to shareholders of the Company	7	HK23.28 cents	HK2.52 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Non-current assets			
Goodwill	8	–	362,563
Licence rights		55,114	55,114
Property, plant and equipment	9	93,026	137,603
Investment properties	10	899,972	3,785,324
Leasehold land and land use rights		14,998	16,237
Investment in an associated company		3,323	3,153
Deferred tax assets	11	4,551	17,935
		1,070,984	4,377,929
Current assets			
Inventories		160,019	258,101
Trade receivables	12	280,172	372,395
Deposits, prepayments and other receivables		148,864	126,220
Loans receivable due within one year		1,333	3,879
Tax recoverable		2,159	4,338
Available-for-sale financial assets		7,676	11,288
Time deposits with maturity over three months		2,524,816	–
Cash and bank deposits		3,240,189	1,068,118
		6,365,228	1,844,339
Current liabilities			
Trade payables	13	188,164	234,922
Other creditors and accruals	14	586,321	506,907
Tax payables		44,553	91,425
		819,038	833,254
Net current assets			
		5,546,190	1,011,085
Total assets less current liabilities			
		6,617,174	5,389,014
Non-current liabilities			
Deferred tax liabilities	11	123,774	660,469
Other non-current financial liabilities	15	59,339	69,281
Net assets			
		6,434,061	4,659,264
Equity			
Share capital	16	894,985	894,944
Reserves		5,383,702	3,640,464
Capital and reserves attributable to the shareholders of the Company		6,278,687	4,535,408
Minority interests		155,374	123,856
Total equity			
		6,434,061	4,659,264

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited	
	2008 HK\$'000	2007 HK\$'000
Operating activities		
Cash (used in)/generated from operating activities before interest and other finance costs, tax paid and changes in working capital	(26,898)	93,603
Interest received	19,018	16,662
Tax paid	(45,535)	(27,677)
Funds (used in)/generated from operations	(53,415)	82,588
Changes in working capital	372,181	(57,164)
Net cash generated from operating activities	318,766	25,424
Investing activities		
Net cash inflow on disposal of subsidiaries	4,571,501	–
Increase in time deposits with maturity over three months	(2,524,816)	–
Purchase of property, plant and equipment	(2,586)	(13,815)
Proceeds on disposal of investment properties, plant and equipment and leasehold land and buildings	5,840	57,507
Proceeds on maturity of available-for-sale financial assets	–	209,371
Net cash generated from investing activities	2,049,939	253,063
Financing activities		
Dividend paid	(196,888)	(40,230)
Issuance of new shares	254	–
Interest paid on convertible note	–	(9,918)
Net cash used in financing activities	(196,634)	(50,148)
Increase in cash and cash equivalents	2,172,071	228,339
Cash and cash equivalents at 1 January	1,068,118	717,764
Cash and cash equivalents at 30 June	3,240,189	946,103
Analysis of cash, liquid funds and listed investments		
Deposits with banks with maturity of less than three months	3,058,167	566,863
Cash at banks and on hand	182,022	379,240
Cash and cash equivalents	3,240,189	946,103
Time deposits with maturity over three months	2,524,816	–
Available-for-sale financial assets, listed investments	7,676	12,445
Total cash, liquid funds and listed investments	5,772,681	958,548

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited								
	Attributable to shareholders of the Company							Minority interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Other properties revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	894,944	2,598,993	339,621	-	46,648	655,202	4,535,408	123,856	4,659,264
Exchange translation differences	-	-	249,059	-	-	-	249,059	10,098	259,157
Change in fair value of available-for-sale financial assets	-	-	-	-	(3,612)	-	(3,612)	-	(3,612)
Surplus on revaluation	-	-	-	1,992	-	-	1,992	-	1,992
Net income recognised directly in equity	-	-	249,059	1,992	(3,612)	-	247,439	10,098	257,537
Employee share option benefits	-	-	-	-	1,704	-	1,704	-	1,704
Reserve realised upon disposal of subsidiaries	-	-	(393,163)	-	-	-	(393,163)	-	(393,163)
Issue of shares (Note 16)	41	250	-	-	(37)	-	254	-	254
Transfer between reserves	-	-	-	-	(580)	580	-	-	-
Write-back of unclaimed dividends	-	-	-	-	-	110	110	-	110
Profit for the period	-	-	-	-	-	2,083,823	2,083,823	21,420	2,105,243
2007 final dividend paid	-	-	-	-	-	(196,888)	(196,888)	-	(196,888)
At 30 June 2008	894,985	2,599,243	195,517	1,992	44,123	2,542,827	6,278,687	155,374	6,434,061

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited							Minority interests	Total
	Attributable to shareholders of the Company								
	Share capital	Share premium	Exchange reserve	Convertible		Other reserves	Retained profits	Sub-total	
				note reserve	reserves				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2007	670,500	1,813,437	144,801	123,975	22,425	418,215	3,193,353	104,772	3,298,125
Exchange translation differences	-	-	100,657	-	-	-	100,657	4,258	104,915
Change in fair value of available-for-sale financial assets	-	-	-	-	(1,283)	-	(1,283)	-	(1,283)
Net income recognised directly in equity	-	-	100,657	-	(1,283)	-	99,374	4,258	103,632
Employee share option benefits	-	-	-	-	1,644	-	1,644	-	1,644
Reserve realised upon maturity of available-for-sale financial assets	-	-	-	-	4,992	-	4,992	-	4,992
Transfer between reserves	-	-	-	-	(598)	598	-	-	-
Profit for the period	-	-	-	-	-	169,138	169,138	6,850	175,988
2006 final dividend paid	-	-	-	-	-	(40,230)	(40,230)	-	(40,230)
At 30 June 2007	670,500	1,813,437	245,458	123,975	27,180	547,721	3,428,271	115,880	3,544,151

Note:

Other reserves comprise investment revaluation reserve, share-based compensation reserve, capital redemption reserve, legal reserve and the People's Republic of China ("PRC") statutory reserve. At 30 June 2008, investment revaluation reserve amounted to HK\$7,676,000 (1 January 2008: HK\$11,288,000; 30 June 2007: HK\$12,445,000; 1 January 2007: HK\$8,736,000), share-based compensation reserve amounted to HK\$13,172,000 (1 January 2008: HK\$12,085,000; 30 June 2007: HK\$10,684,000; 1 January 2007: HK\$9,638,000), capital redemption reserve of HK\$3,558,000 (1 January 2008, 30 June 2007 and 1 January 2007: HK\$3,558,000), legal reserve of HK\$493,000 (1 January 2008, 30 June 2007 and 1 January 2007: HK\$493,000) being set aside for a subsidiary incorporated in Macau and PRC statutory reserve of HK\$19,224,000 (1 January 2008: HK\$19,224,000; 30 June 2007 and 1 January 2007: Nil) being set aside as required under the regulations for subsidiaries incorporated in the PRC.

NOTES TO THE INTERIM ACCOUNTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts ("Interim Accounts") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited. These Interim Accounts should be read in conjunction with the annual accounts for the year ended 31 December 2007.

These Interim Accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the annual accounts for the year ended 31 December 2007, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2008. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

2 REVENUES AND SEGMENT INFORMATION

Revenues represent sales of consumer electronic products and accessories, toys, rental and service income, and licensing commission and other income. The amount of each category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Sales of goods	873,097	929,766
Rental and service income from investment properties	159,556	153,360
Licensing commission and other income	3,900	4,031
Total revenues	1,036,553	1,087,157

Segment information is presented in respect of the Group's business segments. Each business segment is subject to risks and returns that are different from the others. Business segment information is chosen as the primary reporting format. The Group's core business segments are technology division, toy division, property division and licensing and sourcing division. Other corporate income and expenses, investments in securities and cash held for non-operating purposes are not allocated to the above segments.

NOTES TO THE INTERIM ACCOUNTS

2 REVENUES AND SEGMENT INFORMATION (Continued)

Earnings before interest expense and tax are presented as segment result in respect of the Group's business segments as the directors consider that this can be better reflect the performance of each division.

Primary segment information by business:

	Six months ended 30 June 2008						Group HK\$'000
	Technology division HK\$'000	Toy division HK\$'000	Property division HK\$'000	Licensing and sourcing division HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
Revenue							
Company and subsidiaries							
– External sales	384,021	444,069	159,556	48,907	-	-	1,036,553
– Inter-segment sales	2	-	270	86	-	(358)	-
	384,023	444,069	159,826	48,993	-	(358)	1,036,553
Segment results before changes in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	27,616	(38,094)	136,362	(3,041)	(41,943)	389	81,289
Share of an associated company	-	(241)	-	-	-	-	(241)
	27,616	(38,335)	136,362	(3,041)	(41,943)	389	81,048
Changes in fair value of investment properties	-	-	98,268	-	-	-	98,268
Profits on disposal of investments and others	-	(140,239)	2,141,307	-	-	-	2,001,068
Earnings/(losses) before interest expense and tax	27,616	(178,574)	2,375,937	(3,041)	(41,943)	389	2,180,384
Finance costs							(1,495)
Tax charge							(73,646)
Profit for the period							2,105,243
Capital expenditure	(639)	(1,864)	(51)	(32)	-	-	(2,586)
Depreciation of property, plant and equipment	(6,283)	(11,214)	(539)	(117)	-	-	(18,153)
Amortisation of leasehold land and land use rights	-	(593)	(63)	-	-	-	(656)
Impairment provision	-	(38,328)	-	-	-	-	(38,328)

NOTES TO THE INTERIM ACCOUNTS

2 REVENUES AND SEGMENT INFORMATION (Continued)

Primary segment information by business: (Continued)

	Six months ended 30 June 2007						Group HK\$'000
	Technology division HK\$'000	Toy division HK\$'000	Property division HK\$'000	Licensing and sourcing division HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
Revenue							
Company and subsidiaries							
– External sales	370,802	533,358	153,360	29,637	–	–	1,087,157
– Inter-segment sales	1,166	2,581	253	54	–	(4,054)	–
	371,968	535,939	153,613	29,691	–	(4,054)	1,087,157
Segment results before changes in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	26,353	(28,885)	122,547	(14,245)	(34,327)	(459)	70,984
Share of an associated company	–	(792)	–	–	–	–	(792)
	26,353	(29,677)	122,547	(14,245)	(34,327)	(459)	70,192
Changes in fair value of investment properties	–	–	20	–	–	–	20
Profits/(losses) on disposal of investments and others	–	24,039	–	–	(4,992)	–	19,047
Earnings/(losses) before interest expense and tax	26,353	(5,638)	122,567	(14,245)	(39,319)	(459)	89,259
Finance costs							(23,835)
Tax credit							110,564
Profit for the period							175,988
Capital expenditure	(5,093)	(8,350)	(166)	(206)	–	–	(13,815)
Depreciation of property, plant and equipment	(6,084)	(14,219)	(454)	(1,021)	–	–	(21,778)
Amortisation of leasehold land and land use rights	–	(580)	(60)	–	–	–	(640)

NOTES TO THE INTERIM ACCOUNTS

3 OPERATING PROFIT

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Operating profit is stated after crediting and charging the following:		
<u>Crediting</u>		
Gain on disposal of subsidiaries (Note a)	2,141,307	–
Increase in fair value of investment properties	98,268	20
Gain on disposal of investment properties, leasehold land and buildings	–	24,039
<u>Charging</u>		
Cost of inventories	788,175	675,146
Staff costs (including directors' emoluments)	147,837	240,682
Depreciation of property, plant and equipment	18,153	21,778
Amortisation of leasehold land and land use rights	656	640
Operating lease charges in respect of properties	14,853	22,812
Impairment and other specific provisions for toy division (Note b)	140,239	–
Loss on maturity of available-for-sale financial assets	–	4,992

Notes:

- (a) The Group has disposed of certain subsidiaries which owned the entire interest in an investment property, and recognised a gain of HK\$2,141,307,000 for the period ended 30 June 2008.
- (b) In view of the continuous difficult business environment and following a review of the Group's operating strategies, the Group made one-time impairment and specific provisions for toy division. The provisions mainly included inventories provision of HK\$51,992,000, impairment provision for property, plant and equipment of HK\$38,328,000 and provision for bad debts of HK\$14,070,000.

NOTES TO THE INTERIM ACCOUNTS

4 FINANCE COSTS

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Interest on loans from minority shareholders (not wholly repayable within five years)	601	594
Interest on convertible note		
– Cash portion	–	9,918
– Notional non-cash interest accretion	–	11,688
Interest accretion on licence fees payable	894	1,635
	1,495	23,835

5 TAX CHARGE/(CREDIT)

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Current tax		
– Hong Kong	3,010	4,423
– Outside Hong Kong	23,765	29,242
Deferred tax charge/(credit)	46,871	(144,229)
	73,646	(110,564)

PRC Enterprise Income Tax:

The Group's subsidiaries in the Mainland China are subject to Enterprise Income Tax of Mainland China ("PRC Enterprise Income Tax") at rates range from 12.5% to 25% for 2008 (2007: 15% to 33%).

Hong Kong Profits Tax:

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

During the period, the Inland Revenue Department of Hong Kong has finalised the tax audit of the Group's operation. The outcome of the tax audit has no significant financial impact to the Group.

NOTES TO THE INTERIM ACCOUNTS

6 DIVIDEND

At a meeting held on 6 March 2008 the directors declared a final dividend of HK2.2 cents per ordinary share for the year ended 31 December 2007. Total amount of HK\$196,888,000 was paid on 19 May 2008 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2008.

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (2007: Nil).

7 EARNINGS PER SHARE

(a) The calculation of earnings per share is based on the Group's profit attributable to shareholders of the Company of HK\$2,083,823,000 (2007: HK\$169,138,000) and the weighted average number of ordinary shares in issue during the period of 8,949,500,619 (2007: 6,705,000,263).

(b) The employee share options outstanding at 30 June 2008 have no dilutive effect on the basic earnings per share (2007: No dilutive impact).

8 GOODWILL

Decrease in goodwill was due to the disposal of subsidiaries which owned the entire interest in an investment property.

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with a cost of HK\$2,586,000 (30 June 2007: HK\$13,815,000). During the period, property, plant and equipment with a net book value of HK\$1,655,000 (30 June 2007: HK\$7,966,000) were disposed of. During the period, buildings of HK\$3,332,000 (30 June 2007: Nil) were transferred to investment properties.

10 INVESTMENT PROPERTIES

During the period, investment properties with a net book value of HK\$3,216,640,000 were disposed of through the disposal of subsidiaries (30 June 2007: HK\$13,320,000 disposed of properties directly to third parties). During the period, investment properties of HK\$4,788,000 (30 June 2007: Nil) were transferred from leasehold land and buildings of HK\$1,456,000 and HK\$3,332,000 respectively.

NOTES TO THE INTERIM ACCOUNTS

11 DEFERRED TAX

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Deferred tax assets	4,551	17,935
Deferred tax liabilities	123,774	660,469
Net deferred tax liabilities	119,223	642,534

Analysis of net deferred tax liabilities:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Tax losses	(5,065)	(19,888)
Accelerated depreciation allowances	61,596	86,609
Changes in fair value of investment properties	46,757	545,086
Other temporary differences	15,935	30,727
	119,223	642,534

12 TRADE RECEIVABLES

At 30 June 2008, the Group has no amount due from fellow subsidiaries (31 December 2007: HK\$1,967,000).

The Group's average credit period granted to trade debtors mainly ranges from 30 to 60 days. At 30 June 2008 and 31 December 2007, the aging analysis of trade receivables, net of provision, based on the date of invoice is as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0-30 days	162,230	172,329
31-60 days	87,693	140,122
61-90 days	19,050	30,348
Over 90 days	11,199	29,596
	280,172	372,395

NOTES TO THE INTERIM ACCOUNTS

13 TRADE PAYABLES

Included in trade payables at 30 June 2008 are amounts due to an associated company of the Group totalling HK\$4,281,000 (31 December 2007: HK\$4,612,000). The aging analysis of trade payables at 30 June 2008 and 31 December 2007 is as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0-30 days	132,677	185,740
31-60 days	45,142	29,463
61-90 days	1,201	8,190
Over 90 days	9,144	11,529
	188,164	234,922

14 OTHER CREDITORS AND ACCRUALS

Included in other creditors and accruals are amounts due to fellow subsidiaries, jointly controlled entities of Hutchison Whampoa Limited ("HWL"), and a loan from a minority shareholder of a subsidiary of the Group totalling HK\$599,000 (31 December 2007: HK\$1,844,000), nil (31 December 2007: HK\$47,986,000) and HK\$8,533,000 (31 December 2007: HK\$7,934,000) respectively.

15 OTHER NON-CURRENT FINANCIAL LIABILITIES

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Loans from minority shareholders	40,025	39,785
Non-current portion of licence fees payable	19,314	29,496
	59,339	69,281

NOTES TO THE INTERIM ACCOUNTS

16 SHARE CAPITAL

	2008		2007	
	Number of shares	Amount HK\$'000	Number of shares	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 1 January	8,949,444,707	894,944	6,705,000,263	670,500
Issue of shares upon exercise of share options (Note)	412,000	41	–	–
Issue of shares for early redemption of convertible note	–	–	2,244,444,444	224,444
At 30 June/31 December	8,949,856,707	894,985	8,949,444,707	894,944

Note:

During the period, 1,076,000 share options were exercised of which 412,000 new ordinary shares of HK\$0.1 each were issued by 30 June 2008 and 664,000 new ordinary shares of HK\$0.1 each were issued subsequent to 30 June 2008.

17 CAPITAL COMMITMENTS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	2,341	16,749
Authorised but not contracted for	35,673	40,572
	38,014	57,321

NOTES TO THE INTERIM ACCOUNTS

18 OPERATING LEASES

- (a) At 30 June 2008 and 31 December 2007, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Not later than one year	66,731	286,799
Later than one year and not later than five years	43,574	421,324
Later than five years	1,110	40,023
	111,415	748,146

Reduction in minimum lease receivables were mainly due to the disposal of subsidiaries during the period.

- (b) At 30 June 2008 and 31 December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Not later than one year	23,340	21,903
Later than one year and not later than five years	113,904	9,694
	137,244	31,597

19 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following significant transactions during the period with related parties which were carried out in the normal course of business at terms determined and agreed by both parties, details of which are as follows:

- (a) The Group entered into a lease agreement with a minority shareholder of a subsidiary to lease a manufacturing plant in the PRC. There is no rental expenses for the period ended 30 June 2008 (2007: HK\$6,081,000).
- (b) The Group manufactured a range of products including cap covers, premium items and mobile phone accessories for certain subsidiaries and an associated company of HWL. The aggregate invoiced amounts for the period ended 30 June 2008 were approximately HK\$2,302,000 (2007: HK\$9,380,000).
- (c) Hutchison International Limited, a wholly-owned subsidiary of HWL, has been providing and will continue to provide administrative and support services to the Group. The aggregate fees charged for the period ended 30 June 2008 were approximately HK\$2,750,000 (2007: HK\$2,700,000).
- (d) During the period, the Group paid rental expenses and management fee to subsidiaries of HWL of approximately HK\$7,543,000 (2007: HK\$6,834,000). During the period, the Group received rental income from subsidiaries of HWL of approximately HK\$1,911,000 (2007: HK\$1,924,000).
- (e) No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being key management personnel compensation) as follows:

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Salaries and other short-term employee benefits	2,349	2,485
Share-based payments	414	590
	2,763	3,075

20 HOLDING COMPANY

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

INFORMATION FOR SHAREHOLDERS

Listing

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

Stock Code

The Stock Exchange of Hong Kong Limited: 715

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Hong Kong Branch Share Registrars

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Investor Information

Corporate press releases, financial reports and other investor information on the Group are available online at the Company's website.

Investor Relations Contact

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