



(Stock Code: 715)



A Hutchison Whampoa Company



2012 Interim Report

CORPORATE INFORMATION

CHAIRMAN

FOK Kin Ning, Canning, BA, DFM, CA (Aus)

DEPUTY CHAIRMAN

LAI Kai Ming, Dominic, BSc, MBA

(Also Alternate to CHOW WOO Mo Fong, Susan)

EXECUTIVE DIRECTORS

TSUI Kin Tung, Tony, MRICS, MHKIS, RPS(GP)

(Managing Director)

CHOW WOO Mo Fong, Susan, BSc

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

(Also Alternate to FOK Kin Ning, Canning)

NON-EXECUTIVE DIRECTOR

Ronald Joseph ARCULLI, GBM, CVO, GBS, 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), LLM, PCLL, PhD, FHKIoD, FHKI Arb

(Also Alternate to LAN Hong Tsung, David)

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

AUDIT COMMITTEE

KWAN Kai Cheong *(Chairman)*

Ronald Joseph ARCULLI

LAM Lee G.

REMUNERATION COMMITTEE

KWAN Kai Cheong *(Chairman)*

FOK Kin Ning, Canning

LAM Lee G.

COMPANY SECRETARY

Edith SHIH

AUDITOR

PricewaterhouseCoopers

BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

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CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The consolidated profit attributable to the shareholders for the six months ended 30 June 2012 ("the period") amounted to HK\$119.2 million (2011: HK\$43.5 million) and basic earnings per share for the period was HK1.33 cents (2011: HK0.48 cents).

Revenue for the period amounted to HK\$43.7 million (2011: HK\$41.6 million) and earnings before interest expense and tax ("EBIT") for the period was HK\$133.6 million (2011: HK\$58.1 million). Excluding current period's write back of provisions relating to exposures associated with the disposed subsidiaries in prior years of HK\$71.2 million, the recurring EBIT for the period increased by 7% to HK\$62.4 million in 2012. The increase in recurring EBIT was mainly due to increase in rental income and interest income during the period.

Finance costs for the period was HK\$0.8 million (2011: HK\$0.9 million) and tax charge for the period was HK\$9.4 million (2011: HK\$10.2 million). The Group's consolidated profit before non-controlling interests for the period was HK\$123.5 million (2011: HK\$47.0 million).

DIVIDEND

As in previous years, the board of Directors (the "Board") does not recommend the payment of an interim dividend for the period (2011: Nil).

REVIEW OF OPERATIONS

The revenue for the two office and commercial premises in Shanghai of the Property Division was HK\$43.7 million (2011: HK\$41.6 million) and recurring EBIT, excluding the provisions written back of HK\$71.2 million during the period, was HK\$42.3 million (2011: HK\$38.5 million).

In view of the prevailing low interest yield offered by bank deposits during the period, the Group acquired additional debt securities issued by a subsidiary of Hutchison Whampoa Limited at a consideration of HK\$97.6 million, providing an effective interest yield of 4.25% per annum. Overall, the Group's holding of debt securities issued by subsidiaries of Hutchison Whampoa Limited provides an effective interest yield of approximately 5% per annum, which is higher than the prevailing bank deposits interest rates. As at 30 June 2012, the fair market value of total debt securities held by the Group was HK\$1,291.0 million (31 December 2011: HK\$1,201.2 million).

CHAIRMAN'S STATEMENT

OUTLOOK

The Property Division is expected to continue contributing stable rental income and profit to the Group.

The Group has maintained a healthy balance sheet and liquidity with cash, cash equivalents and other liquid listed investments of HK\$5,495.5 million as at 30 June 2012 (31 December 2011: HK\$5,691.1 million). With this robust liquidity position, management will continue to look at other opportunities to deliver increased value to shareholders.

On behalf of the Board, I would like to express the Board's gratitude to all the staff for their hard work and dedication and to thank all our shareholders, business partners and customers for their continuous support.

Fok Kin Ning, Canning

Chairman

Hong Kong, 1 August 2012

CAPITAL RESOURCES AND OTHER INFORMATION

TREASURY MANAGEMENT

The primary treasury and funding policies of the Group focus on liquidity management and maintaining an optimum level of liquidity, while funding subsidiary operations in a cost-efficient manner. Operating as a centralised service, the treasury function manages the Group's funding needs and monitors financial risks, such as those relating to interest and foreign exchange rates, as well as counterparty.

During the six months ended 30 June 2012, the Group did not enter into any interest or currency swaps or other financial derivatives transactions.

Interest rate exposure

The Group has no significant interest-bearing assets except for cash and bank deposits and the listed debt securities included under available-for-sale financial assets. The interest rates for the listed debt securities are fixed.

Foreign currency exposure

The Group's revenue and operating costs are denominated in Hong Kong dollars and Renminbi. The Group is exposed to other currency movements, primarily in terms of bank deposits and available-for-sale financial assets denominated in United States dollars.

Credit exposure

Surplus funds are to be managed in a prudent manner, usually in the form of bank deposits with financial institutions attaining a minimum credit rating of Aa3/AA- from Moody's and Standard & Poor's. Any deviation in these ratings requires approval from senior management in order to manage counterparty risk.

The Group's available-for-sale financial assets were listed in Luxembourg and Singapore with credit rating of A3/A- as rated by Moody's and Standard & Poor's as at 30 June 2012.

CAPITAL RESOURCES AND LIQUIDITY

As at 30 June 2012, the Group's total cash and cash equivalents, together with other listed investments amounted to HK\$5,495.5 million (31 December 2011: HK\$5,691.1 million), 88.9% of which were denominated in United States dollars, 10.8% in Renminbi and the remainder in various other currencies.

As at 30 June 2012, the Group did not have any borrowings. As at 31 December 2011, the Group's total borrowings were HK\$40.3 million, which were loans from a non-controlling shareholder of the Group's subsidiaries. The gearing ratio, calculated by dividing net debt by total shareholders' equity, was 0.6% as at 31 December 2011.

CAPITAL RESOURCES AND OTHER INFORMATION

CASH FLOWS

The Group maintains a healthy financial position. During the six months ended 30 June 2012, net cash generated from operating activities and used in investing activities amounted to HK\$54.9 million (30 June 2011: HK\$51.0 million) and HK\$124.0 million respectively (30 June 2011: HK\$7.9 million). Major outflow of funds during the period mainly included payments of final dividend and repayment of loans to a non-controlling shareholder.

CHARGES AND CONTINGENT LIABILITIES

The Group had neither any charges on its assets nor provided any guarantee as at 30 June 2012 and 31 December 2011.

HUMAN RESOURCES

As at 30 June 2012, the Group employed 56 staff members (30 June 2011: 57). Total employee costs for the six months ended 30 June 2012, including directors' emoluments, amounted to HK\$7.4 million (30 June 2011: HK\$6.7 million). The Group's employment and remuneration policies remain the same as those described in the Annual Report for the year ended 31 December 2011.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities. In addition, the Company had not redeemed any of its listed securities during the period.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2012 had been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report is set out on page 14. The unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2012 had also been reviewed by the Audit Committee of the Company.

DISCLOSURE OF INTERESTS

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

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

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 <i>(Note)</i>	–	5,000,000	0.05575%

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

DISCLOSURE OF INTERESTS

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

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

Name of Director	Capacity	Nature of interests	Number of shares held in HWL	Total	Approximate % of shareholding of HWL
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	6,010,875 ⁽¹⁾	6,010,875	0.14099%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	50,000	0.00117%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	190,000	190,000	0.00446%
Edith Shih	Beneficial owner Interest of spouse	Personal interest Family interest	57,200) 7,400)	64,600	0.00152%
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 controlled 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 30 June 2012, Mr Fok Kin Ning, Canning had the following interests:

- (i) 5,100,000 ordinary shares, representing approximately 0.038% of the 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 1,202,380 ordinary shares, representing approximately 0.025% of the issued share capital, in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH");
- (iii) corporate interests in a nominal amount of US\$1,216,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited;
- (iv) corporate interests in a nominal amount of US\$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; and

DISCLOSURE OF INTERESTS

- (v) corporate interests in a nominal amount of US\$5,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited.

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 controlled by Mr Fok and his spouse.

As at 30 June 2012, Mr Tsui Kin Tung, Tony had personal interests in his capacity as a beneficial owner in a nominal amount of US\$200,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited.

As at 30 June 2012, 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 issued share capital, in HTHKH.

As at 30 June 2012, Ms Edith Shih in her capacity as a beneficial owner had the following personal interests:

- (i) a nominal amount of US\$292,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited;
- (ii) a nominal amount of GBP200,000 in the 6.75% Guaranteed Bonds due 2015 issued by Hutchison Ports (UK) Finance Plc;
- (iii) a nominal amount of US\$300,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited;
- (iv) a nominal amount of US\$300,000 in the 6.625% Guaranteed Perpetual Capital Securities issued by PHBS Limited;
- (v) a nominal amount of US\$200,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited;
- (vi) a nominal amount of US\$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited; and
- (vii) a nominal amount of US\$200,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (12) Limited.

Save as disclosed above, as at 30 June 2012, 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.

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the Directors and chief executive of the Company, as at 30 June 2012, 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	71.36%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.36%
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	71.36%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.36%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.36%
HWL	Interest of controlled corporations	6,399,728,952 ^{(1),(2)}	6,399,728,952	71.36%
Hutchison International Limited ("HIL")	Interest of controlled corporations	6,399,728,952 ^{(1),(2)}	6,399,728,952	71.36%
Promising Land International Inc. ("Promising Land")	Beneficial owner	4,155,284,508 ⁽¹⁾	4,155,284,508	46.33%
Uptalent Investments Limited ("Uptalent")	Beneficial owner	2,244,444,444 ⁽²⁾	2,244,444,444	25.03%

DISCLOSURE OF INTERESTS

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.

With effect from 16 July 2012, Mr Li Tzar Kai, Richard ceased to have any interest in the issued share capital of Li Ka-Shing Unity Holdings Limited. Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Li Ka-Shing Unity Holdings Limited.

(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	809,332,000	9.02%

Save as disclosed above, as at 30 June 2012, 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.

DISCLOSURE OF INTERESTS

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company operates a share option scheme which was adopted in 2004. Particulars of options outstanding at the beginning and at the end of the financial period for the six months ended 30 June 2012 and options granted, exercised, cancelled or lapsed under such scheme during the period were as follows:

	Grant date	Options held at 1 January 2012	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed during the period ⁽¹⁾	Options held at 30 June 2012	Exercise period ⁽²⁾	Exercise price per share HK\$	Share price on the grant date ⁽³⁾ HK\$	Share price on the exercise date HK\$
Employees in aggregate	3.6.2005	600,000	-	-	-	600,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	25.5.2007	200,000	-	-	-	200,000	25.5.2008 – 24.5.2017	0.616	0.61	N/A
Total		800,000	-	-	-	800,000				

Notes:

- (1) 5,000,000 vested options granted to Mr Endo Shigeru, former Executive Director of the Company, were lapsed on 9 January 2012.
- (2) 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.
- (3) 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.

No share option had been granted under the share option scheme of the Company during the six months ended 30 June 2012.

As at 30 June 2012, out of the 800,000 (31 December 2011: 5,800,000) outstanding share options, 800,000 (31 December 2011: 5,800,000) were exercisable.

CORPORATE GOVERNANCE

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the "Group") as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal controls, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Stock Exchange of Hong Kong Limited made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has been fully compliant with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It has also fully complied with the CG Code during the period from 1 April 2012 to 30 June 2012, other than Code Provisions A.5.1 to A.5.4 of the CG Code with respect to nomination committee. The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for the Directors, including the Chairman of the Board and the Managing Director.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding Directors' securities transactions. All Directors of the Company have confirmed that they have complied with the Model Code in their securities transactions throughout the accounting period covered by this interim report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"), the changes in information of Directors of the Company since the date of the 2011 Annual Report are set out below:

Name of Director	Details of Changes
Edith Shih	Ceased to be member of the Listing Committee of SEHK effective from 4 May 2012
Ronald Joseph Arculli	<p>Appointed as director of IFRS Foundation effective from 21 February 2012</p> <p>King & Wood, where Mr Arculli is a senior partner, renamed as King & Wood Mallesons following a merger with Mallesons Stephen Jaques, effective from 1 March 2012</p> <p>Ceased to be the chairman and re-appointed as independent non-executive director of Hong Kong Exchanges and Clearing Limited, whose shares are listed on the Main Board of SEHK, effective from 23 April 2012</p> <p>Resigned as a governor, member and chairman of the Board of Governors of Hong Kong Securities Training Sponsorship Foundation Limited effective from 16 May 2012</p> <p>Ceased to be convenor of the non-official members and non-official member of the Executive Council of the Government of the Hong Kong Special Administrative Region ("HKSAR") effective from 1 July 2012</p> <p>Ceased to be member of the Honours Committee of the Government of the HKSAR effective from 1 July 2012</p> <p>Ceased to be member of the Non-official Justices of the Peace Selection Committee effective from 1 July 2012</p>
Lam Lee G.	Retired as an independent non-executive director and acted as advisor of Mingyuan Medicare Development Company Limited, whose shares are listed on the Main Board of SEHK, effective from 30 May 2012

REPORT ON REVIEW OF INTERIM ACCOUNTS

To the Board of Directors of Hutchison Harbour Ring Limited

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim accounts set out on pages 15 to 29, which comprise the condensed consolidated statement of financial position of Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim accounts to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim accounts in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim accounts based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim accounts consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 1 August 2012

INTERIM ACCOUNTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Unaudited	
		2012 HK\$'000	2011 HK\$'000
Revenue	2	43,665	41,629
Cost of sales		(7,587)	(7,171)
Gross profit		36,078	34,458
Interest income		40,111	37,850
Other income	3	71,204	–
Administrative expenses		(12,854)	(12,573)
Selling and distribution costs		(947)	(1,626)
Operating profit	3	133,592	58,109
Finance costs	4	(762)	(889)
Profit before tax		132,830	57,220
Tax charge	5	(9,358)	(10,172)
Profit for the period		123,472	47,048
Attributable to:			
Non-controlling interests		4,257	3,580
Shareholders of the Company		119,215	43,468
		123,472	47,048
Basic and diluted earnings per share attributable to shareholders of the Company	7	HK1.33 cents	HK0.48 cents

Details of interim dividend are set out in Note 6.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited	
	2012 HK\$'000	2011 HK\$'000
Profit for the period	123,472	47,048
Other comprehensive (expenses)/income:		
Translating accounts of foreign operations:		
– (Losses)/gains taken to reserves	(10,406)	29,592
Available-for-sale financial assets:		
– Valuation (losses)/gains taken to reserves	(298)	7,907
Other comprehensive (expenses)/income for the period, net of tax *	(10,704)	37,499
Total comprehensive income for the period	112,768	84,547
Total comprehensive income attributable to:		
Non-controlling interests	3,491	7,149
Shareholders of the Company	109,277	77,398
	112,768	84,547

* There was no tax effect on each component of the other comprehensive income/(expenses) for the six months ended 30 June 2012 and 2011.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,651	3,823
Investment properties		992,226	1,000,359
Leasehold land and land use rights		1,384	1,418
Available-for-sale financial assets	9	1,291,019	1,201,163
		2,288,280	2,206,763
Current assets			
Trade receivables	10	1,001	536
Deposits, prepayments and other receivables		41,973	39,211
Cash and bank deposits		4,204,461	4,489,900
		4,247,435	4,529,647
Total assets		6,535,715	6,736,410

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	896,814	896,814
Reserves	5,166,346	5,254,368
	6,063,160	6,151,182
Non-controlling interests	132,372	131,479
Total equity	6,195,532	6,282,661
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	158,392	154,665
	158,392	154,665
Current liabilities		
Deposits received, other payables and accruals	137,730	209,966
Loans from a non-controlling shareholder	–	40,295
Tax payables	44,061	48,823
	181,791	299,084
Total liabilities	340,183	453,749
Total equity and liabilities	6,535,715	6,736,410
Net current assets	4,065,644	4,230,563
Total assets less current liabilities	6,353,924	6,437,326

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Unaudited	
	2012	2011
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operating activities before finance costs, tax paid and changes in working capital	22,496	20,758
Changes in working capital	(4,886)	(4,647)
	17,610	16,111
Cash generated from operations	17,610	16,111
Interest received	45,624	42,772
Tax paid – outside Hong Kong	(8,335)	(7,912)
	54,899	50,971
Net cash from operating activities	54,899	50,971
Investing activities		
Increase in bank deposits with maturity over three months	(26,346)	(7,920)
Purchase of property, plant and equipment	(53)	–
Purchase of available-for-sale financial assets	(97,629)	–
	(124,028)	(7,920)
Net cash used in investing activities	(124,028)	(7,920)
Financing activities		
Repayment of loans to a non-controlling shareholder	(39,874)	–
Interest paid to a non-controlling shareholder by subsidiaries	(771)	(4,760)
Dividend paid	(197,299)	(197,270)
	(237,944)	(202,030)
Net cash used in financing activities	(237,944)	(202,030)
Decrease in cash and cash equivalents	(307,073)	(158,979)
Cash and cash equivalents at 1 January	4,259,131	4,361,458
Exchange (losses)/gains on cash and cash equivalents	(4,712)	12,699
Cash and cash equivalents at 30 June	3,947,346	4,215,178
Analysis of cash, liquid funds and listed investments		
Bank deposits with maturity of less than three months	3,888,878	4,140,325
Cash at banks and on hand	58,468	74,853
	3,947,346	4,215,178
Cash and cash equivalents	3,947,346	4,215,178
Bank deposits with maturity over three months	257,115	221,694
Available-for-sale financial assets, overseas listed investments	1,291,019	1,230,398
	5,495,480	5,667,270
Total cash, liquid funds and listed investments	5,495,480	5,667,270

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Unaudited								
	Attributable to shareholders of the Company							Non- controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Other properties revaluation reserve	(Note) Other reserves	Retained profits HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000
				HK\$'000	HK\$'000				
At 1 January 2012	896,814	2,612,756	224,568	8,654	71,531	2,336,859	6,151,182	131,479	6,282,661
Losses on translating accounts of foreign operations:									
– Taken to reserves			(9,640)	–	–	–	(9,640)	(766)	(10,406)
Available-for-sale financial assets:									
– Valuation losses taken to reserves			–	–	(298)	–	(298)	–	(298)
Net expenses recognised directly in equity			(9,640)	–	(298)	–	(9,938)	(766)	(10,704)
Profit for the period			–	–	–	119,215	119,215	4,257	123,472
Total comprehensive income/(expenses)			(9,640)	–	(298)	119,215	109,277	3,491	112,768
Share option lapsed	–	–	–	–	(1,249)	1,249	–	–	–
2011 final dividend paid	–	–	–	–	–	(197,299)	(197,299)	–	(197,299)
Dividend payable to a non-controlling shareholder	–	–	–	–	–	–	–	(2,598)	(2,598)
At 30 June 2012	896,814	2,612,756	214,928	8,654	69,984	2,260,024	6,063,160	132,372	6,195,532

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Unaudited							Non-controlling interests	Total
	Attributable to shareholders of the Company								
	Share capital	Share premium	Exchange reserve	Other properties revaluation reserve	Other reserves	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2011	896,680	2,611,724	170,413	2,045	87,152	2,443,127	6,211,141	117,092	6,328,233
Gains on translating accounts of foreign operations:									
– Taken to reserves			25,971	52	–	–	26,023	3,569	29,592
Available-for-sale financial assets:									
– Valuation gains taken to reserves			–	–	7,907	–	7,907	–	7,907
Net income recognised directly in equity			25,971	52	7,907	–	33,930	3,569	37,499
Profit for the period			–	–	–	43,468	43,468	3,580	47,048
Total comprehensive income			25,971	52	7,907	43,468	77,398	7,149	84,547
2010 final dividend paid	–	–	–	–	–	(197,270)	(197,270)	–	(197,270)
At 30 June 2011	896,680	2,611,724	196,384	2,097	95,059	2,289,325	6,091,269	124,241	6,215,510

Note:

Other reserves comprise investment revaluation reserve, share-based compensation reserve and capital redemption reserve.

	Investment revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
At 1 January 2011	81,801	1,793	3,558	87,152
At 30 June 2011	89,708	1,793	3,558	95,059
At 1 January 2012	66,523	1,450	3,558	71,531
At 30 June 2012	66,225	201	3,558	69,984

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts (“Interim Accounts”) are prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited. These Interim Accounts should be read in conjunction with the annual accounts for the year ended 31 December 2011.

These Interim Accounts have been prepared under the historical cost convention except for investment properties and available-for-sale financial assets which are stated at fair values.

The accounting policies applied and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the annual accounts for the year ended 31 December 2011, except for the adoption of the standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for accounting periods beginning 1 January 2012. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

2 REVENUE AND SEGMENT INFORMATION

Revenue represented rental and service income. The amount of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2012	2011
	HK\$’000	HK\$’000
Rental and service income from investment properties	43,665	41,629

The Group has two reportable segments, including property division and corporate division.

The segments are managed separately as each business offers different products and services and each segment is subject to risks and returns that are different from the others.

Earnings before interest expense and tax (“EBIT”) are regarded as segment results in respect of the Group’s reportable segments as the directors consider that this can better reflect the performance of each division. EBIT is used on the Group’s internal financial and management reporting to monitor business performances.

NOTES TO THE CONDENSED INTERIM ACCOUNTS

2 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information:

	Six months ended 30 June 2012		
	Property division HK\$'000	Corporate division HK\$'000	Group HK\$'000
Segment revenue			
Company and subsidiaries	43,665	–	43,665
Segment results before write back of provisions and accruals			
– Company and subsidiaries	42,253	20,135	62,388
Write back of provisions and accruals	71,204	–	71,204
Earnings before interest expense and tax	113,457	20,135	133,592
Finance costs	(762)	–	(762)
Tax charge	(9,358)	–	(9,358)
Profit for the period			123,472
Interest income	9,215	30,896	40,111
Depreciation of property, plant and equipment	(197)	–	(197)
Amortisation of leasehold land and land use rights	(22)	–	(22)
	Six months ended 30 June 2011		
	Property division HK\$'000	Corporate division HK\$'000	Group HK\$'000
Segment revenue			
Company and subsidiaries	41,629	–	41,629
Earnings before interest expense and tax	38,485	19,624	58,109
Finance costs	(889)	–	(889)
Tax charge	(10,172)	–	(10,172)
Profit for the period			47,048
Interest income	6,276	31,574	37,850
Depreciation of property, plant and equipment	(444)	–	(444)
Amortisation of leasehold land and land use rights	(55)	–	(55)

NOTES TO THE CONDENSED INTERIM ACCOUNTS

3 OPERATING PROFIT

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Operating profit is stated after crediting and charging the following:		
<u>Crediting</u>		
Write back of provisions and accruals <i>(Note)</i>	71,204	–
<u>Charging</u>		
Staff costs (including directors' emoluments)	7,434	6,689
Depreciation of property, plant and equipment	197	444
Amortisation of leasehold land and land use rights	22	55
Operating lease charges in respect of properties	241	1,501

Note:

Other income for the six months ended 30 June 2012 represented the write back of provisions and accruals for exposures associated with legal undertakings relating to the disposal of subsidiaries in 2008. As at 30 June 2012, the Group reassessed that the crystallisation of the related exposures had become not probable upon expiry of those undertakings during the period.

4 FINANCE COSTS

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Interest on loans from a non-controlling shareholder	762	889

NOTES TO THE CONDENSED INTERIM ACCOUNTS

5 TAX CHARGE

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Current tax, outside Hong Kong	4,391	5,136
Deferred tax charge	4,967	5,036
	9,358	10,172

The Group's subsidiaries in the Mainland China were subject to Enterprise Income Tax of Mainland China at a standard rate of 25% for the six months ended 30 June 2012 (2011: 25%).

No Hong Kong profits tax had been provided as the Group had no estimated assessable profits for the six months ended 30 June 2012 (2011: Nil).

6 INTERIM DIVIDEND

At a meeting held on 27 March 2012, the directors declared a final dividend of HK2.2 cents per ordinary share for the year ended 31 December 2011. Total amount of HK\$197,299,000 was paid on 6 June 2012 and reflected as an appropriation of retained profits for the six months ended 30 June 2012.

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2012 (2011: Nil).

NOTES TO THE CONDENSED INTERIM ACCOUNTS

7 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 period.

	Six months ended 30 June	
	2012	2011
Weighted average number of ordinary shares in issue	8,968,140,707	8,966,804,707
Profit attributable to shareholders of the Company (HK\$'000)	119,215	43,468
Basic earnings per share attributable to shareholders of the Company (HK cent per share)	1.33	0.48

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares deemed to be issued assuming the exercise of the share options.

	Six months ended 30 June	
	2012	2011
Weighted average number of ordinary shares in issue	8,968,140,707	8,966,804,707
Adjustment for share options	19,063	1,235,521
	8,968,159,770	8,968,040,228
Profit attributable to shareholders of the Company (HK\$'000)	119,215	43,468
Diluted earnings per share attributable to shareholders of the Company (HK cent per share)	1.33	0.48

NOTES TO THE CONDENSED INTERIM ACCOUNTS

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of HK\$53,000 (2011: Nil).

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Overseas listed debt securities, at fair value	1,291,019	1,201,163

The available-for-sale financial assets are denominated in United States dollars.

During the six months ended 30 June 2012, the Group acquired from the market US\$12,000,000 (approximately HK\$93,600,000) aggregate principal amount of 4.625% note due 13 January 2022 issued by a subsidiary of Hutchison Whampoa Limited at a total consideration of HK\$97,629,000 (Note 13).

10 TRADE RECEIVABLES

The Group's trade receivables represented rental receivables which no credit term is granted. At 30 June 2012 and 31 December 2011, the aging analysis of trade receivables, net of provision, based on the date of invoice is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
0-30 days	638	420
31-60 days	112	95
61-90 days	48	21
Over 90 days	203	–
	1,001	536

NOTES TO THE CONDENSED INTERIM ACCOUNTS

11 CAPITAL COMMITMENTS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Capital commitments for property, plant and equipment:		
Authorised but not contracted for	501	554

12 OPERATING LEASES

- (a) At 30 June 2012 and 31 December 2011, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Not later than one year	64,601	78,934
Later than one year and not later than five years	66,666	82,409
Later than five years	9,002	11,548
	140,269	172,891

- (b) At 30 June 2012 and 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Not later than one year	439	439
Later than one year and not later than five years	366	585
	805	1,024

NOTES TO THE CONDENSED INTERIM ACCOUNTS

13 MATERIAL RELATED PARTY TRANSACTIONS

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

- (a) The Group purchased notes issued by subsidiaries of Hutchison Whampoa Limited from the market at approximately HK\$1,187,213,000 in 2009, due 2014 with a coupon rate of 6.25%, and at approximately HK\$97,629,000 during the six months ended 30 June 2012, due 2022 with a coupon rate of 4.625% (Note 9). Net interest income recognised during the period was approximately HK\$29,401,000 (2011: HK\$28,957,000).
- (b) 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 six months ended 30 June 2012 were approximately HK\$2,500,000 (2011: HK\$2,800,000).
- (c) During the period, the Group paid rental expenses and management fee to subsidiaries of Hutchison Whampoa Limited of approximately HK\$241,000 (2011: HK\$2,329,000).
- (d) Included in deposits received, other payables and accruals are the amounts due to certain subsidiaries of Hutchison Whampoa Limited of HK\$38,224,000 at 30 June 2012 (31 December 2011: HK\$38,224,000) which are unsecured, interest free and repayable on demand.
- (e) No transactions had been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being key management personnel compensation) as follows:

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Salaries and other short-term employee benefits	1,141	1,141

14 HOLDING COMPANY

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

INFORMATION FOR SHAREHOLDERS

LISTING	The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited
STOCK CODE	715
REGISTERED OFFICE	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda Telephone : +441 295 5950 Facsimile : +441 292 4720
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS	22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong Telephone : +852 2128 1188 Facsimile : +852 2128 1778
PRINCIPAL EXECUTIVE OFFICE IN HONG KONG	Unit 507A, 5/F, Two Harbourfront, 22 Tak Fung Street Hung Hom, Kowloon, Hong Kong Telephone : +852 2861 1638 Facsimile : +852 2422 1639
BERMUDA PRINCIPAL SHARE REGISTRAR	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre, 11 Bermudiana Road Pembroke HM08, Bermuda Telephone : +441 299 3882 Facsimile : +441 295 6759
HONG KONG BRANCH SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong Telephone : +852 2862 8555 Facsimile : +852 2865 0990
INVESTOR INFORMATION	Corporate press releases, financial reports and other investor information of the Group are available online at the Company's website
INVESTOR RELATIONS CONTACT	Please direct enquiries to: Deputy Chairman Unit 507A, 5/F, Two Harbourfront, 22 Tak Fung Street Hung Hom, Kowloon, Hong Kong Telephone : +852 2861 1638 Facsimile : +852 2422 1639
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