



HUTCHISON HARBOUR RING LIMITED

和記港陸有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 715)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS	2008 HK\$'million	2007 HK\$'million	Changes
Revenue	1,036.6	1,087.2	-5%
Profit attributable to shareholders of the Company	2,083.8	169.1	+1,132%
Earnings per share	HK23.28 cents	HK2.52 cents	+824%

CHAIRMAN'S STATEMENT

Financial Results

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

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

Dividend

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

Review of Operations

Technology Division

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

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

Toy Division

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

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

Property Division

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

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

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

Licensing and Sourcing Division

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

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

Outlook

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

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

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

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

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

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

Fok Kin-ning, Canning

Chairman

Hong Kong, 18 August 2008

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 June 2008

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

CONDENSED CONSOLIDATED BALANCE SHEET

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

Notes:

1 Basis of preparation and accounting policies

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

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

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

2 Revenue and segment information

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

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

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

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

Notes: (Continued)

2 Revenue and segment information (Continued)

Primary segment information by business:

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

Notes: (Continued)

2 Revenue and segment information (Continued)

Primary segment information by business: (Continued)

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

Notes: (Continued)

3 Operating profit

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
<u>Crediting</u>		
Gain on disposal of subsidiaries (Note a)	2,141,307	-
Increase in fair value of investment properties	98,268	20
Gain on disposal of investment properties, leasehold land and buildings	-	24,039
	<u>-</u>	<u>24,039</u>
<u>Charging</u>		
Cost of inventories	788,175	675,709
Depreciation of property, plant and equipment	18,153	21,778
Amortisation of leasehold land and land use rights	656	640
Operating lease charges in respect of properties	14,853	22,812
Impairment and other specific provisions for toy division (Note b)	140,239	-
Loss on maturity of available-for-sale financial assets	-	4,992
	<u>-</u>	<u>4,992</u>

Notes:

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

4 Finance costs

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

5 Tax charge/(credit)

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

Notes: (Continued)

5 Tax charge/(credit) (Continued)

PRC Enterprise Income Tax:

The Group's subsidiaries in the Mainland China are 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 period.

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

6 Earnings per share

- (a) The calculation of earnings per share is based on the Group's profit attributable to shareholders of the Company of HK\$2,083,823,000 (2007: HK\$169,138,000) and the weighted average number of ordinary shares in issue during the period of 8,949,500,619 (2007: 6,705,000,263).
- (b) The employee share options outstanding at 30 June 2008 have no dilutive effect on the basic earnings per share (2007: No dilutive impact).

7 Trade receivables

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

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

8 Trade payables

The aging analysis of trade payables at 30 June 2008 and 31 December 2007 is as follows:

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

CAPITAL RESOURCES AND LIQUIDITY

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

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

TREASURY POLICIES

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

CHARGES AND CONTINGENT LIABILITIES

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

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

HUMAN RESOURCES

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

REVIEW OF ACCOUNTS

The unaudited condensed consolidated interim accounts of the Company and its subsidiaries for the six months ended 30 June 2008 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report 2008 of the Company. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2008 have also been reviewed by the Audit Committee of the Company.

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

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH THE MODEL CODE

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

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr FOK Kin-ning, Canning (*Chairman*)
Mr LAI Kai Ming, Dominic (*Deputy Chairman*)
(Also Alternate to Mrs CHOW WOO Mo Fong, Susan)
Ms CHAN Wen Mee, May (Michelle)
(*Managing Director*)
Mrs CHOW WOO Mo Fong, Susan
Mr CHOW Wai Kam, Raymond
Ms Edith SHIH
(Also Alternate to Mr FOK Kin-ning, Canning)
Mr ENDO Shigeru
Mr KWOK Siu Kai, Dennis

Non-executive Director:

Mr Ronald Joseph ARCULLI

Independent Non-executive Directors:

Mr KWAN Kai Cheong
(Also Alternate to Mr Ronald Joseph ARCULLI)
Dr LAM Lee G
(Also Alternate to Mr LAN Hong Tsung, David)
Mr LAN Hong Tsung, David

Hong Kong, 18 August 2008

* For identification purpose only



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