



A member company of
Hutchison Whampoa Limited



*interim
report
2004*

CORPORATE INFORMATION

Chairman

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

Deputy Chairmen

LAI Kai Ming, Dominic, BSc, MBA

LUK Tei, Lewis, LLB

(also Deputy Managing Director)

Managing Director

KO Yuet Ming

Directors

CHOW WOO Mo Fong, Susan, BSc

CHOW Wai Kam, Raymond,

JP, BA, B.Arch., AP-List 1

Edith SHIH, BSE, MA, MA, EdM

CHAN Wen Mee, May (Michelle), BBA

ENDO Shigeru, BA

CHEUNG Wing Han, Miranda,

BCom, LLB, MBA, FHKSA, FCPA (Aust.)

TAM Yue Man, BSc

Ronald Joseph ARCULLI, GBS, CVO, OBE, JP[△]

CHENG Ming Fun, Paul, JP, BA, MBA*

Company Secretary

Edith SHIH, BSE, MA, MA, EdM

Auditors

PricewaterhouseCoopers

Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Standard Chartered Bank

Bermuda Principal Share Registrars

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrars

Computershare Hong Kong Investor
Services Limited

Rooms 1712-1716, 17th Floor

Hopewell Centre, 183 Queen's Road East
Hong Kong

Registered Office

Clarendon House

Church Street

Hamilton HM11

Bermuda

Hong Kong Principal Office

Hutchison House, 22nd Floor

10 Harcourt Road, Hong Kong

Telephone : (852) 2128 1188

Facsimile : (852) 2128 1778

Website Address

www.hutchisonharbourring.com

* Chairman of Audit Committee

[△] Member of Audit Committee

CONTENTS

	<i>Page</i>
Chairman's Statement	2 - 5
Disclosure of Interests	6 - 11
Corporate Governance and Other Information	12
Independent Review Report	13
Interim Financial Statements	14 - 26

CHAIRMAN'S STATEMENT

Results

Hutchison Harbour Ring Limited ("the Company") and its subsidiaries and associates ("the Group") recorded an unaudited consolidated profit attributable to shareholders of HK\$44.0 million for the six months ended 30 June 2004 (six months ended 30 June 2003: HK\$32.8 million), representing a growth of 34% over the comparable period in 2003.

Dividend

Taking into consideration the seasonality of the Group's principal business in its toy division, like past years, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil) and will consider the payment of any final dividend for the full year ending 31 December 2004.

Review of Operations

The Group's turnover, including its share of associates' turnover, for the period showed strong growth, rising 20% from HK\$796.3 million in 2003 to HK\$954.6 million in 2004. Earnings before interest expense and taxation ("EBIT") rose 41% from HK\$41.5 million in 2003 to HK\$58.5 million in 2004.

The Group's growth in turnover and EBIT was mainly attributed to the strong performance of the technology division in its sale of mobile phone accessories partially offset by the toy division's decreased revenue and EBIT contribution due to intensifying market competition, increased plastic prices and rising labour costs. The Group's investment properties in Shanghai continued to benefit from satisfactory occupancy rates and higher yields.

A new licensing and sourcing division was established early this year to capture the synergies of the Group's sourcing network in Europe, Korea and China and licensing opportunities on the foundation of the licensing agreements with Warner Brothers signed earlier this year. This division plans to pursue business opportunities covering the entire value chain from brand licensing, product sourcing, wholesale trading to retail distribution.

Toys

The toy division continued to be the principal contributor of the Group's turnover. As a result of intensive competition, turnover of the toy operation has declined slightly from HK\$676.5 million in 2003 to HK\$655.7 million in 2004. Despite the seasonality factor and adverse effects of unexpected increased plastic prices and also labour costs, the toy division managed to achieve an EBIT slightly above breakeven level. The aftermath of the Iraq war in 2003 and the disruptions in oil supply have caused an upsurge in prices of plastics, increasing the manufacturing costs. Shortage in electricity and labour, as well as increased manpower costs have further compounded the problem. In response, the Group has implemented engineering improvement programs in product development to minimize the adverse impact of rising plastic costs. In addition, new back-up power generation facilities have been installed to reduce the Group's reliance on the public power supply network.

Looking ahead, the Group will continue its efforts to diversify into new product lines, such as digital cameras and household products. Opportunities with electronic toy products are also being evaluated. The Group is also continually striving to improve efficiency through streamlining work processes and upgrading the manufacturing facilities.

Technology

The Group's technology division achieved strong growth during the period. Its turnover has grown by 155% to HK\$293.9 million for the six months ended 30 June 2004. EBIT grew 339% from HK\$4.2 million in 2003 to HK\$18.4 million in 2004. This impressive performance was mainly attributable to strong sales of mobile phone accessories to major 3G handset vendors and the popularity of the Group's in-house developed Bluetooth® headsets in the European and Asian markets.

In addition to the mobile phone chargers and headset products launched last year, the Group commenced successfully to launch a new product, batteries for 3G handsets, during the period under review. In early 2004, the Group launched its proprietary designed brand "i.Tech" Bluetooth® headset which has been well-received in the market. New enhanced versions with multimedia functions are planned for launch later this year.

To increase the Group's competitive strength, management is focusing on expanding the Group's product development capabilities and broadening the product range by rolling out more advanced Bluetooth®, multimedia and digital products that fit the strategies of communications service providers and cater for consumer preferences in the wake of the new mobile connectivity. In addition, a new generation digital radio is scheduled to be launched later this year, a new technology that has proven to be highly popular in Europe.

Property

The property division's turnover from subsidiaries has grown 9% from HK\$21.6 million in 2003 to HK\$23.6 million in 2004. During the period, the Group disposed of an industrial property in Shenzhen realizing a gain of HK\$12.4 million. Excluding the profit from this transaction, the property division reported EBIT of HK\$15.3 million for the six months ended 30 June 2004, which is 7% ahead of the same period last year.

The Group continued to benefit from demand for offices in Shanghai as more multinational corporations set up their representative offices or regional headquarters in the city. As a result, the Group's two commercial buildings in Puxi, Shanghai achieved satisfactory rental yields and average occupancy of 98%.

Group Capital Resources and Liquidity

The Group continues to maintain a healthy financial position during the period. Total cash and cash equivalents plus other liquid listed investments amounted to HK\$1,968.7 million at 30 June 2004 (31 December 2003: HK\$2,047.5 million). The Group was debt free at 30 June 2004 and 31 December 2003.

Treasury Policies

At 30 June 2004, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Charges on Group Assets and Contingent Liabilities

There was no pledge of fixed assets at 30 June 2004 and 31 December 2003. At 30 June 2004, mortgage loan facilities totalling HK\$0.1 million (31 December 2003: HK\$0.7 million) granted by certain banks to purchasers of the Group's properties in China were secured by the guarantee of a subsidiary. Contingent liabilities did not change significantly from 31 December 2003.

Employees

At 30 June 2004, excluding associates, the Group employed a work force of 23,022 (31 December 2003: 20,662). During the first six months of the year, the employee costs, including directors' emoluments, amounted to HK\$174.9 million (2003: HK\$176.7 million). The Group's employment and remuneration policies remained the same as those described in the Annual Report for the year ended 31 December 2003.

Review of Unaudited Condensed Consolidated Interim Accounts

The Audit Committee, which is chaired by an independent non-executive director and currently has a membership comprising two non-executive directors, has reviewed with management and approved the unaudited condensed consolidated accounts for the six months ended 30 June 2004.

Outlook

The Group achieved strong profit growth during the first half of 2004, due to the strong performance of the technology division, favourable rental yields from the properties in Shanghai and the toy operation managed to reach an EBIT slightly above breakeven level despite higher plastic costs, unstable electricity supply, and rising labour costs.

Looking ahead, the Group is focusing on further growth in business through continual product enrichment and diversification. Efforts will be exerted to enrich product offerings through innovation on original product design, in particular on Bluetooth®, multimedia and digital products, and to diversify the product range by penetrating into new product areas like high-end computer-related electronic toy products. In addition, and particularly in the toy operation, the Group is continuing to explore initiatives to mitigate the impact of rising production costs.

The Warner Brothers alliance formed earlier this year provides a promising business opportunity for future growth and the Group is scheduled to start establishing its network of Warner Brothers retail outlets in different cities of China, including a flagship store, in 2005. Management will continue to explore potential synergetic business opportunities in all operations in order to broaden the earnings base and increase shareholders' value.

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

Fok Kin-ning, Canning

Chairman

Hong Kong, 17 August 2004

DISCLOSURE OF INTERESTS

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

As at 30 June 2004, the interests and short positions of the directors and chief executives 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 executives 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 (the "Model Code") in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") were as follows:

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

Long positions in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Approximate % of shareholding of the Company
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 (Note)	0.07457%
Luk Tei, Lewis	Beneficial owner	Personal interest	4,630,000	0.06905%
Ko Yuet Ming	(i) Beneficial owner (ii) Interest of spouse	(i) Personal interest (ii) Family interest	(i) 3,000,000)) (ii) 84,000))	0.04600%
Endo Shigeru	Beneficial owner	Personal interest	80,000	0.00119%
Tam Yue Man	Beneficial owner	Personal interest	2,100,000	0.03132%

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

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

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

Name of Director	Capacity	Nature of interests	Number of shares of HWL held	Number of underlying shares of HWL held	Total	Approximate % of shareholding of HWL
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	2,410,875 (Note 1)	757,939 (Note 2)	3,168,814	0.07433%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	–	50,000	0.00117%
Luk Tei, Lewis	Beneficial owner	Personal interest	22,270	–	22,270	0.00052%
Ko Yuet Ming	Interest of spouse	Family interest	16,000	–	16,000	0.00038%
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%
Cheung Wing Han, Miranda	Beneficial owner	Personal interest	12,000	–	12,000	0.00028%
Ronald Joseph Arculli	Interest of a controlled corporation	Corporate interest	11,224 (Note 3)	–	11,224	0.00026%

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 underlying shares in HWL were the maximum number of shares that might be interested in under the US\$5,000,000 Notes due 2005 issued by BNP Paribas and were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.*
3. *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 2004, Mr. Fok Kin-ning, Canning had the following interests:

- (i) (a) 1,100,000 ordinary shares, representing approximately 0.16209% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited (“HTAL”) comprising personal and corporate interests in 100,000 and 1,000,000 ordinary shares respectively; and
- (b) 1,474,001 underlying shares in HTAL comprising personal and corporate interests in 134,000 and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by HTAL;
- (ii) corporate interests in 10,000,000 ordinary shares, representing approximately 0.14489% of the then issued share capital, in Hutchison Global Communications Holdings Limited;
- (iii) corporate interests in a nominal amount of EUR20,900,000 in the 5.875% Notes due 2013 issued by Hutchison Whampoa Finance (03/13) Limited; and
- (iv) corporate interests in a nominal amount of US\$6,500,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited (the “HWI(03/33) Notes”).

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

As at 30 June 2004, Ms. Edith Shih had (i) in her capacity as a beneficial owner personal interests in a nominal amount of US\$500,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited (the "HWI(03/13) Notes") and in a nominal amount of US\$300,000 in the HWI(03/33) Notes; and (ii) family interests in a nominal amount of US\$100,000 in the HWI(03/13) Notes and in a nominal amount of US\$100,000 in the HWI(03/33) Notes held by her spouse.

Save as disclosed above, as at 30 June 2004, none of the directors and chief executives 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 contained in the Listing Rules, to be notified to the Company and the SEHK.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to the directors and chief executives of the Company, as at 30 June 2004, 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	Approximate % of shareholding of the Company
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	4,155,284,508 (Notes 1&2)	61.97%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	4,155,284,508 (Notes 1&2)	61.97%
Li Ka-Shing Unity Trustee Corporation Limited ("LKSUTC")	Trustee and beneficiary of a trust	4,155,284,508 (Notes 1&2)	61.97%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	4,155,284,508 (Notes 1&2)	61.97%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	4,155,284,508 (Notes 1&2)	61.97%
HWL	Interest of a controlled corporation	4,155,284,508 (Note 1)	61.97%
Hutchison International Limited ("HIL")	Interest of a controlled corporation	4,155,284,508 (Note 1)	61.97%
Promising Land International Inc. ("Promising Land")	Beneficial Owner	4,155,284,508 (Note 1)	61.97%

(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
Acefield (B.V.I.) Limited ("Acefield")	Interest of controlled corporations	670,473,579 (Note 3)	9.99%
Reading Investments Limited ("Reading")	Beneficial owner	558,473,579 (Note 3)	8.33%

Notes:

- Promising Land is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 4,155,284,508 shares of the Company held by Promising Land.*
- Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of LKSUTCO. LKSUTCO as trustee of The Li Ka-Shing Unity Trust, together with certain companies which LKSUTCO as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.*

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

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, LKSUT, LKSUTC, LKSUTCO and CKH was deemed to be interested in the 4,155,284,508 shares of the Company held by Promising Land.

- 558,473,579 shares and 112,000,000 shares of the Company were held by Reading and International Toys (B.V.I.) Limited, both of which are wholly owned by Acefield, respectively. By virtue of the SFO, Acefield was deemed to be interested in an aggregate of 670,473,579 shares of the Company.*

Saved as disclosed above, as at 30 June 2004, there was no other person (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code of Best Practice

The two non-executive directors of the Company have no set term of office and retire from office on a rotational basis. Save and except as afore-mentioned, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with Appendix 14 to the Listing Rules.

Audit Committee

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

Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules with respect to directors' securities transactions in relation to the accounting period covered by the interim report. The directors of the Company have complied with, and there has been no non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions, as supported by specific enquiry made of all directors of the Company.

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

During the six months ended 30 June 2004, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during this period.

INDEPENDENT REVIEW REPORT

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

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 14 to 26.

Respective responsibilities of directors and auditors

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

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review work performed

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

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 August 2004

INTERIM FINANCIAL STATEMENTS

Consolidated Profit and Loss Account

For the six months ended 30 June

	Note	Unaudited	
		2004 HK\$'000	2003 HK\$'000
Turnover			
Company and subsidiaries		950,899	783,109
Share of associates		3,746	13,188
	2	954,645	796,297
Company and subsidiaries Turnover	2	950,899	783,109
Cost of sales		(838,243)	(674,774)
Gross profit		112,656	108,335
Other revenues	2	29,239	23,720
Other net income		17,577	11,872
Administrative expenses		(76,097)	(79,220)
Selling and distribution costs		(25,298)	(22,987)
Operating profit	3	58,077	41,720
Share of profits less losses of associates		466	(212)
Earnings before interest expense and taxation		58,543	41,508
Finance costs		(83)	(136)
Profit before taxation		58,460	41,372
Taxation	4	(12,347)	(6,156)
Profit after taxation		46,113	35,216
Minority interests		(2,070)	(2,438)
Profit attributable to shareholders		44,043	32,778
Earnings per share	6	0.66 cents	0.54 cents

Consolidated Balance Sheet

	Note	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000
Non-current assets			
Fixed assets		898,640	913,300
Investments in associates		2,487	8,817
Held-to-maturity securities, listed		1,473,910	1,558,980
Non-trading securities		273	273
Loans receivable		10,243	11,660
Deferred tax assets		9,620	12,309
		2,395,173	2,505,339
Current assets			
Inventories		284,843	224,841
Trade receivables	7	342,185	289,087
Deposits, prepayments and other receivables		129,327	145,316
Loans receivable due within one year		2,770	2,770
Trading securities		7	104
Deposits with banks		324,795	343,168
Cash at bank and in hand		169,939	145,229
		1,253,866	1,150,515
Current liabilities			
Trade payables	8	355,476	302,683
Other creditors and accruals		252,123	253,155
Taxation		31,913	31,700
		639,512	587,538
Net current assets			
		614,354	562,977
Total assets less current liabilities			
		3,009,527	3,068,316
Non-current liabilities			
Deferred tax liabilities		44,827	43,333
Minority interests	9	131,396	129,169
Net assets			
		2,833,304	2,895,814
Capital and reserves			
Share capital	10	670,500	670,500
Reserves		2,162,804	2,225,314
		2,833,304	2,895,814

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	Unaudited	
	2004 HK\$'000	2003 HK\$'000
Net cash inflow generated from operations	37,167	13,013
Investing activities		
Proceeds on disposal of investment properties	20,822	–
Proceeds on redemption of held-to-maturity securities upon maturity	78,000	–
Purchase of held-to-maturity securities	–	(411,359)
Release of bank deposits with maturity over three months	–	4,700
Other investing activities	(18,857)	(10,490)
Net cash inflow/(outflow) from investing activities	79,965	(417,149)
Net cash inflow/(outflow) before financing activities	117,132	(404,136)
Financing activities		
Dividend paid	(113,985)	(100,575)
Issue of shares	–	427,048
Other financing activities	3,217	2,974
Net cash (outflow)/inflow from financing	(110,768)	329,447
Net increase/(decrease) in cash and cash equivalents	6,364	(74,689)
Cash and cash equivalents at 1 January	488,370	1,012,915
Cash and cash equivalents at 30 June	494,734	938,226
Analysis of cash, cash equivalents and other listed investments		
Cash at bank and in hand	169,939	84,198
Bank deposits with maturity of less than three months	324,795	861,441
Bank deposits pledged	–	(7,413)
Cash and cash equivalents as above	494,734	938,226
Held-to-maturity securities, listed	1,473,910	956,537
Trading securities	7	1,371
Bank deposits and other listed investments	1,473,917	957,908
Total cash, cash equivalents and other listed investments	1,968,651	1,896,134

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2004	670,500	1,813,437	43,682	(9,098)	14,471	3,975	358,847	2,895,814
Exchange translation differences			-	669	-	-	-	669
Net gains not recognised in the consolidated profit and loss account			-	669	-	-	-	669
Reserve realised upon disposal of investment properties	-	-	-	-	(4,127)	-	-	(4,127)
Reserves realised upon liquidation of a subsidiary	-	-	5,324	5,566	-	-	-	10,890
Profit for the period	-	-	-	-	-	-	44,043	44,043
2003 final dividend paid	-	-	-	-	-	-	(113,985)	(113,985)
At 30 June 2004	670,500	1,813,437	49,006	(2,863)	10,344	3,975	288,905	2,833,304
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	561,000	1,495,889	46,383	(9,454)	-	3,758	331,419	2,428,995
Capital reserve released upon disposal of a subsidiary			26	-	-	-	-	26
Exchange translation differences			-	485	-	-	-	485
Net gains not recognised in the consolidated profit and loss account			26	485	-	-	-	511
Profit for the period	-	-	-	-	-	-	32,778	32,778
Issue of new shares	109,500	317,548	-	-	-	-	-	427,048
2002 final dividend paid	-	-	-	-	-	-	(100,575)	(100,575)
At 30 June 2003	670,500	1,813,437	46,409	(8,969)	-	3,758	263,622	2,788,757

At 30 June 2004, other reserves include capital redemption reserve of HK\$3,558,000 (1 January 2004 and 30 June 2003: HK\$3,558,000) and legal reserve of HK\$417,000 (1 January 2004 and 30 June 2003: HK\$417,000 and HK\$200,000 respectively).

Notes to the Accounts

1 Basis of preparation

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Statement of Standard Accounting Practice 25 “Interim financial reporting”, as applicable to condensed interim accounts, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

2 Turnover, revenues and segment information

Turnover represents sales of toys, consumer electronic products and accessories and rental income. The amount of each category of revenues recognised during the period is as follows:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Sales of goods	927,290	761,528
Rental and service income from investment properties	23,609	21,581
	950,899	783,109
Other revenues		
Interest income	29,239	23,692
Dividend income from trading securities	–	28
	29,239	23,720
Total revenues	980,138	806,829

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

2 Turnover, revenues and segment information (continued)

Primary segment information by business:

	Six months ended 30 June 2004				
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover					
Company and subsidiaries					
– External sales	633,822	293,468	23,609	-	950,899
– Inter-segment sales	18,118	468	-	(18,586)	-
	651,940	293,936	23,609	(18,586)	950,899
Share of associates	3,746	-	-	-	3,746
	655,686	293,936	23,609	(18,586)	954,645
Segment results					
Company and subsidiaries	1,234	18,378	27,795		47,407
Other corporate income and expenses					10,670
Operating profit					58,077
Share of profits less losses of associates	575	-	(109)		466
Earnings before interest expense and taxation	1,809	18,378	27,686		58,543
Finance costs					(83)
Taxation					(12,347)
Minority interests					(2,070)
Profit attributable to shareholders					44,043
Depreciation and impairment	(18,587)	(4,723)	(379)		(23,689)
Gain on disposal of investment properties	-	-	12,386		12,386
Capital expenditure	14,389	5,037	50		19,476

2 Turnover, revenues and segment information (continued)**Primary segment information by business (continued):**

	Six months ended 30 June 2003				
	Toy operation HK\$'000	Technology operation HK\$'000	Property operation HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover					
Company and subsidiaries					
– External sales	646,226	115,302	21,581	–	783,109
– Inter-segment sales	25,756	–	–	(25,756)	–
	671,982	115,302	21,581	(25,756)	783,109
Share of associates	4,521	–	8,667	–	13,188
	676,503	115,302	30,248	(25,756)	796,297
Segment results					
Company and subsidiaries	19,531	4,182	15,161		38,874
Other corporate income and expenses					2,846
Operating profit					41,720
Share of profits less losses of associates	600	–	(812)		(212)
Earnings before interest expense and taxation	20,131	4,182	14,349		41,508
Finance costs					(136)
Taxation					(6,156)
Minority interests					(2,438)
Profit attributable to shareholders					32,778
Depreciation and impairment	(18,453)	(1,824)	(1,438)	–	(21,715)
Gain on disposal of a subsidiary	6,931	–	–	–	6,931
Capital expenditure	7,470	8,823	46	–	16,339

2 Turnover, revenues and segment information (continued)

Secondary segment information by geographical locations:

	Six months ended 30 June			
	Turnover		Segment results	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries				
United States	358,881	392,447	(4,009)	5,834
Europe	170,358	124,536	2,734	2,223
Japan	209,243	120,409	11,829	3,724
Hong Kong	101,782	51,311	6,520	2,180
Mainland China	32,724	31,123	30,429	24,024
Other regions	77,911	63,283	(96)	889
	950,899	783,109	47,407	38,874
Other corporate income and expenses			10,670	2,846
Operating profit			58,077	41,720

3 Operating profit

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
<u>Crediting:</u>		
Gain on disposal of investment properties	12,386	–
Net exchange gains	4,820	1,895
Recovery of bad debts provision	4,786	–
Gain on disposal of a subsidiary	–	6,931
Gain on disposal of fixed assets other than investment properties	–	597
<u>Charging:</u>		
Cost of inventories sold (Note)	833,241	670,111
Staff costs (including directors' emoluments)	174,883	176,736
Depreciation and impairment	23,689	21,715
Operating lease charges in respect of properties	16,565	16,218

3 Operating profit (continued)

Note:

Cost of inventories sold includes certain portion of staff cost, depreciation and operating lease charge totalling HK\$162,316,000 (2003: HK\$155,448,000), which are also included in the respective amount of expenses disclosed separately.

4 Taxation

	Six months ended 30 June 2004				Six months ended 30 June 2003			
	Current taxation – (over)/ under Current taxation – provisions current period	in prior periods	Deferred taxation	Total	Current taxation – provisions current period	over in prior periods	Deferred taxation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong								
Subsidiaries	3,086	283	3,314	6,683	2,086	(1,775)	(1,117)	(806)
Outside Hong Kong								
Subsidiaries	3,430	(736)	2,901	5,595	3,462	–	3,428	6,890
Associates	69	–	–	69	72	–	–	72
	6,585	(453)	6,215	12,347	5,620	(1,775)	2,311	6,156

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for on the estimated assessable profits for the period at applicable rate ruling in the relevant countries.

5 Dividend

At a meeting held on 16 March 2004, the directors proposed a final dividend of HK1.7 cents per ordinary share for the year ended 31 December 2003, a total amount of HK\$113,985,000 was paid on 19 May 2004 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2004.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

6 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$44,043,000 (2003: HK\$32,778,000) and 6,705,000,263 (2003: weighted average number of 6,021,381,000) ordinary shares in issue during the period.

7 Trade receivables

The Group's average credit period granted to trade debtors mainly ranges from 30 to 60 days. At 30 June 2004 and 31 December 2003, the aging analysis of trade receivables, net of provision, based on the date of invoice is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
0 – 30 days	258,549	168,695
31 – 60 days	55,593	78,764
61 – 90 days	13,385	12,121
Over 90 days	14,658	29,507
	342,185	289,087

8 Trade payables

At 30 June 2004 and 31 December 2003, the aging analysis of trade payables is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
0 – 30 days	250,052	217,486
31 – 60 days	66,296	56,891
61 – 90 days	21,233	11,664
Over 90 days	17,895	16,642
	355,476	302,683

9 Minority interests

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Equity interests	85,020	82,817
Loans from minority shareholders	46,376	46,352
	131,396	129,169

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

10 Share capital

	30 June 2004 Number of shares	30 June 2004 Amount HK\$'000	31 December 2003 Number of shares	31 December 2003 Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000	20,000,000,000	2,000,000
Issued and fully paid:				
At beginning of the period/year	6,705,000,263	670,500	5,610,000,263	561,000
Issue of new shares	-	-	1,095,000,000	109,500
At end of the period/year	6,705,000,263	670,500	6,705,000,263	670,500

11 Contingent liabilities

At 30 June 2004, mortgage loan facilities totalling HK\$82,000 (31 December 2003: HK\$736,000) were granted by certain banks to purchasers of the Group's properties in China and these were secured by a subsidiary's guarantees.

12 Capital commitments

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Capital commitments for fixed assets:		
Contracted but not provided for	19,561	9,006
Authorised but not contracted for	50,799	21,251
	70,360	30,257

13 Operating lease commitments

- (a) At 30 June 2004 and 31 December 2003, the Group had future aggregate minimum lease receivables under non-cancellable leases in respect of investment properties as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Not later than one year	34,022	34,760
Later than one year and not later than five years	33,093	28,715
Later than five years	6,100	7,291
	73,215	70,766

- (b) At 30 June 2004 and 31 December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Not later than one year	36,522	35,820
Later than one year and not later than five years	125,015	128,643
Later than five years	23,331	34,786
	184,868	199,249

14 Material related party transactions

During the period, the Group had the following material transactions with related parties, which were carried out in the normal course of business at terms determined and agreed by both parties:

- (a) The Group manufactured a range of products including the cap covers, injection moulds, premium items and mobile phone accessories for other subsidiaries of Hutchison Whampoa Limited. The aggregate purchase amount for the six months ended 30 June 2004 was approximately HK\$99,937,000 (30 June 2003: HK\$44,140,000).
- (b) The Group had transactions with minority shareholders of subsidiaries and their affiliates during the period as follows:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Rental expenses	10,017	9,929
Management fee expenses	1,870	1,864

- (c) Hutchison International Limited, a wholly owned subsidiary of Hutchison Whampoa Limited, has been providing and will continue to provide the administrative and support services to the Group. The aggregate fees charged for the six months ended 30 June 2004 was approximately HK\$1,500,000 (30 June 2003: HK\$862,500).

15 Ultimate holding company

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