2008 Annual Report

Hutchison Harbour Ring

(Stock Code: 715)

A Hutchison Whampoa Company

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, JP, BA, B.Arch., AP-List 1
Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)
(Also Alternate to FOK Kin-ning, Canning)
ENDO Shigeru, BA
KWOK Siu Kai, Dennis, MBA, ACA, CPA, FCCA *(Note)*

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

AUDITOR

PricewaterhouseCoopers

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Note: Resigned on 24 January 2009

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CHAIRMAN'S STATEMENT

FINANCIAL RESULTS


Harbour Ring Plaza, Shanghai

The Group's consolidated profit attributable to the shareholders for the year increased 545% to HK$2,009.4 million compared to HK$311.7 million in 2007. Basic earnings per share amounted to HK22.46 cents (2007: HK4.37 cents), representing a 414% increase over last year.

Revenue from continuing operations for the year amounted to HK$767.0 million, representing a 36% decrease compared to HK$1,199.5 million in 2007. The Group recorded a 488% increase in earnings before interest expense and tax ("EBIT") from continuing operations to HK$2,288.5 million as compared to HK$389.4 million in 2007. These results included a profit of HK$2,141.3 million on disposal of certain subsidiaries which owned the entire interest in an investment property (the "Subsidiaries") in the first half of the year (2007: profit on disposal of investments and others of HK$11.7 million) and a profit on revaluation of investment properties of HK$98.3 million (2007: HK$168.5 million), partially offset by impairment provisions of HK$94.6 million (2007: Nil). Excluding these items, EBIT from continuing operations reduced by 31% to HK$143.6 million compared to HK$209.2 million in 2007. The EBIT decline was the result of softening market demands for the Bluetooth® products of the Technology Division and the decrease in rental income contributed by the Property Division following the disposal of the Subsidiaries, partially offset by the improved results of the Licensing and Sourcing Division.

The Group's finance costs decreased by 92% to HK$3.0 million in 2008 (2007: HK$39.3 million) mainly due to the savings in interest expense from the conversion of an interest bearing convertible note to ordinary shares of the Company in October last year. The tax charge of the Group's continuing operations was HK$71.0 million in the current year as compared to a net credit of HK$25.1 million in 2007. Last year's tax credit included a release of deferred tax liabilities of HK$172.6 million following the announced reduction in corporate income tax rate in the People's Republic of China. As a result, the profit for the year from continuing operations increased by 490% to HK$2,214.5 million from HK$375.2 million in 2007.

The Group disposed of its remaining toy manufacturing business in October 2008. The loss attributable to the discontinued Toy Division in 2008 amounted to HK$179.4 million, as compared to HK$53.0 million in 2007.

DIVIDEND

The board of Directors (the "Board") is pleased to recommend the payment of a final dividend of HK2.2 cents per share for the year 2008 (2007: HK2.2 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 15 May 2009. The proposed final dividend will be paid on 18 May 2009 following the approval at the Annual General Meeting.

BUSINESS OVERVIEW

The Technology Division has suffered from a reduction of sales orders that adversely impacted the Division's profitability in the second half of 2008. Following the global economic downturn resulting from the United States ("U.S.") sub-prime mortgage crisis and the global credit crunch which significantly softened demand, our customers have been more cautious in placing orders. The weakening of the Euro against the U.S. dollar also dampened the demand in the European market. In response to the current unfavourable economic conditions, the Division is broadening its product ranges, strengthening the sales force and tightening its cost control measures.

Following the disposal of the Subsidiaries, the Property Division's remaining two office and commercial properties continued to contribute stable rental income and profit during the year.


Clip Naro 601 Bluetooth® Headset

Following the cost rationalisation exercise of the retail operations in 2007, the Licensing and Sourcing Division achieved reductions in fixed costs and reported improved results in the current year.

The difficult environment in which the Toy Division has been operating continued and having regard to the prevailing business conditions, the Group disposed of its remaining toy manufacturing business in October 2008.

OUTLOOK

The Group has maintained a healthy balance sheet and robust liquidity position, with cash, cash equivalents and other liquid listed investments of HK$5,969.7 million as at 31 December 2008 (2007: HK$1,079.4 million), which will enable the Group to face the challenges arising from the current economic recession in major markets and to potentially fund projects that meet our investment criteria.


i.VoicePRO 901 Bluetooth® Headset

The Technology Division will continue to enhance its competitive abilities by reducing fixed operating costs and applying research and development capabilities to offer more innovative products and a wider product range. The Property Division is expected to continue contributing stable rental income and profit. The Licensing and Sourcing Division will continue to focus on the Warner Bros. agency business and will cautiously explore opportunities with other brands and products.

On behalf of the Board, I would like to express my gratitude for the hard work and consistent dedication of my fellow Directors and the Group's employees. 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, 16 March 2009

REVIEW OF OPERATIONS

FINANCIAL OVERVIEW

Revenue from continuing operations for the year amounted to HK$767.0 million, representing a 36% decrease compared to HK$1,199.5 million in 2007. The Group recorded a 488% increase in earnings before interest expense and tax ("EBIT") from continuing operations to HK$2,288.5 million as compared to HK$389.4 million in 2007. These results included a profit of HK$2,141.3 million on disposal of certain subsidiaries which owned the entire interest in an investment property (the "Subsidiaries") in the first half of the year (2007: profit on disposal of investments and others of HK$11.7 million) and a profit on revaluation of investment properties of HK$98.3 million (2007: HK$168.5 million), partially offset by impairment provisions of HK$94.6 million (2007: Nil). Excluding these items, EBIT from continuing operations reduced by 31% to HK$143.6 million compared to HK$209.2 million in 2007.

The decline in EBIT was mainly attributable to the decrease in profit from the Technology Division that reflected the market slowdown resulting from the global sluggish economy and the decrease in rental income contributed by the Property Division following the disposal of the Subsidiaries in May 2008, partially offset by the improved results from the Licensing and Sourcing Division.

TECHNOLOGY DIVISION

The results of the Technology Division were adversely affected by lower market demands and consequent sales order reductions of its Bluetooth® products and other handset accessories as a result of the slow down of the global economies. In 2008, the Division recorded a 39% drop in revenue to HK$493.2 million from HK$810.5 million in 2007 and a loss before interest expense and tax ("LBIT") of HK$44.3 million as compared to an EBIT of HK$54.1 million in 2007. Current year's LBIT included a provision for fixed assets impairment of HK$39.5 million (2007: Nil). Excluding this provision, the Division recorded a LBIT of HK$4.9 million, representing a 109% decrease as compared to EBIT of HK$54.1 million in 2007.

Clip Music 801 Bluetooth® Stereo Headset

The sub-prime mortgage crisis and ensuing recession in the U.S. dampened consumer confidence and thus slowed down the rate of handsets and accessories replacement activity, which in turn led to more cautious ordering by our strategic global accounts and other customers. The weakening of the Euro against the U.S. dollar starting from the second half of 2008 also impacted the spending power and consumer demand in the European market.

In view of the global market slowdown, the Division has focused on its revenue streams by strengthening its distribution networks and sales forces in newly established markets including Dubai and India. The Division has also executed stringent cost saving measures and re-engineered processes so as to bolster operational efficiency and reduce fixed operating costs.

PROPERTY DIVISION

Harbour Ring Huang Pu Centre, Shanghai

The Property Division recorded a significant drop in revenue by 38% from HK$326.8 million in 2007 to HK$202.2 million in 2008, mainly due to a reduction of seven-and-a-half month's rental contribution from the Subsidiaries following its disposal.

The Division reported a 469% EBIT increase from HK$423.6 million in 2007 to HK$2,412.6 million in 2008. The EBIT included a one-time gain on disposal of the Subsidiaries of HK$2,141.3 million (2007: Nil) and a profit on revaluation of investment properties of HK$98.3 million (2007: HK$168.5 million). Excluding these gains, the EBIT was HK$173.0 million, representing a decrease of 32% as compared to HK$255.1 million in 2007. The EBIT decline was mainly attributable to less rental contribution from the disposed Subsidiaries, partially offset by an increase in average rental rates and income from the remaining two office and commercial properties in Shanghai.

LICENSING AND SOURCING DIVISION

The Licensing and Sourcing Division's revenue increased 15% from HK$62.3 million in 2007 to HK$71.5 million in 2008. The increase was due to the improved performance of the trading business and sales of Beijing Olympic Mascots during the year.

The Division's LBIT increased 136% to HK$63.2 million from HK$26.8 million in 2007. These results included a provision for licence rights impairment amounting to HK$55.1 million (2007: Nil). Excluding this one-time item, the Division recorded a decrease in LBIT by 70% to HK$8.1 million in the current year compared to HK$26.8 million in 2007. The improved results were mainly attributable to lower cost base resulted from the cost rationalisation exercise of the retail operations performed during 2007.

TOY DIVISION (DISCONTINUED OPERATION)

The Toy Division operated in a very difficult business environment in the past years and this situation is expected to continue. The Group disposed of the remaining manufacturing business in October 2008.

REVIEW OF OPERATIONS

PROSPECTS

The Technology Division will continue to leverage on its competency in research and development capabilities focusing on innovative products with enhanced features and widening its product range. In order to strengthen our brand presence in both the developed and newly established markets, sales channels and distribution networks will be extended to broaden our customer base. The Division will also continue to reduce its fixed operation cost base and enhance its competitive abilities.

Guangzhou i.Tech Electronic Technology Ltd.

The Property Division's investments in the two remaining office and commercial premises are expected to generate stable recurring revenue and profit to the Group with satisfactory rental rates.

The Licensing and Sourcing Division will continue to focus on the Warner Bros. agency business and cautiously explore potential new brands and products emerging from the licensing business opportunities.

The 2008 results were achieved in a difficult environment, particularly in the second half of the year. I would like to thank all of the Group's employees for their concerted efforts and contributions throughout the year.

Chan Wen Mee, May (Michelle)
Managing Director

Hong Kong, 16 March 2009

CAPITAL RESOURCES AND OTHER INFORMATION

CAPITAL RESOURCES AND LIQUIDITY

As at 31 December 2008, the Group's total cash and cash equivalents together with other listed investments amounted to HK$5,969.7 million (2007: HK$1,079.4 million).

As at 31 December 2008, the Group's total borrowings were HK$48.5 million (2007: HK$47.7 million), which were the loans from minority shareholders of the Group's subsidiaries.

TREASURY POLICIES

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

There was no guarantee provided by the Group as at 31 December 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 31 December 2008, excluding associated companies, the Group employed 2,125 people (2007: 18,708). Total employee costs for the year ended 31 December 2008, including directors' emoluments, amounted to HK$252.9 million (2007: HK$537.2 million).

The salary and benefit levels of Group employees are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

FOK Kin-ning, Canning, aged 57, has been a Director since 1992 and the Chairman since 2002. He is also the Chairman of the Remuneration Committee of the Company. Mr Fok is an executive director and the group managing director of Hutchison Whampoa Limited ("HWL"). He is the chairman of Hutchison Telecommunications International Limited, Hutchison Telecommunications (Australia) Limited, Hongkong Electric Holdings Limited and Partner Communications Company Ltd. and the co-chairman of Husky Energy Inc. He is also the deputy chairman of Cheung Kong Infrastructure Holdings Limited, a non-executive director of Cheung Kong (Holdings) Limited ("CKH") and a director of Hutchison International Limited ("HIL") and Promising Land International Inc. ("Promising Land"). CKH, HWL, HIL and Promising Land are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is also a member of the Australian Institute of Chartered Accountants.

LAI Kai Ming, Dominic, aged 55, has been a Director since 1994 and a Deputy Chairman since 2001. He is also an Alternate Director to Mrs Chow Woo Mo Fong, Susan. He is an executive director of Hutchison Whampoa Limited ("HWL"), a director of Hutchison International Limited ("HIL") and Hutchison Telecommunications (Australia) Limited and an alternate director of Promising Land International Inc. ("Promising Land"). HWL, HIL and Promising Land are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has over 25 years of management experience in different industries. He also holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

CHAN Wen Mee, May (Michelle), aged 44, has been the Managing Director since 2006. She joined the Group as an Executive Director in 2001 and became the Deputy Managing Director in 2005. Ms Chan has extensive experience in managing property development and investment businesses in Mainland China. She also holds directorships in certain companies controlled by Hutchison Whampoa Limited, including Hutchison E-Commerce Limited, BigboXX.com Limited, ESD Services Limited, Hutchison-Priceline Limited, Vanda IT Solutions & Systems Management Limited and Metro Broadcast Corporation Limited. Ms Chan is a member of the Hong Kong Toys Council and a member of the Hong Kong Exporter's Association. At the same time, she serves as the Vice President of The Toys Manufacturers' Association of Hong Kong. She holds a Bachelor's degree in Business Administration.

CHOW WOO Mo Fong, Susan, aged 55, has been an Executive Director since 2001. She is an executive director and the deputy group managing director of Hutchison Whampoa Limited ("HWL"). She is also an executive director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited, a non-executive director of Hutchison Telecommunications International Limited and TOM Group Limited, a director of Hutchison Telecommunications (Australia) Limited, Partner Communications Company Ltd., Hutchison International Limited ("HIL") and Uptalent Investments Limited ("Uptalent"). HWL, HIL and Uptalent are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. She is a solicitor and holds a Bachelor's degree in Business Administration.

CHOW Wai Kam, Raymond, JP, aged 61, has been an Executive Director since 2001. He is the group managing director of Hutchison Whampoa Properties Limited and Harbour Plaza Hotel Management (International) Limited. He holds a degree of Bachelor of Arts in Architectural Studies and a degree of Bachelor of Architecture from the University of Hong Kong. He is a Registered Architect and List 1 Authorised Person.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Edith SHIH, aged 57, has been an Executive Director and the Company Secretary since 2001. She is also an Alternate Director to Mr Fok Kin-ning, Canning. She is the head group general counsel and company secretary of Hutchison Whampoa Limited ("HWL"). She is also a non-executive director of Hutchison China MediTech Limited, a director of Hutchison International Limited ("HIL") as well as director and company secretary of various HWL group companies. HWL and HIL are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines, a Master of Arts degree and a Master of Education degree from Columbia University, New York. Ms Shih is a qualified solicitor in Hong Kong, England and Wales and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

KWOK Siu Kai, Dennis, aged 47, has been an Executive Director since 1 October 2006 and held such position until his resignation on 24 January 2009. He joined Hutchison Harbour Ring Industries Limited, a wholly owned subsidiary of the Company, as a director in July 2005 and was appointed the Director of Finance of the Company in January 2006. He has over 20 years of experience in corporate management, auditing, accounting and financial management in China, Hong Kong and the United Kingdom. He holds a Master of Business Administration degree from The University of Hull, United Kingdom and is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants.

ENDO Shigeru, aged 74, has been an Executive Director since 2002. He is also a non-executive director of Hutchison China MediTech Limited. He was the president of Hutchison Whampoa Japan K.K. from 2001 to 2006 and has been its chief executive officer since 2007. He has spent over 40 years with Mitsui (former senior executive managing director and a member of the main board of Mitsui Co., Ltd.) and has worked in many geographical areas such as Hong Kong, Beijing and New York. He holds a Bachelor of Arts degree in Economics from Keio University.

Ronald Joseph ARCULLI, GBS, CVO, OBE, JP, aged 70, has been a Director since 2001. He is currently a Non-executive Director and a member of the Audit Committee of the Company. He became a Member of the Legislative Council in 1988, representing the Real Estate and Construction functional constituency from 1991 to the end of June 2000 and was appointed a member of the Executive Council of Hong Kong Special Administrative Region, the People's Republic of China on 1 November 2005. Mr Arculli has been an independent non-executive director and the chairman of Hong Kong Exchanges and Clearing Limited since 2006. He is also a director of The Community Chest of Hong Kong and serves as member of the Global Advisory Boards of the University of Colorado Denver's Institute of International Business and Harvard's John F. Kennedy School of Government. He is a board member of The Hong Kong Mortgage Corporation Limited and has a distinguished record of public service on numerous government committees and advisory bodies. He is a senior partner of a firm of solicitors in Hong Kong and holds a number of directorships in listed companies (including Hongkong Electric Holdings Limited) in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

KWAN Kai Cheong, aged 59, has been an Independent Non-executive Director since 2004. He is also an Alternate Director to Mr Ronald Joseph Arculli and the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is an independent non-executive director of Hutchison Telecommunications International Limited, SPG Land (Holdings) Limited, Win Hanverky Holdings Limited, Soundwill Holdings Limited and Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust) and a non-executive director of China Properties Group Limited and JF Household Furnishings Limited. He is currently the president of Morrison & Company Limited, which is a business consultancy firm. He worked for Merrill Lynch & Co. Inc. ("Merrill Lynch") for over 10 years during the period from 1982 to 1993. His last position with Merrill Lynch was president for its Asia Pacific region. He was also previously the joint managing director of Pacific Concord Holding Limited. He holds a Bachelor of Accountancy (Honours) degree and is member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a Fellow of the Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

LAM Lee G., aged 49, has been an Independent Non-executive Director since 2004. He is also an Alternate Director to Mr Lan Hong Tsung, David and a member of the Audit Committee and Remuneration Committee of the Company. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a Doctor of Philosophy from the University of Hong Kong, and a Post-graduate Certificate in Laws from the City University of Hong Kong. Dr Lam has over 25 years of multinational general management, corporate governance, investment banking, and direct investment experience. He is the chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on the board of a number of publicly-listed companies in the Asia Pacific region. He is a member of the Hong Kong Institute of Bankers, a member of the Young Presidents' Organisation, a Fellow of the Hong Kong Institute of Directors, and a member of the General Committee of the Chamber of Hong Kong Listed Companies.

LAN Hong Tsung, David, Member-CPPCC, GBS, ISO, JP, aged 68, has been an Independent Non-executive Director since 2005. He is currently the chairman of David H T Lan Consultants Limited. He is also an independent non-executive director of Cheung Kong Infrastructure Holdings Limited, ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) and SJM Holdings Limited and holds directorship at Nanyang Commercial Bank, Limited, as well as a senior advisor of Mitsui & Company (Hong Kong) Limited. Mr Lan was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government till his retirement in July 2000. He had served as civil servant in various capacities for 39 years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. In January 2003, he was appointed National Committee Member of the Chinese People's Political Consultative Conference, the People's Republic of China. Mr Lan is a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree in Economics and Law from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated company are shown on pages 113 and 114.

The analysis of the turnover and results by principal activities and geographical locations of the operations of the Company and its subsidiaries (collectively the "Group") during the financial year are set out in note 5 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated profit and loss account on page 44.

DIVIDEND

No interim dividend for the year ended 31 December 2008 was paid and the Directors recommend the declaration of a final dividend at the rate of HK2.2 cents per share payable on Monday, 18 May 2009 to all persons registered as holders of the Company's shares on Friday, 15 May 2009. The Registers of Members will be closed from Friday, 8 May 2009 to Friday, 15 May 2009, both days inclusive.

RESERVES

Particulars on the movements in the reserves of the Company and the Group during the year are set out in note 35 to the accounts and the consolidated statement of changes in equity on pages 50 and 51 respectively.

CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to HK$20,000 (2007: HK$44,000).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the movements of property, plant and equipment and investment properties are set out in notes 18 and 19 to the accounts, respectively.

PROPERTIES

Particulars of major properties of the Group are set out on pages 116 and 117.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the accounts.

DIRECTORS

The board of Directors of the Company (the "Board") as at 31 December 2008 comprised twelve Directors, including (i) eight Executive Directors, namely, Mr Fok Kin-ning, Canning (Chairman), Mr Lai Kai Ming, Dominic (Deputy Chairman), Ms Chan Wen Mee, May (Michelle) (Managing Director), Mrs Chow Woo Mo Fong, Susan, Mr Chow Wai Kam, Raymond, Ms Edith Shih, Mr Endo Shigeru and Mr Kwok Siu Kai, Dennis; (ii) one Non-executive Director, namely, Mr Ronald Joseph Arculli; and (iii) three Independent Non-executive Directors, namely, Mr Kwan Kai Cheong, Dr Lam Lee G. and Mr Lan Hong Tsung, David.

Mr Kwok Siu Kai, Dennis resigned as Executive Director on 24 January 2009. The Board expresses its gratitude to Mr Kwok Siu Kai, Dennis for his valuable contributions to the Company.

In accordance with Bye-laws 112(A) and 112(B) of the Company and pursuant to code provision A.4.2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr Lai Kai Ming, Dominic, Mrs Chow Woo Mo Fong, Susan, Mr Chow Wai Kam, Raymond and Mr Lan Hong Tsung, David will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. The Company received confirmation from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 8 to 10.

INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACT

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 20 May 2004, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group, and/or to establish a stronger business relationship between the Group and such participants.

The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of HK$0.10 each in the share capital of the Company:

(a) any employee/consultant (as to functional areas of finance, business or personnel administration or information technology) or proposed employee/consultant (whether full time or part time, including any Executive Director but excluding any Non-executive Director) (the "Eligible Employee") of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds any equity interest;

(b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and

(h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The maximum number of shares of the Company to be allotted and issued is as follows:

(a) The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time.

(b) The total number of shares of the Company which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 6% of the relevant class of securities of the Company (or its subsidiaries) in issue as at 20 May 2004, being the date of passing the relevant resolution adopting the Share Option Scheme (the "General Scheme Limit"). Based on the number of shares in issue of the Company on 20 May 2004, the General Scheme Limit of the Share Option Scheme is 402,300,015 shares. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 402,300,015, representing 4.5% of the existing issued share capital of the Company.

(c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group will not be counted.

(d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the shareholders in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

The total number of shares of the Company issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to any one participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the shareholders in a general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer for the grant of option and notified by the Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "SEHK") for trade in one or more board lots of the shares of the Company on the date of the offer of grant which must be a business day; (ii) the average closing price of shares of the Company as stated in the SEHK's daily quotations sheet for trade in one or more board lots of shares of the Company for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the shares of the Company. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme becomes unconditional.

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2008:

	Grant date	Options held at 1 January 2008	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options held at 31 December 2008	Exercise period [1]	Exercise price per share HK$	Share price on the grant date [2] HK$	Share price on the exercise date [5] 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 [4]	3.6.2005	4,000,000	–	–	–	4,000,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	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	–	–	(11,900,000)	15,600,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	25.5.2007	28,600,000	–	(1,208,000)	(5,868,000)	21,524,000	25.5.2008 – 24.5.2017	0.616	0.61	0.70
Sub-total		*56,100,000*	*–*	*(1,208,000)*	*(17,768,000)*	*37,124,000*				
Total		*91,100,000*	*–*	*(1,208,000)*	*(27,768,000)*	*62,124,000*				

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 of the Company with effect from 15 February 2008.

(4) Mr Kwok Siu Kai, Dennis resigned as Executive Director of the Company with effect from 24 January 2009.

(5) The stated price was the weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised.

The fair value of options granted estimated in accordance with the Binomial valuation model is disclosed in Note 34 to the accounts.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

(I) Existing Master Agreement for HHR Supplies and HWL Supplies

On 19 October 2005, the Company entered into an agreement (the "Existing Master Agreement") with Hutchison International Limited ("HIL", a wholly owned subsidiary of Hutchison Whampoa Limited ("HWL", the ultimate holding company of the Company)) setting the framework terms for the provision of the "Existing HHR Supplies" and the "Existing HWL Supplies" (both as defined below) between the Group on the one hand and HIL, its subsidiaries and entities controlled, directly or indirectly, as to no less than 50% by HIL, other than the Group (collectively the "HWL Group") on the other hand during the three-year period from 1 January 2006 to 31 December 2008.

The "Existing HHR Supplies" were the supplies by the Group to the HWL Group of plastic products (including without limitation bottle caps), moulds and related toolings, mobile phone accessories and related products (including without limitation Bluetooth® mono headsets, Bluetooth® stereo headsets, mono headsets, stereo headsets, batteries, chargers, car chargers, data cable, AC adaptors, USB connectors, mobile music stands and carry cases), consumer electronic products (including without limitation Digital Audio Broadcast radios, MP3 players and Personal Multi-media Players), toys (including without limitation stuff toys) and games, gifts and premium products, novelties, fine arts and collectibles, electrical and electronic products (including without limitation illuminated signs), home appliances (including without limitation audio and audio-visual systems, LCD televisions, DVD recorders and speakers and hi-fi systems), household products (including without limitation laundry and shopping bags, housewares and first-aid kits), papers products, publishing products, stationeries, office supplies, fabrics, garment and textile, footwear, fashion and leather accessories (including without limitation bags, key holders, wallets and watches), beauty and health products, sports goods (including without limitation retractable bicycles), pet products, food and beverage (including without limitation Chinese herbal soup and food packs), product design services, sales referral, distribution and outsourcing services.

The "Existing HWL Supplies" were the supplies by the HWL Group to the Group of mobile handsets; premium products (including without limitation MP3 and DVD movie games); distilled water, food and beverages, groceries; stationeries, office supplies; printing services, telecommunications and Internet services; administrative, legal, consultancy, insurance support services, hotel services, travel and transportation services; and advertising and promotional services.

The Company announced on 19 October 2005 that it had set the maximum aggregate annual value of (i) the Existing HHR Supplies and (ii) the Existing HWL Supplies for the three years ended 31 December 2008 at (i) HK$205,000,000, HK$238,000,000 and HK$262,000,000; and (ii) HK$35,000,000, HK$45,000,000 and HK$45,000,000 respectively by reference to the factors as announced.

The Existing Master Agreement was entered into on normal commercial terms or on terms no less favourable to the Group than terms available to or from other independent third party customers or suppliers for the relevant products or services.

The provision of the Existing HHR Supplies and the acquisition of the Existing HWL Supplies by or to the Group respectively constituted continuing connected transactions of the Company for the purpose of the Listing Rules. The Existing HHR Supplies were approved by the shareholders of the Company, other than Cheung Kong (Holdings) Limited, HWL and their respective associates (the "Independent Shareholders") by poll as required under Listing Rule 14A.35 at a special general meeting held on 23 November 2005.

In anticipation of the expiry of the Existing Master Agreement on 31 December 2008, the Company entered into an agreement (the "Master Agreement") with HIL on 12 December 2008 for a term of three years from 1 January 2009 to 31 December 2011 based on substantially the same terms and conditions of the Existing Master Agreement, with the maximum aggregate annual values of (i) the HHR Supplies (the "HHR Supplies Annual Caps") and (ii) the HWL Supplies (the "HWL Supplies Annual Caps") for the three years ending 31 December 2011 be revised to (i) HK$9,000,000, HK$10,000,000 and HK$11,000,000; and (ii) HK$36,000,000, HK$37,000,000 and HK$39,000,000 respectively by reference to the factors as announced by the Company on 12 December 2008.

The Master Agreement was entered into on normal commercial terms or on terms no less favourable to the Group than terms available to or from other independent third party customers or suppliers for the relevant products or services.

The provision of the HHR Supplies and the acquisition of the HWL Supplies by or to the Group constitute continuing connected transactions of the Company for the purpose of the Listing Rules. As one or more of the relevant percentage ratios represented by each of the HHR Supplies Annual Caps and the HWL Supplies Annual Caps are more than 0.1% but less than 2.5%, the said transactions are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

(II) Estate Management Agreement, Letting and Lease Management Agreement and Leaseback Agreements

On 25 November 2005, the following agreements (the "Management Agreements") were entered into:

(i) a supplemental agreement (the "Estate Management Agreement") to an agreement dated 25 August 2005 and made among Shanghai He Hui Property Development Co., Ltd. 上海和滙房產開發有限公司 ("He Hui") and Shanghai Xin Hui Property Development Co., Ltd. 上海新滙房產開發有限公司 ("Xin Hui"), as property owners (each previously an indirect wholly owned subsidiary of the Company, and collectively referred to as the "Property Owners"), and Cayley Property Management (Shanghai) Limited (formerly known as "Hutchison Estate Service & Agency (Shanghai) Limited"), an indirect wholly owned subsidiary of HWL, as manager, in respect of the provision of estate management services for the development known as "The Center" located at 989 Changle Road, Shanghai, the People's Republic of China (the "PRC") with a total gross floor area of 98,337.09 square metres (including 204 underground parking spaces) (the "Development"), on an exclusive basis, for a term of five years commencing on 25 August 2005, and at the option of the Property Owners, a further term of five years at a management fee of 5% of the monthly management expenses; and

(ii) an agreement (the "Letting and Lease Management Agreement") made among the Property Owners and Pacific Property (Shanghai) Limited 和巽物業諮詢(上海)有限公司 ("PPSL", an indirect wholly owned subsidiary of HWL) in respect of the appointment of PPSL as the leasing and letting manager of the Development to provide letting and lease management services, on an exclusive basis, for a term of five years commencing on 25 November 2005, and at the option of the Property Owners, a further term of five years in return for a management fee and commission comprising the aggregate of (a) 1% of one month's rental receivable under all letting; (b) one month's rental as commission for each new letting but if the letting is procured by an external agent, no commission is payable to PPSL but the Property Owners will bear any external agent's commission; and (c) 50% of one month's rental for each lease renewal with an existing tenant.

The Management Agreements constitute non-exempt continuing connected transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

For the purposes of Chapter 14A of the Listing Rules, the Company announced on 19 October 2005 that it had set the maximum aggregate management fees under (i) the Estate Management Agreement and (ii) the Letting and Lease Management Agreement for each of the six years ending 31 December 2010 at (i) HK$170,000, HK$1,600,000, HK$1,800,000, HK$2,000,000, HK$2,100,000 and HK$2,200,000; and (ii) HK$250,000, HK$4,300,000, HK$7,900,000, HK$8,700,000, HK$5,100,000 and HK$16,000,000 respectively by reference to the factors as announced.

In addition, as a result of the Property Owners becoming wholly owned subsidiaries of the Company on 25 November 2005, the following documents (the "Leaseback Agreements") entered into by the Property Owners prior to such date with connected persons of the Company became the continuing connected transactions for the Company under the Listing Rules from such date:

(a) the tenancy agreement dated 13 June 2004 made between the Property Owners as landlords and Shanghai Yahui Property Development Co., Limited上海雅滙房產開發有限公司 ("Ya Hui, a company indirectly owned as to 50% by each of HWL and CKH) as tenant in respect of the whole of the 2nd Floor of the Development with an area of 2,163 square metres for the lease period of 72 months from 1 October 2004 to 30 September 2010 subject to a decoration period of 3 months from 1 July 2004 to 30 September 2004 and rent free period of 61 days from 1 October 2004 to 30 November 2004; and

(b) the tenancy agreement dated 3 October 2005 and made between the Property Owners as landlords and Ya Hui as tenant in respect of the whole of the Mezzanine Floor of the Development with an area of 636.36 square metres for the lease period of 60 months from 1 October 2005 to 30 September 2010 subject to a rent free period of 4 months in total from 1 October 2005 to 30 November 2005 and from 1 October 2006 to 30 November 2006.

For the purpose of Chapter 14A of the Listing Rules, the Company announced on 4 October 2005 that it had set the maximum aggregate rental income and management fees payable under the Leaseback Agreements for each of the five years ending 31 December 2009 and the 9 months ending 30 September 2010 at HK$1,100,000, HK$4,800,000, HK$5,200,000, HK$5,700,000, HK$5,700,000 and HK$4,400,000 respectively by reference to the factors as announced.

(III) Sub-Tenancy Agreement

On 28 March 2006, Hutchison Harbour Ring Industries Limited ("HHRI", an indirect wholly owned subsidiary of the Company) as tenant entered into a sub-tenancy agreement (the "Sub-Tenancy Agreement") with Tremayne Investments Limited ("TIL", an indirect wholly owned subsidiary of HWL) as landlord for the lease and use as the office of the Company of the whole of the 5th Floor of Harbourfront Landmark, No. 11 Wan Hoi Street, Hung Hom, Kowloon, Hong Kong (the "Premises") for a term of three years commencing on 27 March 2006 (the "Term") subject to HHRI's right to renew the Sub-Tenancy for a further term of 31 months and 4 days prior to expiry of the Term.

Under the Sub-Tenancy Agreement, the monthly rental and service fees payable by HHRI to TIL throughout the Term are HK$467,340.50 (exclusive of service fees, Government rent and rates) and HK$141,679.50 (subject to adjustment resulting from any increase of the operating costs in relation to the supply of air conditioning and provision of management services) respectively.

For the purposes of Chapter 14A of the Listing Rules, the Company announced on 28 March 2006 that it had set the maximum aggregate annual consideration payable to TIL under the Sub-Tenancy Agreement (the "Tenancy Annual Caps") for the three years ended 31 December 2008 at HK$7,600,000, HK$8,200,000 and HK$8,500,000 respectively by reference to the factors as announced.

TIL is a connected person of the Company by virtue of being an associate of HWL, a substantial shareholder of the Company; and the sub-tenancy under the Sub-Tenancy Agreement constitutes a continuing connected transaction of the Company under the Listing Rules. As the projected Tenancy Annual Caps were expected to be less than 2.5% but more than 0.1% of the relevant percentage ratios of the Company, such continuing connected transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

All the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2008 and confirmed that they were entered into by the Group (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the auditor of the Company has confirmed in a letter to the Board to the effect that the above continuing connected transactions for the year ended 31 December 2008 (i) have been approved by the Board; (ii) were in accordance with the pricing policies of the Group if transactions involved provision of goods and services by the Group; (iii) were carried out in accordance with the terms of the relevant agreements governing them; and (iv) did not exceed the respective annual caps.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with regard to the above continuing connected transactions.

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

As at 31 December 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 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	0.05586%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	–	12,000,000 (3)	12,000,000	0.13407%
Endo Shigeru	Beneficial owner	Personal interest	80,000	5,000,000 (3)	5,080,000	0.05676%
Kwok Siu Kai, Dennis (2)	Beneficial owner	Personal interest	–	8,000,000 (3)	8,000,000	0.08938%

Notes:

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

(2) *Mr Kwok Siu Kai, Dennis resigned as Executive Director of the Company with effect from 24 January 2009.*

(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 Scheme" on pages 13 to 16.*

(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 of the Company 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%
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 (2)	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) Such shares in HWL were held by a company which is beneficially owned by Mr Ronald Joseph Arculli.

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

As at 31 December 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 interests 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 interests 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 interests in 1,202,380 ordinary shares, representing approximately 0.025% of the then issued share capital, in Hutchison Telecommunications International Limited ("Hutchison Telecom"); and

(v) corporate interests 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 31 December 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 31 December 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 31 December 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 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, 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 the Directors and chief executive of the Company, as at 31 December 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	71.50%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	6,399,728,952 (1),(2),(3)	6,399,728,952	71.50%
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	71.50%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	6,399,728,952 (1),(2),(3)	6,399,728,952	71.50%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	6,399,728,952 (1),(2),(3)	6,399,728,952	71.50%
Hutchison Whampoa Limited ("HWL")	Interest of controlled corporations	6,399,728,952 (1),(2)	6,399,728,952	71.50%
Hutchison International Limited ("HIL")	Interest of controlled corporations	6,399,728,952 (1),(2)	6,399,728,952	71.50%
Promising Land International Inc. ("Promising Land")	Beneficial owner	4,155,284,508 (1)	4,155,284,508	46.42%
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	806,678,000	9.01%

Saved as disclosed above, as at 31 December 2008, there was no other person (other than the Directors and 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2008, the following Directors of the Company had interests in the following businesses (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year ended 31 December 2008 required to be disclosed pursuant to Rule 8.10 of the Listing Rules:

Name	Name of company	Nature of interest	Nature of competing business
Fok Kin-ning, Canning	CKH	Non-executive Director	– Property development and investment
	HWL	Group Managing Director	– Property development and investment
	Cheung Kong Infrastructure Holdings Limited ("CKI")	Deputy Chairman	– Information technology and new technology
Lai Kai Ming, Dominic	HWL	Executive Director	– Property development and investment
Chow Woo Mo Fong, Susan	HWL	Deputy Group Managing Director	– Property development and investment
	CKI	Executive Director	– Information technology and new technology
Chow Wai Kam, Raymond	Hutchison Whampoa Properties Limited	Group Managing Director	– Property development and investment
Edith Shih	HIL	Director	– Property development and investment – Information technology and new technology
Ronald Joseph Arculli	HKR International Limited	Non-executive Director	– Property development and investment
	Sino Land Company Limited	Non-executive Director	– Property development and investment
	Tsim Sha Tsui Properties Limited	Non-executive Director	– Property development and investment

As the Board is independent of the boards of directors of these entities, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

Save as disclosed above, as at 31 December 2008, none of the Directors or their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

BORROWINGS

Details of the Group's borrowings are set out in notes 30 and 32(a) to the accounts.

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

During the year, 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 year.

PRE-EMPTIVE RIGHTS

There was no provisions for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 115.

RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 14 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2008 attributable to the Group's major customers and suppliers were as follows:

	Percentage of the Group's	
	Total Sales	**Total Purchases**
The largest customer	16.4%	N/A
Five largest customers combined	59.5%	N/A
The largest supplier	N/A	43.1%
Five largest suppliers combined	N/A	56.1%

As at 31 December 2008, Mr Kwok Sau Po, a shareholder who owns more than 5% of the Company's share capital, was a director of Golden Electrical Trading Company Limited, one of the five largest suppliers of the Company.

Save as disclosed above, none of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the major customers and suppliers noted above.

PUBLIC FLOAT

As at the date of this report, based on information available to the Company and within the knowledge of the Directors of the Company, the public float capitalisation amounted to approximately HK$1,655 million, representing 28.44% of the issued share capital of the Company.

AUDITOR

The accounts have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Edith Shih
Director and Company Secretary

Hong Kong, 16 March 2009

CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain the highest standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safe guarding interests of shareholders and other stakeholders. The Company has accordingly adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company is fully compliant with the 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") save for the deviation from code provision E.1.2 as stated on page 41. It also adopts a number of recommended practices stated therein for the year ended 31 December 2008. The key corporate governance principles and practices are as follows:

THE BOARD

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board, led by the Chairman, Mr Fok Kin-ning, Canning, approves and monitors wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company (the "Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Managing Director.

As at 31 December 2008, the Board comprised twelve Directors, including the Chairman, the Deputy Chairman, the Managing Director, five Executive Directors, one Non-executive Director and three Independent Non-executive Directors, following the retirement of one Deputy Chairman on 15 February 2008. Mr Kwok Siu Kai, Dennis also resigned as Executive Director on 24 January 2009.

Biographical details of the Directors are set out in the Directors and Senior Management Section on pages 8 to 10.

The roles of the Chairman and the Deputy Chairman are separate from that of the Managing Director. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman, assisted by the Deputy Chairman, Mr Lai Kai Ming, Dominic, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. He is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Company Secretary for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and contribute to the Board's functions. In addition to Board meetings, the Chairman holds regular meetings with Executive Directors and at least two meetings with Non-executive Directors annually without the presence of Executive Directors. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in the Report.

The Managing Director, Ms Chan Wen Mee, May (Michelle), is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the Group's businesses, the Managing Director attends to developing strategic operating plans that reflect the longer-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Finance Director, Mr Kwok Siu Kai, Dennis, other Executive Directors and the executive management team of each core business division, the Managing Director presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Finance Director, the Managing Director sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. She maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors, keeping them fully informed of all major business development and issues. She is also responsible for building and maintaining an effective executive team to support her in her role.

The Board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provides information to Directors on a regular basis on the activities and development in the businesses of the Group. Throughout the year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Details of material or notable transactions of subsidiary and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

With respect to regular meetings of the Board, Directors receive written notice of the meeting at least fourteen days in advance and an agenda with supporting Board papers no less than three days prior to the meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held four meetings in 2008 with 98% attendance.

	Name of Director	**Attended/Eligible to attend**
Chairman	Fok Kin-ning, Canning	4/4
Executive Directors	Lai Kai Ming, Dominic *(Deputy Chairman)*	4/4
	Chan Wen Mee, May (Michelle) *(Managing Director)*	4/4
	Chow Woo Mo Fong, Susan	4/4
	Chow Wai Kam, Raymond	4/4
	Edith Shih	4/4
	Endo Shigeru	4/4
	Kwok Siu Kai, Dennis *(Note)*	4/4
Non-executive Director	Ronald Joseph Arculli	4/4
Independent Non-executive Directors	Kwan Kai Cheong	4/4
	Lam Lee G.	3/4
	Lan Hong Tsung, David	4/4

Note: Resigned as Executive Director with effect from 24 January 2009.

In addition to Board meetings, the Chairman held two meetings with Non-executive Directors (including Independent Non-executive Directors) during the year.

Non-executive Directors are appointed for a term of 12 months, subject to renewal and re-election as and when required under the Listing Rules and the Bye-laws of the Company. However, any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next general meeting of the Company, or in the case of an additional appointment, until the next annual general meeting of the Company, and shall be eligible for re-election at the relevant general meeting. All Directors are subject to retirement from office by rotation and re-election by shareholders at the annual general meeting at least about once every three years.

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation). Where vacancies arise at the Board, candidates are proposed and put forward to the Board for consideration and approval, with the objective of appointing to the Board individuals with expertise in the businesses of the Group and leadership qualities so as to complement the capabilities of the existing Directors thereby enabling the Company to retain as well as improve its competitive position.

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to Directors regularly to help ensure that Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Group's code of conduct regarding Directors' securities transactions.

All Directors confirmed that they have complied with the Model Code in their securities transactions throughout 2008.

BOARD COMMITTEES

The Board is supported by the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of reference of these Committees adopted by the Board are published on the Company's website (www.hutchisonharbourring.com).

COMPANY SECRETARY

The Company Secretary, Ms Edith Shih, is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through the adherence to proper Board processes and the timely preparation and dissemination to Directors and Board Committees comprehensive Board agendas and papers.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. She organises periodic seminars on specific topics of significance and disseminate relevant materials to the Directors for their reference.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of annual reports and interim reports within the periods laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

The Company Secretary advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

In relation to connected transactions, regular seminars are conducted for legal counsels and executives from business units within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance and for Directors' consideration.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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 Committee meets towards the end of each year for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees 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 remuneration of Directors and senior executives is determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

All members of the Remuneration Committee met in December 2008 to review background information on market data (including economic indicators, projection of Watson Wyatt's 2009 Salary Increase and 2009 Remuneration Review Guidelines of the Group), the Group's business activities and human resources issues, and headcount and staff costs. Prior to the end of the year, the Committee reviewed and approved the proposed 2008 and 2009 directors' fees and year end bonus and 2009 remuneration package of Executive Directors and senior management of the Company and made recommendation to the Board on the 2008 directors' fees for Non-executive Directors. Executive Directors do not participate in the determination of their own remuneration.

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The amounts paid to each Director for 2008 were as below:

Name of Director	Director's Fees	Basic Salaries, Allowances and Benefits-in-kind	Discretionary Bonuses	Provident Fund Contributions	Employee Share Option Benefits [9]	Total Emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fok Kin-ning, Canning [1]	90 [7]	–	–	–	–	90
Lai Kai Ming, Dominic	70 [7]	–	–	–	–	70
Luk Tei, Lewis [2]	9	446	–	6	–	461
Chan Wen Mee, May (Michelle)	70 [7]	1,911	2,000	145	206	4,332
Chow Woo Mo Fong, Susan	70 [7]	–	–	–	–	70
Chow Wai Kam, Raymond	70 [8]	–	–	–	–	70
Edith Shih	70 [7]	–	–	–	–	70
Endo Shigeru	70 [7]	–	–	–	86	156
Kwok Siu Kai, Dennis [3]	70	1,892	1,130	81	211	3,384
Ronald Joseph Arculli [4],[5]	140	–	–	–	–	140
Kwan Kai Cheong [1],[5],[6]	160	–	–	–	–	160
Lam Lee G. [1],[5],[6]	160	–	–	–	–	160
Lan Hong Tsung, David [6]	70	–	–	–	–	70
Total:	1,119	4,249	3,130	232	503	9,233

Notes:

(1) Members of the Remuneration Committee

(2) Retired with effect from 15 February 2008

(3) Resigned with effect from 24 January 2009

(4) Non-executive Director

(5) Members of the Audit Committee

(6) Independent Non-executive Directors

(7) Paid to Hutchison Whampoa Limited

(8) Paid to Hutchison Whampoa Properties Limited

(9) Share option benefits represent the fair value of share options granted under the Company's Share Option Scheme, which is calculated in accordance with the methodology disclosed in note 2(u) to the accounts. This methodology does not take into account of the actual share price at the date of exercise and whether the share options have been exercised. The significant inputs to the valuation model and details of the share options granted are disclosed in note 34 to the accounts.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The annual and interim results of the Company are published in a timely manner and within three months and two months respectively of the year end and interim periods.

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 42 and 43 which acknowledges the reporting responsibility of the Group's Auditor.

Annual Report and Accounts

The Directors acknowledge their responsibility for the preparation of the Annual Report and financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with Hong Kong Companies Ordinance and the applicable accounting standards.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

AUDIT COMMITTEE

The Audit Committee, comprises two Independent Non-executive Directors and one Non-executive Director who possess relevant business and financial management experience and skills to understand financial statements and internal controls. It is chaired by Mr Kwan Kai Cheong with Mr Ronald Joseph Arculli and Dr Lam Lee G. as members.

Under the terms of reference of the Audit Committee, it is required to oversee the relationship between the Company and the external auditors, review the Group's preliminary results, interim results and annual financial statements, monitor compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Internal Audit Department of the Group's holding company, engage independent legal or other advisers as it determines is necessary and perform investigations.

The Audit Committee held four meetings in 2008 with 92% attendance.

Name of Member	Attended/Eligible to attend
Kwan Kai Cheong *(Chairman)*	4/4
Ronald Joseph Arculli	4/4
Lam Lee G.	3/4

Financial Statements

During the year, the Audit Committee met with the Finance Director and other senior management of the Group from time to time to review the interim and final results and the Interim Report and Annual Report of the Group. It considers and discusses the reports and presentations of Management, the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also meets with the Group's principal external auditor, PricewaterhouseCoopers ("PwC"), to consider their reports on the scope and outcome of their independent review of the interim financial report and their annual audit of the consolidated financial statements.

External Auditors

The Audit Committee reviews and monitors the external auditors' independence and objectivity and effectiveness of the audit process. It receives each year a letter from PwC confirming their independence and objectivity and holds meetings with PwC to consider the scope of their audit, approve their fees, and the scope and appropriateness of non-audit services, if any, to be provided by them. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – includes audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditors.

- Audit related services – includes services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the Group's pension plans, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditors are to be invited to undertake those services that they must or are best placed to undertake in their capacity as auditors.

- Taxation related services – includes all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditors where they are best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – includes, for example, audits or reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The external auditors are also permitted to assist management and the internal auditors of the Group's holding company with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditors are not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors in respect of continuing operations is shown in note 6 to the accounts. In the year ended 31 December 2008, the fees paid to PwC in respect of continuing operations, amounting to HK$2,821,000, were primarily for audit and audit related services. In addition, the fees paid to PwC and other external auditors in respect of discontinued operation, amounting to HK$738,000 and HK$234,000 respectively, were primarily for audit and audit related services.

Review of Risk Management and Internal Control

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews with the internal auditors of the Group's holding company the work plan for their audits on the Group together with their resource requirements and considers the internal auditors' reports to the Audit Committee on the effectiveness of internal controls in the Group business operations. In addition, it also receives a report from the Company Secretary on the Group's compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND GROUP RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against the budgets, review by the Audit Committee of the ongoing work of the Internal Audit and Risk Management Departments of the Group's holding company, as well as the regular business reviews by the Executive Directors and the executive management team of each core business division.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses or fraud.

Internal Control Environment

The Board is overall responsible for monitoring the operations of the businesses within the Group. Executive Directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

The Group's internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management teams and the Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance managers of business operations attend monthly meetings with the Finance Director and members of the Group Finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations and the Group's Finance Department oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Finance Director has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels for such expenditures being set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Finance Director or Executive Directors are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the Internal Audit Department of the Group's holding company, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan, which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. The Internal Audit Department of the holding company of the Group is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Finance Director and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditors on internal controls and relevant financial reporting matters are presented to the General Manager of the Internal Audit Department of the Group's holding company, and, as appropriate, to the Finance Director. These reports are reviewed and appropriate actions are taken.

GROUP RISK MANAGEMENT

The Managing Director and the Group Risk Management Department of the Group's holding company have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The Group Risk Management Department of the Group's holding company, working with the business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group wide risk reporting.

REVIEW OF INTERNAL CONTROL SYSTEMS

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2008, covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

CODE OF CONDUCT

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided with the Group's Code of Conduct booklet, and all employees are expected to adhere to the highest standards set out in the Code of Conduct.

RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Investor Relations and Shareholders' Rights

The Group actively promotes investor relations and communication with the investment community when the interim and year end financial results are announced and during the course of the year. Through its Deputy Chairman, the Group responds to request for information and queries from the investment community.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. Moreover, additional information is also available to shareholders on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the head office and principal place of business a written request for such general meetings together with the proposed agenda items. All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Company's Branch Share Registrars. The results of the poll are published on the websites of the Company and The Hong Kong Exchanges and Clearing Limited (the "HKEx"). Financial and other information on the Group is made available on the Company's website, which is regularly updated.

During the period covered by this annual report, the 2008 Annual General Meeting and a Special General Meeting of the Company were held on 16 May 2008 and 5 June 2008 respectively at Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong. Code provision E.1.2 requires, among others, the chairman of the board to attend the annual general meeting. Due to other business commitments overseas which the Chairman must attend to, he was unable to attend the 2008 Annual General Meeting of the Company. The resolutions proposed at those meetings and the percentage of votes cast in favour of such resolutions are set out below:

2008 Annual General Meeting

1. Consideration and approval of the Statement of Audited Accounts, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2007 (100%);
2. Declaration of a final dividend (100%);
3. Re-election of Mr Fok Kin-ning, Canning (99.99%), Ms Chan Wen Mee, May (Michelle) (99.99%), Ms Edith Shih (99.99%), Mr Endo Shigeru (99.23%), Mr Kwan Kai Cheong (100%) and Dr Lam Lee G. (100%) as Directors of Company; and authorisation of the Board of Directors to fix the Directors' remuneration (100%);
4. Re-appointment of Auditor and authorisation of the Board of Directors to fix the Auditor's remuneration (100%); and
5. Granting of a general mandate to the Directors of the Company to allot and issue securities of the Company (99.06%), repurchase shares of the Company (100%), and approve the addition of the repurchased shares to the aggregate nominal share capital that can be allotted (99.06%).

Special General Meeting

Approval, ratification and confirmation of the sale and purchase agreement dated 16 May 2008 (the "Sale and Purchase Agreement") entered into between Hutchison Harbour Ring Property Holdings Limited ("HHRP") as vendor, the Company as guarantor for HHRP, Hawkwind Investments Limited as purchaser, and the purchase guarantor relating to the sale and purchase of the sale shares and the sale loans and authorisation of the Directors of the Company to give effect to the transactions contemplated under and all other matters incidental to the Sale and Purchase Agreement; and to execute documents and/or do all such acts and things on behalf of the Company in connection with the Sale and Purchase Agreement (99.99%).

All resolutions put to shareholders at those meetings were passed. The results of the voting by poll were published on the websites of the Company and HKEx.

Other corporate information is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events as well as public float capitalisation as at 31 December 2008.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to the Deputy Chairman by mail to the Group or by e-mail to the Company's website.

By Order of the Board

Edith Shih
Director and Company Secretary

Hong Kong, 16 March 2009

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated accounts of Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 114, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	5	**766,953**	1,199,512
Cost of sales		**(560,707)**	(836,496)
Gross profit		**206,246**	363,016
Interest income		**95,169**	21,574
Other gains, net		**2,144,999**	180,173
Administrative expenses		**(132,419)**	(133,798)
Selling and distribution costs		**(25,446)**	(41,569)
Earnings before interest expense and tax	6	**2,288,549**	389,396
Finance costs	7	**(3,028)**	(39,320)
Profit before tax		**2,285,521**	350,076
Tax (charge)/credit	8	**(70,987)**	25,097
Profit for the year from continuing operations		**2,214,534**	375,173
Discontinued operation			
Loss for the year from discontinued operation	9	**(179,424)**	(52,958)
Profit for the year		**2,035,110**	322,215
Attributable to: Shareholders of the Company	10	**2,009,418**	311,705
Minority interests		**25,692**	10,510
		2,035,110	322,215
Earnings/(losses) per share attributable to shareholders of the Company	11		
Basic earnings/(losses) per share			
– From continuing operations		**HK24.46 cents**	HK5.11 cents
– From discontinued operation		**HK(2.00) cents**	HK(0.74) cents
		HK22.46 cents	HK4.37 cents
Diluted earnings/(losses) per share			
– From continuing operations		**HK24.46 cents**	HK4.26 cents
– From discontinued operation		**HK(2.00) cents**	HK(0.66) cents
		HK22.46 cents	HK3.60 cents
Dividend	12	**196,914**	196,888

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Goodwill	16	–	362,563
Licence rights	17	–	55,114
Property, plant and equipment	18	54,823	137,603
Investment properties	19	892,079	3,785,324
Leasehold land and land use rights	20	14,247	16,237
Investment in an associated company	22	3,281	3,153
Deferred tax assets	31	2,211	17,935
		966,641	4,377,929
Current assets			
Inventories	23	78,351	258,101
Trade receivables	24	82,741	372,395
Deposits, prepayments and other receivables	25	153,989	126,220
Loans receivable due within one year	26	–	3,879
Tax recoverable		887	4,338
Available-for-sale financial assets	27	7,606	11,288
Cash and bank deposits	28	5,962,122	1,068,118
		6,285,696	1,844,339
Current liabilities			
Trade payables	29	81,074	234,922
Deposits received, other creditors and accruals	30	605,700	506,907
Tax payables		43,983	91,425
		730,757	833,254
Net current assets		5,554,939	1,011,085
Total assets less current liabilities		6,521,580	5,389,014
Non-current liabilities			
Deferred tax liabilities	31	125,176	660,469
Other non-current financial liabilities	32	59,901	69,281
		185,077	729,750
Net assets		6,336,503	4,659,264

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Equity			
Share capital	33	**895,065**	894,944
Reserves		**5,288,346**	3,640,464
Capital and reserves attributable to the shareholders of the Company		**6,183,411**	4,535,408
Minority interests		**153,092**	123,856
Total equity		**6,336,503**	4,659,264

Lai Kai Ming, Dominic
Deputy Chairman

Chan Wen Mee, May (Michelle)
Managing Director

BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	21	**659,099**	659,099
Current assets			
Amounts due from subsidiaries	40(e)	**1,290,164**	3,481,565
Deposits, prepayments and other receivables		**1,969**	807
Cash and bank deposits	28	**5,075,659**	18,626
		6,367,792	3,500,998
Current liabilities			
Other creditors and accruals		**16,028**	15,616
Amounts due to subsidiaries	40(e)	**372,821**	55,327
		388,849	70,943
Net current assets		**5,978,943**	3,430,055
Total assets less current liabilities		**6,638,042**	4,089,154
Equity			
Share capital	33	**895,065**	894,944
Reserves	35	**5,742,977**	3,194,210
Total equity		**6,638,042**	4,089,154

Lai Kai Ming, Dominic
Deputy Chairman

Chan Wen Mee, May (Michelle)
Managing Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations:			
Operating activities			
Cash generated from operating activities before finance costs, tax paid and changes in working capital	36(a)	**63,344**	167,998
Changes in working capital	36(b)	**251,762**	6,847
Cash generated from continuing operations		**315,106**	174,845
Interest received		**93,551**	25,314
Income tax paid – Hong Kong		**(163)**	(1,104)
Income tax refund – Hong Kong		**–**	7,059
Income tax paid – outside Hong Kong		**(45,378)**	(53,520)
Net cash from operating activities		**363,116**	152,594
Investing activities			
Net cash inflow on disposal of subsidiaries	36(c)	**4,571,501**	–
Purchase of property, plant and equipment		**(11,572)**	(11,945)
Proceeds on maturity of available-for-sale financial assets		**–**	209,371
Net cash from investing activities		**4,559,929**	197,426
Financing activities			
Proceeds from issue of shares		**744**	–
Dividend paid		**(196,888)**	(40,230)
Interest paid on convertible note		**–**	(16,273)
Net cash used in financing activities		**(196,144)**	(56,503)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Increase in cash and cash equivalents		**4,726,901**	293,517
Discontinued operation:			
Increase in cash and cash equivalents from discontinued operation	9(b)	**167,103**	56,837
Cash and cash equivalents at 1 January		**1,068,118**	717,764
Cash and cash equivalents at 31 December		**5,962,122**	1,068,118
Analysis of cash, cash equivalents and listed investments			
Deposits with banks with maturity of less than three months		**5,669,643**	583,908
Cash at banks and on hand		**292,479**	484,210
Cash and cash equivalents		**5,962,122**	1,068,118
Available-for-sale financial assets, listed investments		**7,606**	11,288
Total cash, cash equivalents and listed investments		**5,969,728**	1,079,406

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	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	(Note) 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			243,594	–	–	–	243,594	8,013	251,607
Change in fair value of available-for-sale financial assets			–	–	(3,682)	–	(3,682)	–	(3,682)
Surplus on revaluation			–	1,975	–	–	1,975	–	1,975
Relating to subsidiaries disposed of			–	–	–	–	–	(4,469)	(4,469)
Net income/(expenses) recognised directly in equity			243,594	1,975	(3,682)	–	241,887	3,544	245,431
Employee share option benefits	–	–	–	–	1,738	–	1,738	–	1,738
Reserve realised upon disposal of subsidiaries	–	–	(409,006)	–	–	–	(409,006)	–	(409,006)
Issue of shares (Note 33)	121	722	–	–	(99)	–	744	–	744
Transfer between reserves	–	–	–	–	(19,957)	19,957	–	–	–
Write-back of unclaimed dividends	–	–	–	–	–	110	110	–	110
Profit for the year	–	–	–	–	–	2,009,418	2,009,418	25,692	2,035,110
2007 final dividend paid	–	–	–	–	–	(196,888)	(196,888)	–	(196,888)
At 31 December 2008	895,065	2,599,715	174,209	1,975	24,648	2,487,799	6,183,411	153,092	6,336,503

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to shareholders of the Company							Minority interests	Total
	Share capital	Share premium	Exchange reserve	Convertible note reserve	Other reserves	Retained profits	Sub-total		
	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			194,820	–	–	–	194,820	8,574	203,394
Change in fair value of available-for-sale financial assets			–	–	(2,440)	–	(2,440)	–	(2,440)
Reserve realised upon maturity of available-for-sale financial assets			–	–	4,992	–	4,992	–	4,992
Net income recognised directly in equity			194,820	–	2,552	–	197,372	8,574	205,946
Profit for the year	–	–	–	–	–	311,705	311,705	10,510	322,215
Employee share option benefits	–	–	–	–	3,506	–	3,506	–	3,506
Issue of shares (Notes 33 and 34)	224,444	785,556	–	–	–	–	1,010,000	–	1,010,000
Share issuance costs	–	–	–	–	–	(2,000)	(2,000)	–	(2,000)
Early redemption of convertible note	–	–	–	(123,975)	–	(14,323)	(138,298)	–	(138,298)
Transfer between reserves	–	–	–	–	18,165	(18,165)	–	–	–
2006 final dividend paid	–	–	–	–	–	(40,230)	(40,230)	–	(40,230)
At 31 December 2007	894,944	2,598,993	339,621	–	46,648	655,202	4,535,408	123,856	4,659,264

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 31 December 2008, investment revaluation reserve surplus amounted to HK$7,606,000 (1 January 2008: HK$11,288,000 and 1 January 2007: HK$8,736,000), share-based compensation reserve amounted to HK$12,071,000 (1 January 2008: HK$12,085,000 and 1 January 2007: HK$9,638,000), capital redemption reserve of HK$3,558,000 (1 January 2008 and 1 January 2007: HK$3,558,000), legal reserve of HK$493,000 (1 January 2008 and 1 January 2007: HK$493,000) being set aside for a subsidiary incorporated in Macau and PRC statutory reserve of HK$920,000 (1 January 2008: HK$19,224,000 and 1 January 2007: Nil) being set aside as required under the regulations for subsidiaries incorporated in the PRC.

NOTES TO THE ACCOUNTS

1 GENERAL INFORMATION

Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") were principally engaged in the provision of integrated solutions relating to the design and distribution of mobile phone accessories and other high-end electronic products, property investment as well as licensing and sourcing of consumer products and toy manufacturing. In October 2008, the Group disposed of its remaining toy manufacturing business and discontinued the toy division. The Group has a manufacturing plant in Mainland China for its technology products and sales are primarily made to the United States, Europe and Hong Kong. The Group also has property investments in Mainland China and earns rental income.

The Company is a limited liability company incorporated in Bermuda and the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

These consolidated accounts are presented in Hong Kong dollars, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). These accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial instruments, which are carried at fair value, as explained in the significant accounting policies set out below.

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. The acquisition of subsidiaries is accounted for using the purchase method of accounting.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Associated companies

Associated companies are entities that are neither a subsidiary nor an interest in a joint venture and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associated companies' post-acquisition profits and losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associated companies equal or exceed its interests in associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Group's entities

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each profit and loss account are translated at average exchange rates; and

– all resulting exchange differences are recognised in the exchange reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Property, plant and equipment comprise mainly buildings, leasehold improvements, plant and machinery, furniture, fixtures and equipment, and motor vehicles. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised and charged to the profit and loss account. All repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less accumulated impairment losses over their estimated useful lives, as follows:

Buildings	21 to 50 years
Leasehold improvements	3 to 10 years or over the term of the relevant leases, whichever is shorter
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	5 years

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) Investment properties

Investment properties are interests in land held under operating leases and buildings in respect of which construction work and development have been completed and which are held for their investment potential. Investment properties are measured initially at cost and are subsequently carried in the balance sheet at fair value determined annually by independent professional valuers at the balance sheet date, and are not depreciated. Changes in fair values are recognised in the profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses at the balance sheet date as a separate asset and is tested annually for impairment.

(h) Licence rights

Licence rights comprise of the upfront payments made for acquiring licence on branded goods plus the capitalised present value of fixed periodic payments to be made in subsequent years.

The licences are amortised on a straight-line basis from the date of first commercial usage over the remaining licence periods.

(i) Investments in securities

The Group classifies its investments in securities in the following categories: available-for-sale financial assets, and loans and receivables. The classification depends on the purpose for which the investments were acquired.

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories. Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Changes in fair value are recognised in the investment revaluation reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair values of quoted investments are based on closing bid prices at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments in securities (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. They arise when the Group provides money or services directly to a debtor or a related company with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the profit and loss account.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probably that the debtor will enter bankruptcy of financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is recognised in the profit and loss account.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(n) Borrowings

Borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

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

(r) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases (including up-front prepayments made for the leasehold land and land use rights) net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Finance costs

Finance costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are charged to the profit and loss account in the year incurred.

(t) Employee benefits

(i) Salaries, bonus, paid annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) The Group operates two defined contribution schemes for Hong Kong employees, the assets of which are held in separate administered funds. The Group's contributions to the defined contribution schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these plans are expensed as incurred.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become vested. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) Revenue recognition

(i) Sale of goods

Revenue is recognised when goods are delivered to customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the year in which they are earned.

(iii) Licensing commission income

Licensing commission income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Interest income

Interest income is recognised on a time proportion basis using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

(x) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Dividend distribution

Dividend distribution of the final dividend to the Group's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

(z) Comparatives

The toy division has been treated as a discontinued operation in the 2008 Group accounts in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". Certain comparative figures have been adjusted or reclassified to conform with the current year's presentation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has adopted all of the new and revised HKFRSs and Interpretations that are effective for annual periods beginning on or after 1 January 2008. There have been no significant changes to the accounting policies applied in the accounts for the year ended 31 December 2008.

At the date of authorisation of these accounts, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[2]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[2]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[3]

1 *Effective for the Group for annual periods beginning 1 January 2009 except the amendments to HKFRS 5, which is effective for the Group for annual periods beginning 1 January 2010*

2 *Effective for the Group for annual periods beginning 1 January 2009*

3 *Effective for the Group for annual periods beginning 1 January 2010*

The adoption of standards, amendments and interpretations listed above with the exception of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC) – Int 17 in future periods is not expected to result in substantial changes to the Group's accounting policies.

The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC) – Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of transactions within the scope of these standards and interpretation occurring on or after 1 January 2010.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by senior management of the Group under policies approved by the board of directors of the Company.

(i) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar, Hong Kong dollar and Renminbi. The Group's revenue and the majority of its operating costs and cost of sales are denominated in US dollars, Hong Kong dollars and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

At 31 December 2008, if the Hong Kong dollar had weakened/strengthened by 2% against the US dollar with all other variables held constant, profit for the year would have been HK$106,836,000 (2007: HK$10,032,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables and cash and cash equivalents, and exchange losses/gains on translation of US dollar-denominated financial liabilities. Profit is more sensitive to movement in the Hong Kong dollar/US dollar exchange rate in 2008 than 2007 because of the increased amount of US dollar-denominated assets. The Group considers the risk of movements in exchange rates between the Hong Kong dollar and the US dollar to be insignificant due to the fact that the Hong Kong dollar and the US dollar are pegged.

At 31 December 2008, if the Hong Kong dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant, profit for the year would have been HK$1,065,000 (2007: HK$588,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated trade receivables, and exchange losses/gains on translation of Renminbi-denominated trade payables. Profit is more sensitive to movement in the Hong Kong dollar/Renminbi exchange rate in 2008 than 2007 because of the decreased amount of Renminbi-denominated liabilities.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

Price risk

As the Group purchases plastics, a by-product of crude oil, in its manufacturing process at market prices, it is exposed to fluctuation in these prices. The Group does not use any derivative instruments to reduce its economic exposure to changes in the price of crude oil.

The Group has available-for-sale financial assets which are exposed to equity securities price risk. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

(ii) Interest rate risk

The Group has no significant interest-bearing assets except for cash and bank deposits. At 31 December 2008, if interest rates on cash and bank deposits had been 100 basis points higher/lower with all other variables held constant, profit for the year would have been HK$59,621,000 (2007: HK$10,748,000) higher/lower, mainly as a result of higher/lower interest income on floating rate deposits.

The interest rate risk arises from loans from minority shareholders. Loans from minority shareholders were issued at fixed rates and exposed the Group to fair value interest rate risk. The finance costs on loans from minority shareholders do not have significant impact to the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

Sales to each of the Group's three (2007: three) major customers exceed 10% of total revenue. The aggregate sales to the five largest customers represent 59.5% (2007: 54.0%) of total revenue.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group also performs periodic credit evaluations of its customers and believes that adequate provision for doubtful trade receivables has been made in the accounts. Rental deposits are required from tenants prior to the commencement of leases.

The Group has concentration of credit risk. At 31 December 2008, the aggregate balance of the four highest trade and other receivables with individual balance greater than HK$10 million amounted to HK$112,751,000 (2007: HK$198,370,000) at credit terms ranged from 30 to 90 days, and the total credit limit granted to these four debtors was HK$113,000,000 (2007: HK$234,000,000). The Group performs periodic credit evaluations of these debtors to manage the risk.

There is no significant credit risk in relation to the Group's cash and cash equivalents as cash and bank deposits are placed with reputable banks and financial institutions with good credit ratings.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Non-contractual payment		Contractual payment			
	Less than 1 year HK$'000	Over 5 years HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2008						
Trade payables	**–**	**–**	**81,074**	**–**	**–**	**–**
Deposits received, other creditors and accruals	**281,453**	**–**	**41,954**	**–**	**–**	**–**
Other non-current financial liabilities	**–**	**39,995**	**–**	**7,800**	**15,600**	**–**
At 31 December 2007						
Trade payables	–	–	234,922	–	–	–
Deposits received, other creditors and accruals	378,954	–	127,953	–	–	–
Other non-current financial liabilities	–	39,785	–	11,700	15,600	7,800

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as "total borrowings", as shown in the consolidated balance sheet, including the loan from minority shareholders. Total capital is calculated as "equity", as shown in the consolidated balance sheet.

The Group's strategy is to maintain a gearing ratio below 5%. In 2007, the Group redeemed the convertible note by issuing shares. The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Loan from minority shareholders – interest bearing	**39,995**	39,785
Loan from minority shareholders – interest free	**8,458**	7,934
Total debt	**48,453**	47,719
Total equity	**6,336,503**	4,659,264
Gearing ratio	**0.8%**	1.0%

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

The Group has available-for-sale listed securities. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the closing bid price at the balance sheet date; the appropriate quoted market price for financial liabilities is the closing ask price at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Note 2 to the accounts includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgments to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Estimated fair value of investment properties

The fair value of each investment property is determined individually at each balance sheet date by independent professional valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income/net income, after allowing for outgoings and in appropriate cases provisions for reversionary income potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(c) Estimated impairment of non-current assets

The Group tests annually whether tangible and intangible assets not subject to amortisation have suffered any impairment. For the purposes of impairment tests, the recoverable amounts of cash-generating units are determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenue and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 10% to 15%. Judgment is required to determine key assumptions adopted in cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Net realisable values of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the profit and loss account is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(f) Provisions

Management judgment is required in assessing the quantum of provisions at each balance sheet date, which are made based on an estimation of historical and anticipated claims, the merits of the claims against the Group, and the existence of any obligation under the terms of relevant agreements with the counter parties.

The basis of estimation is reviewed on an on-going basis and revised where appropriate. Changing the assumptions selected by management to determine the level, if any, of provisions, could affect the present value of the expenditures expected to be required to settle the obligation and as a result affect the Group's financial condition and results of operations.

5 REVENUE AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 43(a) to the accounts.

Revenue represents sales of consumer electronic products and accessories, rental and service income, and licensing commission and other income. The amount of each category of revenue recognised for continuing operations during the year is as follows:

	2008	2007
	HK$'000	HK$'000
Sales of goods	**557,329**	864,200
Rental and service income from investment properties	**202,236**	326,761
Licensing commission and other income	**7,388**	8,551
	766,953	1,199,512

Segment information is presented in respect of the Group's business and geographical segments. Each business or geographical 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, property division and licensing and sourcing division. Subsequent to the disposal of the Group's toy manufacturing business, the Group discontinued the toy division. Other corporate income and expenses, investments in securities and cash held for non-operating purposes are not allocated to the above segments. An analysis by principal business and geographical location of the divisions of the Group is set out on pages 73 to 78.

Earnings/(losses) before interest expense and tax are regarded as segment results in respect of the Group's business and geographical segments as the directors consider that this can be better reflect the performance of each division.

5 REVENUE AND SEGMENT INFORMATION (Continued)

Primary segment information by business:

	Year ended 31 December 2008							
	Technology division HK$'000	Property division HK$'000	Licensing and sourcing division HK$'000	Unallocated HK$'000	Total continuing operations HK$'000	Discontinued operation (Toy division) HK$'000	Elimination HK$'000	Group HK$'000
Revenue								
Company and subsidiaries								
– External sales	493,242	202,236	71,475	–	766,953	947,480	–	1,714,433
– Inter-segment sales	2	523	251	–	776	–	(776)	–
	493,244	202,759	71,726	–	767,729	947,480	(776)	1,714,433
Segment results before changes in fair value of investment properties and profits on disposal of investments and others								
Company and subsidiaries	(4,870)	173,017	(8,087)	(16,510)	143,550	(26,551)		116,999
Share of result of an associated company	–	–	–	–	–	(283)		(283)
	(4,870)	173,017	(8,087)	(16,510)	143,550	(26,834)		116,716
Changes in fair value of investment properties	–	98,268	–	–	98,268	–		98,268
Profits/(losses) on disposal of investments and others	(39,462)	2,141,307	(55,114)	–	2,046,731	(141,109)		1,905,622
Earnings/(losses) before interest expense and tax	(44,332)	2,412,592	(63,201)	(16,510)	2,288,549	(167,943)		2,120,606
Finance costs					(3,028)	–		(3,028)
Tax charge					(70,987)	(11,481)		(82,468)
Profit/(loss) for the year					2,214,534	(179,424)		2,035,110
Segment assets	207,262	1,410,104	114,160	–	1,731,526	–		1,731,526
Investment in an associated company	–	–	–	3,281	3,281	–		3,281
Tax recoverable	40	–	–	847	887	–		887
Deferred tax assets	–	–	–	2,211	2,211	–		2,211
Unallocated assets	–	–	–	5,514,432	5,514,432	–		5,514,432
Total assets					7,252,337	–		7,252,337
Segment liabilities	45,368	294,595	38,437	–	378,400	–		378,400
Loans from minority shareholders	–	48,453	–	–	48,453	–		48,453
Tax payable	2	42,389	184	1,408	43,983	–		43,983
Deferred tax liabilities	3,886	117,218	–	4,072	125,176	–		125,176
Unallocated liabilities	–	–	–	319,822	319,822	–		319,822
Total liabilities					915,834	–		915,834
Capital expenditure	(11,315)	(192)	(65)	–	(11,572)	(4,570)		(16,142)
Depreciation of property, plant and equipment	(12,446)	(1,052)	(196)	–	(13,694)	(14,742)		(28,436)
Amortisation of leasehold land and land use rights	–	(118)	–	–	(118)	(1,176)		(1,294)
Impairment provision	(39,462)	–	(55,114)	–	(94,576)	(38,328)		(132,904)

5 REVENUE AND SEGMENT INFORMATION (Continued)

Primary segment information by business: (Continued)

	Year ended 31 December 2007							
	Technology division HK$'000	Property division HK$'000	Licensing and sourcing division HK$'000	Unallocated HK$'000	Total continuing operations HK$'000	Discontinued operation (Toy division) HK$'000	Elimination HK$'000	Group HK$'000
Revenue								
Company and subsidiaries								
– External sales	810,477	326,761	62,274	–	1,199,512	1,510,227	–	2,709,739
– Inter-segment sales	1,299	513	217	–	2,029	3,217	(5,246)	–
	811,776	327,274	62,491	–	1,201,541	1,513,444	(5,246)	2,709,739
Segment results before changes in fair value of investment properties and profits on disposal of investments and others								
Company and subsidiaries	54,057	255,132	(26,787)	(73,179)	209,223	(59,652)		149,571
Share of result of an associated company	–	–	–	–	–	1,286		1,286
	54,057	255,132	(26,787)	(73,179)	209,223	(58,366)		150,857
Changes in fair value of investment properties	–	168,507	–	–	168,507	–		168,507
Profits/(losses) on disposal of investments and others	–	–	–	11,666	11,666	(1,908)		9,758
Earnings/(losses) before interest expense and tax	54,057	423,639	(26,787)	(61,513)	389,396	(60,274)		329,122
Finance costs					(39,320)	–		(39,320)
Tax credit					25,097	7,316		32,413
Profit/(loss) for the year					375,173	(52,958)		322,215
Segment assets	340,355	4,829,541	123,159	–	5,293,055	846,982		6,140,037
Investment in an associated company	–	–	–	–	–	3,153		3,153
Tax recoverable	18	–	115	–	133	4,205		4,338
Deferred tax assets	4,262	–	–	–	4,262	13,673		17,935
Unallocated assets	–	–	–	56,805	56,805	–		56,805
Total assets					5,354,255	868,013		6,222,268
Segment liabilities	110,206	244,657	39,349	–	394,212	281,441		675,653
Loans from minority shareholders	–	39,785	–	–	39,785	7,934		47,719
Tax payable	2	89,857	119	–	89,978	1,447		91,425
Deferred tax liabilities	270	638,378	3	–	638,651	21,818		660,469
Unallocated liabilities	–	–	–	87,738	87,738	–		87,738
Total liabilities					1,250,364	312,640		1,563,004
Capital expenditure	(10,736)	(718)	(491)	–	(11,945)	(15,893)		(27,838)
Depreciation of property, plant and equipment	(12,564)	(929)	(1,987)	–	(15,480)	(29,801)		(45,281)
Amortisation of leasehold land and land use rights	–	(125)	–	–	(125)	(1,236)		(1,361)
Impairment provision	–	–	–	–	–	(15,000)		(15,000)

5 REVENUE AND SEGMENT INFORMATION (Continued)

Secondary segment information by geographical location:

In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods. Segment assets and capital expenditure are based on the geographical location of the assets.

	Year ended 31 December 2008							
	United States HK$'000	Europe HK$'000	Mainland China HK$'000	Hong Kong HK$'000	Korea HK$'000	Other regions HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations								
Revenue	181,419	61,681	258,945	59,157	36,393	169,358	–	766,953
Segment results before changes in fair value of investment properties and profits on disposal of investments and others	9,449	3,158	136,437	(12,687)	1,635	22,068	(16,510)	143,550
Changes in fair value of investment properties	–	–	98,268	–	–	–	–	98,268
Profits/(losses) on disposal of investments and others	–	–	2,112,631	(65,900)	–	–	–	2,046,731
Earnings/(losses) before interest expense and tax	9,449	3,158	2,347,336	(78,587)	1,635	22,068	(16,510)	2,288,549
Segment assets	146,409	7,924	1,500,723	63,341	1,687	11,442	–	1,731,526
Investment in an associated company	–	–	–	–	–	–	3,281	3,281
Tax recoverable	–	–	–	40	–	–	847	887
Deferred tax assets	–	–	–	–	–	–	2,211	2,211
Unallocated assets	–	–	–	–	–	–	5,514,432	5,514,432
Total assets	146,409	7,924	1,500,723	63,381	1,687	11,442	5,520,771	7,252,337
Capital expenditure	–	–	2,103	9,469	–	–	–	11,572

5 REVENUE AND SEGMENT INFORMATION (Continued)

Secondary segment information by geographical location: (Continued)

	Year ended 31 December 2008						
	United States HK$'000	Europe HK$'000	Mainland China HK$'000	Hong Kong HK$'000	Japan HK$'000	Other regions HK$'000	Total HK$'000
Discontinued operation							
Revenue	456,091	183,984	11,202	48,016	70,317	177,870	947,480
Segment results before changes in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	(34,839)	(21,098)	101,747	(24,792)	6,493	(54,062)	(26,551)
Share of result of an associated company	–	–	(283)	–	–	–	(283)
	(34,839)	(21,098)	101,464	(24,792)	6,493	(54,062)	(26,834)
Losses on disposal of investments and others	–	–	(127,039)	(6,397)	–	(7,673)	(141,109)
Earnings/(losses) before interest expense and tax	(34,839)	(21,098)	(25,575)	(31,189)	6,493	(61,735)	(167,943)
Segment assets	–	–	–	–	–	–	–
Capital expenditure	–	–	2,678	1,892	–	–	4,570

5 REVENUE AND SEGMENT INFORMATION (Continued)

Secondary segment information by geographical location: (Continued)

	Year ended 31 December 2007							
	United States HK$'000	Europe HK$'000	Mainland China HK$'000	Hong Kong HK$'000	Korea HK$'000	Other regions HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations								
Revenue	337,131	129,398	409,381	65,987	134,463	123,152	–	1,199,512
Segment results before changes in fair value of investment properties and profits on disposal of investments and others	2,208	7,684	245,276	(18,082)	6,158	39,158	(73,179)	209,223
Changes in fair value of investment properties	–	–	168,487	20	–	–	–	168,507
Profits on disposal of investments and others	–	–	–	–	–	–	11,666	11,666
Earnings/(losses) before interest expense and tax	2,208	7,684	413,763	(18,062)	6,158	39,158	(61,513)	389,396
Segment assets	183,298	18,615	4,787,390	268,619	9,172	25,961	–	5,293,055
Tax recoverable	–	18	16	99	–	–	–	133
Deferred tax assets	–	81	4,181	–	–	–	–	4,262
Unallocated assets	–	–	–	–	–	–	56,805	56,805
Total assets	183,298	18,714	4,791,587	268,718	9,172	25,961	56,805	5,354,255
Capital expenditure	–	–	11,447	498	–	–	–	11,945

5 REVENUE AND SEGMENT INFORMATION (Continued)

Secondary segment information by geographical location: (Continued)

	Year ended 31 December 2007						
	United States HK$'000	Europe HK$'000	Mainland China HK$'000	Hong Kong HK$'000	Japan HK$'000	Other regions HK$'000	Total HK$'000
Discontinued operation							
Revenue	878,721	248,181	5,269	64,504	108,316	205,236	1,510,227
Segment results before changes in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	1,496	(27,361)	34,124	2,370	(6,614)	(63,667)	(59,652)
Share of result of an associated company	–	–	1,286	–	–	–	1,286
	1,496	(27,361)	35,410	2,370	(6,614)	(63,667)	(58,366)
(Losses)/profits on disposal of investments and others	–	–	(25,947)	24,039	–	–	(1,908)
Earnings/(losses) before interest expense and tax	1,496	(27,361)	9,463	26,409	(6,614)	(63,667)	(60,274)
Segment assets	203,380	394	508,742	118,627	8,043	7,796	846,982
Investment in an associated company	–	–	3,153	–	–	–	3,153
Tax recoverable	–	–	170	4,035	–	–	4,205
Deferred tax assets	–	–	232	13,441	–	–	13,673
Total assets	203,380	394	512,297	136,103	8,043	7,796	868,013
Capital expenditure	–	–	14,179	1,714	–	–	15,893

6 EARNINGS BEFORE INTEREST EXPENSE AND TAX

	2008 **HK$'000**	2007 HK$'000
Earnings before interest expense and tax is stated after crediting and charging the following:		
Crediting		
Rental from investment properties less outgoings of HK$20,953,000 (2007: HK$32,512,000)	**159,107**	247,759
Increase in fair value of investment properties (Note 19)	**98,268**	168,507
Gain on redemption of convertible note	**–**	57,620
Gain on disposal of subsidiaries *(Note b)*	**2,141,307**	–
Net exchange gains	**994**	2,868
Charging		
Cost of inventories	**450,406**	679,487
Staff costs (Note 13)	**156,749**	171,318
Impairment provision of licence rights	**55,114**	–
Impairment provision of property, plant and equipment	**39,462**	–
Depreciation of property, plant and equipment (Note 18)	**13,694**	15,480
Amortisation of leasehold land and land use rights	**118**	125
Loss on disposal of plant and equipment	**188**	5,968
Loss on maturity of available-for-sale financial assets	**–**	4,992
Operating lease charges in respect of properties	**12,475**	16,030
Auditor's remuneration		
Audit and audit related work		
PricewaterhouseCoopers		
Current year	**2,962**	2,737
(Over)/underprovision in prior years	**(141)**	937
Other auditors	**80**	149
Provision for bad debts	**2,203**	6,475

Notes:

(a) *Other gains, net for the year ended 31 December 2008 includes fair value gain on investment properties, gain on disposal of subsidiaries and net of impairment provisions for licence rights and property, plant and equipment.*

(b) *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 year ended 31 December 2008.*

7 FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on loans from minority shareholders (not wholly repayable within five years)	**1,204**	1,197
Interest on convertible note		
– Cash portion	**–**	16,273
– Notional non-cash interest accretion	**–**	19,327
Interest accretion on licence fees payable	**1,824**	2,523
	3,028	39,320

8 TAX CHARGE/(CREDIT)

	2008 HK$'000	2007 HK$'000
Current tax		
– Hong Kong	**353**	403
– Outside Hong Kong	**27,996**	50,238
Deferred tax charge/(credit)	**42,638**	(75,738)
	70,987	(25,097)

PRC Enterprise Income Tax:

The Group's subsidiaries in the Mainland China were subject to Enterprise Income Tax of Mainland China 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 year.

During the year, 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.

8 TAX CHARGE/(CREDIT) (Continued)

The differences between the Group's expected tax charges calculated at the domestic rates and the Group's tax charge/(credit) for the years are as follows:

	2008 HK$'000	2007 HK$'000
Profit before tax	2,285,521	350,076
Tax calculated at the domestic rates applicable to the profits in the countries concerned	58,117	91,753
Income not subject to tax	(26,234)	(12,424)
Expenses not deductible for tax purposes	22,360	50,846
Utilisation of previously unrecognised tax losses	–	(462)
Tax losses not recognised	7,564	1,868
Under provision in prior years	–	1,045
Deferred tax assets written off	7,000	12,838
Other temporary differences	1,040	2,011
Effect of change in tax rate	1,140	(172,572)
Total tax charge/(credit)	70,987	(25,097)

The weighted average applicable tax rate was 2.5% (2007: 26.2%). The decrease is caused by the recognition of a non-taxable gain on disposal of subsidiaries for the year ended 31 December 2008 (Note 6(b)).

9 LOSS FOR THE YEAR FROM DISCONTINUED OPERATION

The Group entered into (i) a sale and purchase agreement to dispose of 81% of equity interest in certain subsidiaries which operated the Group's toy manufacturing businesses to an independent third party in September 2008; and (ii) a put and call option arrangement with the purchaser for the sale and purchase of the remaining 19% equity interest at an exercise price of HK$8,550,000 in October 2008. On 10 March 2009, with the consent of the Group, the purchaser exercised its call option and acquired such remaining 19% interest at the pre-agreed exercise price. The Group treated the transaction as a disposal of 100% economic interest in those subsidiaries for the year ended 31 December 2008.

The Group no longer operates toy manufacturing or trading businesses subsequent to the above disposal transaction. Accordingly, the toy division is accounted for as a discontinued operation. The comparative financial information for the year ended 31 December 2007 has been reclassified to conform with the current year presentation in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

(a) Results of the toy division which was discontinued during the year, have been included in the consolidated profit and loss accounts as follows:

	2008 **HK$'000**	2007 HK$'000
Revenue	**947,480**	1,510,227
Cost of sales	**(935,406)**	(1,498,027)
Gross profit	**12,074**	12,200
Interest income	**3,777**	2,596
Other losses, net *(Note)*	**(141,109)**	(1,908)
Administrative expenses	**(17,336)**	(39,762)
Selling and distribution costs	**(25,066)**	(34,686)
Operating loss	**(167,660)**	(61,560)
Share of (loss)/profit of an associated company	**(283)**	1,286
Loss before tax	**(167,943)**	(60,274)
Tax (charge)/credit	**(11,481)**	7,316
Loss from discontinued operation	**(179,424)**	(52,958)
Attributable to shareholders of the Company	**(179,424)**	(52,958)

9 LOSS FOR THE YEAR FROM DISCONTINUED OPERATION (Continued)

(a) *Note:*

In view of the continuing difficult business environment and following a review of the Group's operating strategies, the Group made a one-time impairment charge and specific provisions related to the toy division. The provisions mainly included an inventory provision of HK$51,992,000, an impairment charge against property, plant and equipment of HK$38,328,000 and a provision for bad debts of HK$14,596,000.

(b) An analysis of the cash flows of the discontinued operation is as follows:

	2008	2007
	HK$'000	HK$'000
Net cash from operating activities	**134,073**	5,590
Net cash from investing activities	**33,030**	51,247
Increase in cash and cash equivalents	**167,103**	56,837

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK$2,743,184,000 (2007: HK$261,649,000).

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Weighted average number of ordinary shares in issue	**8,950,071,483**	7,129,292,500
Profit from continuing operations attributable to equity holders of the Company (HK$'000)	**2,188,842**	364,663
Basic earnings per share from continuing operations attributable to equity holders of the Company (HK cent per share)	**24.46**	5.11
Loss from discontinued operation attributable to equity holders of the Company (HK$'000)	**(179,424)**	(52,958)
Basic losses per share from discontinued operation attributable to equity holders of the Company (HK cent per share)	**(2.00)**	(0.74)

(b) Diluted earnings per share

The employee share options outstanding at 31 December 2008 have no dilutive effect on basic earnings per share.

In 2007, the Company had two categories of dilutive potential ordinary shares: a convertible note and share options. Diluted earnings per share for the year ended 31 December 2007 were calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible note was assumed to have been converted into ordinary shares, and the net profit was adjusted to eliminate the gain on redemption of the convertible note and the interest expense less the tax effect. The number of ordinary shares that would have been issued under the share option scheme was not included as they are anti-dilutive for the periods presented.

11 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

	2007
Weighted average number of ordinary shares in issue	7,129,292,500
Adjustments for:	
– Assumed conversion of convertible note	911,153,332
Weighted average number of ordinary shares for diluted earnings per share	8,040,445,832
Earnings:	
Profit from continuing operations attributable to equity holders of the Company (HK$'000)	364,663
– Interest expense on convertible note (net of tax) (HK$'000)	35,600
– Gain on redemption of the convertible note (HK$'000)	(57,620)
Profit from continuing operations used to determine diluted earnings per share (HK$'000)	342,643
Diluted earnings per share from continuing operations attributable to equity holders of the Company (HK cent per share)	4.26
Loss from discontinued operation attributable to equity holders of the Company (HK$'000)	(52,958)
Diluted losses per share from discontinued operation attributable to equity holders of the Company (HK cent per share)	(0.66)

Note:

The conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the continuing operations and discontinued operation for the years ended 31 December 2008 and 2007. Accordingly, the weighted average number of shares was not adjusted to compute the diluted earnings per share.

12 DIVIDEND

	2008 HK$'000	2007 HK$'000
Final dividend proposed – HK2.2 cents (2007: HK2.2 cents) per ordinary share	**196,914**	196,888

At a meeting held on 16 March 2009 the Directors declared a final dividend of HK2.2 cents per ordinary share. The amount of proposed final dividend for 2008 is based on 8,950,652,707 shares issued at 31 December 2008. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2009.

The amount of proposed final dividend for 2007 was based on 8,949,444,707 shares issued at 31 December 2007 and the amount paid of HK$196,888,000 was based on 8,949,444,707 shares issued and recorded on the Registers of Members of the Company on 16 May 2008.

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

The amount recognised for continuing operations during the year is as follows:

	2008 HK$'000	2007 HK$'000
Wages and salaries	**132,511**	145,314
Other allowances and benefits	**18,435**	18,554
Pension costs	**3,998**	3,416
Employee share option benefits	**1,805**	4,034
Total staff costs (including directors' emoluments)	**156,749**	171,318

14 RETIREMENT BENEFITS SCHEMES

The Group has two defined contribution schemes for all qualified employees.

(a) Hong Kong employees who commenced employment before 1 September 2000 and qualified employees from operations outside Hong Kong are members of the first defined contribution scheme. The assets of the first defined contribution scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the scheme, the employers and its employees are each required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employers' contributions and accrued interest after 10 years' service, or at an increasing scale of between 20% to 90% after completion of 2 to 9 years' service.

When there are employees who leave the scheme prior to vesting fully in the contributions, in accordance with the rules of the scheme, the forfeited employers' contributions arising from members terminating employment before becoming fully vested are allocated to the benefit of the remaining members instead of being used to reduce the future contributions of the employers.

(b) All qualified Hong Kong employees who commenced employment on or after 1 September 2000 are members of the second defined contribution scheme which has been set up in accordance with the guidelines of Mandatory Provident Fund Schemes Ordinance. Both the employers and employees contribute 5% of relevant income (limited to HK$1,000) to the scheme each month. The assets of the second defined contribution scheme are held separately from those of the Group in funds under the control of trustees.

(c) The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments comprise payments to directors of the Company by the Group in connection with the management of the affairs of the Group. The emoluments of the directors of the Company are as follows:

Name of director	Director's Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Provident fund contributions HK$'000	Employee share option benefits HK$'000	2008 Total emoluments HK$'000
Fok Kin-ning, Canning (1)	90	–	–	–	–	90
Lai Kai Ming, Dominic	70	–	–	–	–	70
Luk Tei, Lewis (2)	9	446	–	6	–	461
Chan Wen Mee, May (Michelle)	70	1,911	2,000	145	206	4,332
Chow Woo Mo Fong, Susan	70	–	–	–	–	70
Chow Wai Kam, Raymond	70	–	–	–	–	70
Edith Shih	70	–	–	–	–	70
Endo Shigeru	70	–	–	–	86	156
Kwok Siu Kai, Dennis (3)	70	1,892	1,130	81	211	3,384
Ronald Joseph Arculli (4)	140	–	–	–	–	140
Kwan Kai Cheong (1) (4) (5)	160	–	–	–	–	160
Lam Lee G. (1) (4) (5)	160	–	–	–	–	160
Lan Hong Tsung, David (5)	70	–	–	–	–	70
Total – 2008	1,119	4,249	3,130	232	503	9,233

Notes:

(1) Members of the Remuneration Committee
(2) Retired with effect from 15 February 2008
(3) Resigned with effect from 24 January 2009
(4) Members of the Audit Committee
(5) Independent Non-executive Directors

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Name of director	Director's Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Provident fund contributions HK$'000	Employee share option benefits HK$'000	2007 Total emoluments HK$'000
Fok Kin-ning, Canning (1)	90	–	–	–	–	90
Lai Kai Ming, Dominic	70	–	–	–	–	70
Luk Tei, Lewis	70	1,531	300	66	385	2,352
Chan Wen Mee, May (Michelle)	70	1,830	2,000	133	462	4,495
Chow Woo Mo Fong, Susan	70	–	–	–	–	70
Chow Wai Kam, Raymond	70	–	–	–	–	70
Edith Shih	70	–	–	–	–	70
Endo Shigeru	70	–	–	–	192	262
Kwok Siu Kai, Dennis	70	1,802	1,000	77	308	3,257
Ronald Joseph Arculli (2)	140	–	–	–	–	140
Kwan Kai Cheong (1) (2) (3)	160	–	–	–	–	160
Lam Lee G. (1) (2) (3)	160	–	–	–	–	160
Lan Hong Tsung, David (3)	70	–	–	–	–	70
Total – 2007	1,180	5,163	3,300	276	1,347	11,266

Notes:

(1) Members of the Remuneration Committee
(2) Members of the Audit Committee
(3) Independent Non-executive Directors

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2007: three) whose emoluments are reflected in the analysis presented in Note 15(a) to the accounts. The emoluments payable to the three (2007: two) remaining individuals for the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, allowances and benefits-in-kind	**4,380**	2,944
Discretionary bonuses	**1,145**	2,400
Provident fund contributions	**225**	123
Employee share option benefits	**354**	385
	6,104	5,852

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the remaining three (2007: two) individuals with the highest emoluments for the year fell within the following bands:

	Number of individuals	
Emolument bands	**2008**	2007
HK$4,000,001 - HK$4,500,000	**–**	1
HK$2,500,001 - HK$3,000,000	**1**	–
HK$1,500,001 - HK$2,000,000	**2**	1

16 GOODWILL

	2008	2007
	HK$'000	HK$'000
Cost		
At 1 January	**362,563**	342,040
Exchange translation differences	**20,522**	20,523
Disposal of subsidiaries (Note 36(c))	**(383,085)**	–
At 31 December	**–**	362,563

17 LICENCE RIGHTS

	2008	2007
	HK$'000	HK$'000
At 1 January	**55,114**	55,114
Impairment provision	**(55,114)**	–
At 31 December	**–**	55,114

Balance represents licence rights on branded products.

The cost of these licence rights represents capitalisation of the minimum licence fee payable, based on a discount rate equal to the Group's weighted average borrowing rate of 6% at the date of inception.

18 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2008	109,053	151,778	220,216	63,808	10,440	555,295
Exchange translation differences	7,729	3,755	6,712	936	800	19,932
Additions – continuing operations	–	362	963	10,218	29	11,572
Additions – discontinued operation	–	1,115	292	3,163	–	4,570
Disposals and write off	(2,397)	(66,051)	(40,870)	(2,244)	(1,865)	(113,427)
Revaluation surplus	1,374	–	–	–	–	1,374
Transfer to investment properties	(3,773)	–	–	–	–	(3,773)
Relating to subsidiaries disposed of (Note 36(c))	–	(49,307)	(36,353)	(10,560)	(2,253)	(98,473)
At 31 December 2008	111,986	41,652	150,960	65,321	7,151	377,070
Accumulated depreciation and impairment						
At 1 January 2008	72,759	126,893	167,789	42,431	7,820	417,692
Exchange translation differences	4,358	427	1,362	833	701	7,681
Charge for the year – continuing operations (Note 6)	484	2,666	7,527	2,708	309	13,694
Charge for the year – discontinued operation	3,163	4,176	3,844	3,058	501	14,742
Impairment provision	–	12,511	45,307	18,970	1,002	77,790
Disposals and write off	(2,397)	(65,755)	(38,516)	(1,958)	(1,783)	(110,409)
Transfer to investment properties	(470)	–	–	–	–	(470)
Relating to subsidiaries disposed of (Note 36(c))	–	(49,307)	(36,353)	(10,560)	(2,253)	(98,473)
At 31 December 2008	77,897	31,611	150,960	55,482	6,297	322,247
Net book value						
At 31 December 2008	34,089	10,041	–	9,839	854	54,823

18 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2007	117,949	148,896	246,340	67,437	11,801	592,423
Exchange translation differences	5,728	3,049	5,555	1,763	389	16,484
Additions – continuing operations	–	4,571	4,149	3,225	–	11,945
Additions – discontinued operation	–	6,869	3,059	5,057	908	15,893
Disposals	(14,624)	(6,767)	(617)	(3,920)	(747)	(26,675)
Relating to subsidiaries disposed of (Note 36(c))	–	(4,840)	(38,270)	(9,754)	(1,911)	(54,775)
At 31 December 2007	109,053	151,778	220,216	63,808	10,440	555,295
Accumulated depreciation and impairment						
At 1 January 2007	72,957	119,777	156,593	42,408	8,459	400,194
Exchange translation differences	2,445	1,031	1,630	502	82	5,690
Charge for the year – continuing operations (Note 6)	619	3,107	8,912	2,569	273	15,480
Charge for the year – discontinued operation	3,712	8,350	10,753	6,083	903	29,801
Impairment provision	–	–	15,000	–	–	15,000
Disposals	(6,974)	(2,752)	(489)	(1,805)	(701)	(12,721)
Relating to subsidiaries disposed of (Note 36(c))	–	(2,620)	(24,610)	(7,326)	(1,196)	(35,752)
At 31 December 2007	72,759	126,893	167,789	42,431	7,820	417,692
Net book value						
At 31 December 2007	36,294	24,885	52,427	21,377	2,620	137,603

The Group's interests in buildings at their net book values are analysed as follows:

	2008 HK$'000	2007 HK$'000
Leases of between 10 to 50 years		
Hong Kong	**325**	347
Outside Hong Kong	**33,764**	35,947
	34,089	36,294

19 INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
Valuation		
At 1 January	**3,785,324**	3,425,420
Exchange translation differences	**220,381**	204,717
Transfer from property, plant and equipment and leasehold land and land use rights	**4,746**	–
Disposals	**–**	(13,320)
Increase in fair value (Note 6)	**98,268**	168,507
Relating to subsidiaries disposed of (Note 36(c))	**(3,216,640)**	–
At 31 December	**892,079**	3,785,324

Notes:

(a) *The Group's investment properties comprise:*

	2008 *HK$'000*	*2007* *HK$'000*
Leases of between 10 to 50 years		
Hong Kong	***170***	*170*
Outside Hong Kong	***891,909***	*3,785,154*
	892,079	*3,785,324*

(b) *The investment properties at 31 December 2008 and 31 December 2007 were revalued on an open market value basis by independent professional valuers, DTZ Debenham Tie Leung Limited.*

20 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments.

	2008	2007
	HK$'000	HK$'000
Net book value		
At 1 January	**16,237**	29,132
Exchange translation differences	**775**	927
Revaluation surplus	**601**	–
Transfer to investment properties	**(1,443)**	–
Disposals	**(629)**	(12,461)
Amortisation	**(1,294)**	(1,361)
At 31 December	**14,247**	16,237

The Group's leasehold land and land use rights comprise:

	2008	2007
	HK$'000	HK$'000
Leases of between 10 to 50 years		
Hong Kong	**1,734**	1,801
Outside Hong Kong	**12,513**	14,436
	14,247	16,237

21 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**659,099**	659,099

Particulars of the principal subsidiaries at 31 December 2008 are set out in Note 43(a) to the accounts.

22 INVESTMENT IN AN ASSOCIATED COMPANY

	2008	2007
	HK$'000	HK$'000
Unlisted investment, at cost	**3,884**	3,884
Share of post acquisition reserves	**(603)**	(731)
	3,281	3,153

Notes:

(a) There is no share of tax charge/credit attributable to an associated company for the year ended 31 December 2008 (2007: Nil).

(b) Particulars of the associated company at 31 December 2008 are set out in Note 43(b) to the accounts.

23 INVENTORIES

	2008	2007
	HK$'000	HK$'000
Raw materials	**43,363**	159,258
Work in progress	**24,052**	52,191
Finished goods	**10,936**	46,652
	78,351	258,101

24 TRADE RECEIVABLES

Included in trade receivables at 31 December 2008 are amounts due from certain subsidiaries of Hutchison Whampoa Limited totalling HK$369,000 (2007: HK$1,967,000).

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

	2008	2007
	HK$'000	HK$'000
0-30 days	**17,637**	172,329
31-60 days	**25,763**	140,122
61-90 days	**10,855**	30,348
Over 90 days	**28,486**	29,596
	82,741	372,395

No interest is charged on the overdue trade receivables. The trade receivables included in the above aging are considered not impaired as these relate to a number of independent customers for whom there is no recent history of default. All the impaired overdue trade receivables have been provided for. As of 31 December 2008, trade receivables of HK$28,630,000 (2007: HK$14,305,000) were impaired and provided for.

24 TRADE RECEIVABLES (Continued)

The movements on the provision for impairment of trade receivables are as follows:

	2008 HK$'000	2007 HK$'000
At 1 January	**14,305**	9,449
Provision recognised in profit and loss account		
– Continuing operations	**2,203**	6,975
– Discontinued operation	**14,596**	3,706
Provision released		
– Continuing operations	**–**	(500)
– Discontinued operation	**(2,474)**	(4,251)
Receivables written off during the year as uncollectible	**–**	(1,074)
At 31 December	**28,630**	14,305

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

There is no amount due from certain subsidiaries of Hutchison Whampoa Limited included in the Group's deposits, prepayments and other receivables at 31 December 2008. At 31 December 2007, amounts due from certain subsidiaries of Hutchison Whampoa Limited included in the Group's deposits, prepayments and other receivables were amounted to HK$13,287,000.

26 LOANS RECEIVABLE

	2008	2007
	HK$'000	HK$'000
Loans receivable	–	3,879
Less: amount due within one year	–	(3,879)
	–	–

The loans receivable of HK$3,879,000 at 31 December 2007 represented the net amount of unsecured loans advanced by the Group to a third party (the "Third Party") to finance the Third Party to construct factory buildings in the Mainland China. The Third Party leased the factory buildings back to the Group and used the rent derived thereon to repay the principal and the related interest. The loans bear interest at a range of Hong Kong dollar prime rate to 2% above Hong Kong dollar prime rate. The carrying value of loans receivable approximates to its fair value. The effective interest rate at 31 December 2007 was 9.6%. The loan was fully settled in 2008.

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008	2007
	HK$'000	HK$'000
Overseas listed equity securities, at fair value	7,606	11,288

28 CASH AND BANK DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**5,669,643**	583,908	**5,069,842**	11,700
Cash at banks and on hand	**292,479**	484,210	**5,817**	6,926
	5,962,122	1,068,118	**5,075,659**	18,626

Bank balances of HK$535,665,000 (2007: HK$715,774,000) are mainly denominated in Renminbi and placed with banks in the Mainland China. The remittance of these funds out of the Mainland China is subject to exchange control restrictions imposed by the PRC government. The remaining bank balances are mainly denominated in Hong Kong dollars or US dollars.

The average effective interest rate on short term bank deposits during the year ended 31 December 2008 was approximately 2.54% (2007: 2.28%) per annum. These deposits have an average maturity of 32 days (2007: 29 days).

29 TRADE PAYABLES

Included in trade payables at 31 December 2008 is an amount due to an associated company of the Group amounting to HK$4,280,000 (2007: HK$4,612,000). The aging analysis of trade payables at 31 December is as follows:

	2008	2007
	HK$'000	HK$'000
0-30 days	**42,662**	185,740
31-60 days	**28,646**	29,463
61-90 days	**1,893**	8,190
Over 90 days	**7,873**	11,529
	81,074	234,922

30 DEPOSITS RECEIVED, OTHER CREDITORS AND ACCRUALS

Included in deposits received, other creditors and accruals at 31 December 2008 are provisions and accruals of approximately HK$280 million arising from legal and constructive obligations on disposals of subsidiaries during the year, amounts due to certain subsidiaries and jointly controlled entities of Hutchison Whampoa Limited and a loan from a minority shareholder of a subsidiary of the Group totalling HK$8,751,000 (2007: HK$1,844,000), Nil (2007: HK$47,986,000) and HK$8,458,000 (2007: HK$7,934,000) respectively.

31 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**2,211**	17,935
Deferred tax liabilities	**125,176**	660,469
Net deferred tax liabilities	**122,965**	642,534

(a) The gross movement in the net deferred tax liabilities is as follows:

	2008	2007
	HK$'000	HK$'000
At 1 January	**642,534**	690,344
Exchange translation differences	**31,781**	37,816
Relating to subsidiaries disposed of	**(604,458)**	–
Charged/(credited) to profit and loss account	**53,108**	(85,626)
At 31 December	**122,965**	642,534

31 DEFERRED TAX (Continued)

(b) Analysis of net deferred tax liabilities/(assets):

	2008				
	At 1 January HK$'000	Exchange translation differences HK$'000	Relating to subsidiaries disposed of HK$'000 (Note 36(c))	Charged to profit and loss account HK$'000	At 31 December HK$'000
Accelerated tax depreciation	86,609	5,220	(36,490)	9,527	64,866
Changes in fair value of investment properties	545,086	31,025	(553,442)	23,912	46,581
Other temporary differences	30,727	(4,215)	(14,526)	505	12,491
Tax losses	(19,888)	(249)	–	19,164	(973)
	642,534	31,781	(604,458)	53,108	122,965

	2007			
	At 1 January HK$'000	Exchange translation differences HK$'000	Charged/(credited) to profit and loss account HK$'000	At 31 December HK$'000
Accelerated tax depreciation	82,070	4,862	(323)	86,609
Changes in fair value of investment properties	619,592	32,850	(107,356)	545,086
Other temporary differences	10,524	422	19,781	30,727
Tax losses	(21,842)	(318)	2,272	(19,888)
	690,344	37,816	(85,626)	642,534

31 DEFERRED TAX (Continued)

(c) Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profit will be available against which the unused tax losses can be utilised, based on all available evidence. The Group has not recognised deferred tax assets of HK$49,289,000 (2007: HK$18,104,000) in respect of the unused tax losses carried forward amounting to HK$382,253,000 (2007: HK$109,863,000). Of these amounts, HK$374,380,000 (2007: HK$102,480,000) can be carried forward indefinitely and the remaining HK$7,873,000 (2007: HK$7,383,000) expires in the following years:

	2008 HK$'000	2007 HK$'000
2009	–	781
2010	–	1,509
2011	–	2,441
2012	–	2,652
2013	**7,873**	–
	7,873	7,383

32 OTHER NON-CURRENT FINANCIAL LIABILITIES

	Note	**2008 HK$'000**	2007 HK$'000
Loans from minority shareholders	*(a)*	**39,995**	39,785
Non-current portion of licence fees payable (Note 17)	*(b)*	**19,906**	29,496
		59,901	69,281

32 OTHER NON-CURRENT FINANCIAL LIABILITIES (Continued)

Notes:

(a) *Loans from minority shareholders*

At 31 December 2008, the interest bearing loans from minority shareholders were advanced by a minority shareholder of the Group's two PRC property development equity joint ventures. The loans from the minority shareholders are interest bearing at 3% (2007: 3%) per annum, unsecured and have no fixed terms of repayment.

The carrying amounts of loans from minority shareholders approximate to their fair values and are denominated in the following currencies.

	2008	2007
	HK$'000	HK$'000
US dollar	**36,605**	36,605
Renminbi	**3,390**	3,180
	39,995	39,785

(b) *Non-current portion of licence fees payable*

The balance represents non-current portion of licence fees payable. The carrying value of the licence fees payable approximates to its fair value and is denominated at US dollars.

33 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 34)	1,208,000	121	–	–
Issue of shares for early redemption of convertible note	–	–	2,244,444,444	224,444
At 31 December	8,950,652,707	895,065	8,949,444,707	894,944

34 SHARE OPTIONS

The Company operates a share option scheme which was adopted in 2004. 123,750,000 and 33,000,000 share options were granted on 3 June 2005 and 25 May 2007 to certain Directors and employees at the exercise price of HK$0.822 and HK$0.616 per share respectively. Share options are conditional on the employee completing the prescribed years of service. 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. The share options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

During the year ended 31 December 2008, 1,208,000 (2007: Nil) share options were exercised and 27,768,000 (2007: 13,632,000) share options had lapsed. The number of share options outstanding at 31 December 2008 was 62,124,000 (2007: 91,100,000) of which 36,600,000 will expire on 2 June 2015 and the remaining 25,524,000 will expire on 24 May 2017 unless exercised before then. Out of the 62,124,000 (2007: 91,100,000) outstanding share options, 44,499,000 (2007: 38,928,000) were exercisable.

34 SHARE OPTIONS (Continued)

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 May 2007	3 June 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 *(Note 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.

34 SHARE OPTIONS (Continued)

Movements in share options were as follows:

	Date of grant	Number of share options: At 1 January 2008	Granted	Exercised	Cancelled/ lapsed	At 31 December 2008
Directors						
Luk Tei, Lewis[(1)]	3 June 2005	10,000,000	–	–	(10,000,000)	–
Chan Wen Mee, May (Michelle)	3 June 2005	12,000,000	–	–	–	12,000,000
Endo Shigeru	3 June 2005	5,000,000	–	–	–	5,000,000
Kwok Siu Kai, Dennis[(2)]	3 June 2005	4,000,000	–	–	–	4,000,000
	25 May 2007	4,000,000	–	–	–	4,000,000
		35,000,000	–	–	(10,000,000)	25,000,000
Employees	3 June 2005	27,500,000	–	–	(11,900,000)	15,600,000
	25 May 2007	28,600,000	–	(1,208,000)	(5,868,000)	21,524,000
		56,100,000	–	(1,208,000)	(17,768,000)	37,124,000
Total		91,100,000	–	(1,208,000)	(27,768,000)	62,124,000

Notes:

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

(2) Mr Kwok Siu Kai, Dennis resigned as Executive Director with effect from 24 January 2009.

35 RESERVES

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Convertible note reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	**2,598,993**	**3,558**	**12,085**	**–**	**1,456**	**578,118**	**3,194,210**
Employee share option benefits	**–**	**–**	**1,738**	**–**	**–**	**–**	**1,738**
Transfer between reserves	**–**	**–**	**(1,653)**	**–**	**–**	**1,653**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2,743,184**	**2,743,184**
Issue of shares (Note 33)	**722**	**–**	**(99)**	**–**	**–**	**–**	**623**
Write-back of unclaimed dividends	**–**	**–**	**–**	**–**	**–**	**110**	**110**
2007 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(196,888)**	**(196,888)**
At 31 December 2008	**2,599,715**	**3,558**	**12,071**	**–**	**1,456**	**3,126,177**	**5,742,977**
At 1 January 2007	1,813,437	3,558	9,638	123,975	1,456	371,963	2,324,027
Employee share option benefits	–	–	3,506	–	–	–	3,506
Transfer between reserves	–	–	(1,059)	–	–	1,059	–
Profit for the year	–	–	–	–	–	261,649	261,649
Issue of shares (Note 33)	785,556	–	–	–	–	–	785,556
Share issuance costs	–	–	–	–	–	(2,000)	(2,000)
Early redemption of convertible note	–	–	–	(123,975)	–	(14,323)	(138,298)
2006 final dividend paid	–	–	–	–	–	(40,230)	(40,230)
At 31 December 2007	2,598,993	3,558	12,085	–	1,456	578,118	3,194,210

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda (as amended).

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of earnings before interest expense and tax to cash generated from operating activities before finance costs, tax paid and changes in working capital:

	2008 **HK$'000**	2007 HK$'000
Earnings before interest expense and tax from continuing operations	**2,288,549**	389,396
Adjustments for:		
Interest income	**(95,169)**	(21,574)
Impairment provision of licence rights	**55,114**	–
Impairment provision of property, plant and equipment	**39,462**	–
Depreciation of property, plant and equipment	**13,694**	15,480
Amortisation of leasehold land and land use rights	**118**	125
Gain on redemption of convertible note	**–**	(57,620)
Gain on disposal of subsidiaries	**(2,141,307)**	–
Loss on disposal of property, plant and equipment	**188**	5,968
Increase in fair value of investment properties	**(98,268)**	(168,507)
Loss on maturity of available-for-sale financial assets	**–**	4,992
Employee share option benefits	**963**	(262)
	63,344	167,998

(b) Changes in working capital:

	2008 **HK$'000**	2007 HK$'000
Decrease/(increase) in trade and other receivables, deposits and prepayments	**81,998**	(35,587)
Decrease in loans receivable	**3,879**	3,281
Decrease in inventories	**12,607**	20,203
Increase in trade and other payables	**123,119**	3,060
Exchange difference	**30,159**	15,890
	251,762	6,847

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of subsidiaries:

	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Property, plant and equipment (Note 18)	–	19,023
Goodwill (Note 16)	383,085	–
Investment properties (Note 19)	3,216,640	–
Trade and other receivables	24,908	3,232
Cash and cash equivalents	195,309	232
Trade and other payables	(84,267)	–
Tax payable	(44,120)	–
Deferred tax liabilities (Note 31(b))	(604,458)	–
Minority interests	(4,469)	–
	3,082,628	22,487
Exchange reserve realised	(409,006)	–
Gain on disposal from continuing operations	2,141,307	–
Loss on disposal from discontinued operation	(870)	(5,302)
	4,814,059	17,185
Satisfied by:		
Cash received	4,796,238	8,000
Consideration receivable	17,821	9,185
	4,814,059	17,185

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of subsidiaries: (Continued)

Analysis of net cash inflow in respect of disposal of subsidiaries:

	2008	2007
	HK$'000	HK$'000
Cash consideration received	**4,796,238**	8,000
Cash and cash equivalents disposed of	**(195,309)**	(232)
Net cash inflow in respect of disposal of subsidiaries	**4,600,929**	7,768
Less: Net cash inflow in respect of disposal of subsidiaries from continuing operations	**(4,571,501)**	–
Net cash inflow in respect of disposal of subsidiaries from discontinued operation	**29,428**	7,768

37 FINANCIAL GUARANTEES

At 31 December, financial guarantees not provided for in the accounts are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**35,100**	300,000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties in the Mainland China	**–**	2,888	**–**	–
	–	2,888	**35,100**	300,000

38 CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	**1,415**	16,749
Authorised but not contracted for	**6,594**	40,572
	8,009	57,321

39 OPERATING LEASES

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

	2008 HK$'000	2007 HK$'000
Not later than one year	**78,904**	286,799
Later than one year and not later than five years	**67,824**	421,324
Later than five years	**159**	40,023
	146,887	748,146

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

	2008 HK$'000	2007 HK$'000
Not later than one year	**7,023**	21,903
Later than one year and not later than five years	**–**	9,694
	7,023	31,597

40 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following significant transactions during the year 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 year ended 31 December 2008 (2007: HK$12,528,000).

(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 Hutchison Whampoa Limited. The aggregate invoiced amounts for the year were approximately HK$2,701,000 (2007: HK$15,189,000).

(c) Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, has been providing and will continue to provide administrative and support services to the Group. The aggregate fees charged for the year were approximately HK$5,500,000 (2007: HK$5,400,000).

(d) During the year, the Group paid rental expenses and management fee to subsidiaries of Hutchison Whampoa Limited of approximately HK$11,302,000 (2007: HK$15,945,000). During the year, the Group received rental income and building management fee from subsidiaries of Hutchison Whampoa Limited of approximately HK$2,385,000 (2007: HK$5,195,000).

(e) The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

(f) The amounts due from/(to) certain subsidiaries and jointly controlled entities of Hutchison Whampoa Limited and loan from a minority shareholder of a subsidiary of the Group are unsecured, interest free and repayable on demand.

(g) Details of directors' remuneration (being the key management personnel compensation) are shown in Note 15 to the accounts.

41 HOLDING COMPANY

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

42 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 16 March 2009.

43 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND AN ASSOCIATED COMPANY

(a) Details of the principal subsidiaries at 31 December 2008 are as follows:

	Name of subsidiaries	Place of operations/ incorporation	Particulars of issued/registered capital	Group's effective interest %	Principal activity
*	Hutchison Harbour Ring Property Holdings Limited	Hong Kong/ British Virgin Islands	US$1 ordinary share	100	Investment holding
*	i. Tech Holdings Limited	Hong Kong/ British Virgin Islands	US$100 ordinary shares	100	Investment holding
*	PMW Holdings Limited	Hong Kong/ British Virgin Islands	US$1,000 ordinary shares	100	Investment holding
#	Guangzhou i. Tech Electronic Technology Ltd.	PRC	HK$68,800,000 registered capital	97.79	Manufacture of mobile phone accessories and electronic technology products
	Hutchison Harbour Ring Industries Limited	Hong Kong	HK$2 ordinary shares HK$1,000,000 non-voting deferred shares	100	Investment holding and provision of management services
	i. Tech Dynamic Limited	Hong Kong	HK$10,000 ordinary shares HK$850,000 non-voting deferred shares	100	Manufacturing and trading of mobile phone accessories and other consumer products
	P & H Development Limited	Hong Kong	HK$7 ordinary shares HK$3 non-voting deferred shares	100	Investment holding
	PMW - GB Agency Limited	Hong Kong	HK$100 ordinary shares	65	Provision of agency services
	PMW Global Sourcing Limited	Hong Kong	HK$1,000 ordinary shares	100	Sourcing and trading of business goods and other consumer products

43 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND AN ASSOCIATED COMPANY (Continued)

(a) Details of the principal subsidiaries at 31 December 2008 are as follows: (Continued)

	Name of subsidiaries	Place of operations/ incorporation	Particulars of issued/registered capital	Group's effective interest %	Principal activity
	PMW International Limited	Hong Kong	HK$1,000 ordinary shares	100	Trading of premium goods, electronic and other consumer products
	PMW Management Limited	Hong Kong	HK$1,000 ordinary shares	100	Provision of management services
	PMW Product Licence Limited	Hong Kong	HK$1,000 ordinary shares	100	Licensing business
#	Shanghai Gang Lu Real Estate Development Co., Ltd.	PRC	US$16,000,000 registered capital	88	Property holding
#	Shanghai Pu Gang Real Estate Development Co., Ltd.	PRC	US$7,000,000 registered capital	80	Property holding
	上海歐享龍工貿有限公司	PRC	RMB5,000,000 registered capital	100	Trading of licensing products

The non-voting deferred shares practically carry no rights to dividends or receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

* *Shares held directly by the Company*
\# *Sino-foreign equity joint ventures*

(b) Particulars of the associated company at 31 December 2008 are as follows:

Name of an associated company	Place of operation/ incorporation	Particulars of issued/registered capital	Group's effective interest %	Principal activity
Panyu Crown-Li Mould Co. Ltd.	PRC	US$1,130,000	50	In liquidation

The above tables list the principal subsidiaries and an associated company of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

FIVE YEAR SUMMARY

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Results					
Revenue					
– Continuing operations	**766,953**	1,199,512	866,384	786,736	821,372
– Discontinued operation	**947,480**	1,510,227	1,721,424	1,833,653	1,780,645
	1,714,433	2,709,739	2,587,808	2,620,389	2,602,017
Continuing operations					
Operating profit	**2,288,549**	389,396	217,997	170,745	133,856
Share of losses of associated companies	**–**	–	–	(408)	(269)
Finance costs	**(3,028)**	(39,320)	(55,512)	(6,708)	(8,060)
Profit before tax	**2,285,521**	350,076	162,485	163,629	125,527
Tax (charge)/credit	**(70,987)**	25,097	(92,940)	(25,686)	(10,553)
Profit for the year from continuing operations	**2,214,534**	375,173	69,545	137,943	114,974
Discontinued operation					
(Loss)/profit for the year from discontinued operation	**(179,424)**	(52,958)	(17,935)	54,620	56,204
Profit for the year	**2,035,110**	322,215	51,610	192,563	171,178
Attributable to					
Shareholders of the Company	**2,009,418**	311,705	50,112	186,016	162,883
Minority interests	**25,692**	10,510	1,498	6,547	8,295
	2,035,110	322,215	51,610	192,563	171,178
Assets and liabilities					
Total assets	**7,252,337**	6,222,268	5,880,954	5,830,550	3,762,244
Total liabilities	**(915,834)**	(1,563,004)	(2,582,829)	(2,587,284)	(720,241)
Net assets	**6,336,503**	4,659,264	3,298,125	3,243,266	3,042,003

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group which have been completed for existing use at 31 December 2008 are as follows:

A. INVESTMENT PROPERTIES

	Name/Location	Lease expiry	Type	Gross floor area (sq.m)	Attributable interest
	The People's Republic of China				
1.	Various units on levels 1-3, 5-7, 11, 15, 16, 20 & 21 and the whole of levels 4,14, 22 & 23, and 50 car parking spaces in the basement, Harbour Ring Huang Pu Centre, No. 98 Luhe Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 19 November 1992 to 18 November 2042	C	9,344 (exclude car park)	80%
2.	Various units on levels 4-6, 9-14, 17-18, 23-24 & 28 and the whole of levels 2 & 3 and 152 car parking spaces in the basement, Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	25,852 (exclude car park)	88%
3.	Level 29 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	1,269	80%
4.	Levels 31 and 32 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	1,629	100%

B. OTHER PROPERTIES

	Name/Location	Lease expiry	Type	Gross floor area (sq.m)	Attributable interest
Hong Kong					
1.	Units B3 & B4 on 9th Floor in Tuen Mun Industrial Centre, No. 2 San Ping Circuit, Tuen Mun, New Territories, Hong Kong.	For a residual term to 30 June 2047	G	461	100%
Macau					
2.	Unit D on 7th Floor of Edificio Industrial Chun Fok, Nos. 201-207 Avenida de Venceslau de Morais, Macau.	For a residual term to 19 December 2049	I	226	100%
The People's Republic of China					
3.	Units 1001, 1002, 1003 and 1003A on level 10 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	755	88%
4.	A factory situated on Sha Pin Cun, Torch Development Zone, Zhongshan, Guangdong Province, The PRC.	The land use term of the property expires on 1 December 2045	I	71,377	78%

Note:

Types of properties:

C – Commercial, I – Industrial, G – Godown

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

PUBLIC FLOAT CAPITALISATION

As at 31 December 2008:
approximately HK$1,375 million, representing 28.44% of the issued share capital of the Company.

FINANCIAL CALENDAR

2008 Final Results Announcement	16 March 2009
Closure of Registers of Members	8 May 2009 – 15 May 2009
Annual General Meeting	15 May 2009
Payment of 2008 Final Dividend	18 May 2009
2009 Interim Results Announcement	August 2009

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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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