



HUTCHISON HARBOUR RING LIMITED

和記港陸有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 715)

AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS	2007 HK\$'million	2006 HK\$'million	Changes
Revenue	2,709.7	2,587.8	5%
Profit attributable to shareholders of the Company	311.7	50.1	522%
Earnings per share			
- Basic	HK4.37 cents	HK0.75 cents	483%
- Diluted	HK3.60 cents	HK0.75 cents	380%

CHAIRMAN'S STATEMENT

Financial Results

The Group's consolidated revenue grew by 5% to HK\$2,709.7 million in 2007 as compared to last year's revenue of HK\$2,587.8 million. The Group's consolidated earnings before interest expense and taxation ("EBIT") grew by 55% to HK\$329.1 million compared to HK\$213.0 million in 2006. These results include a profit on revaluation of investment properties of HK\$168.5 million (2006: HK\$99.0 million) and profit on disposal of investments and other net gains of HK\$9.7 million (2006: HK\$58.9 million). Recurring EBIT, excluding these one-time gains, was HK\$150.9 million, a 174% increase compared to HK\$55.1 million in 2006, reflecting improved results from the technology and property divisions, partially offset by increased losses from the toy division and the licensing and sourcing division.

The Group's interest expense for 2007 decreased by 29% to HK\$39.3 million (2006: HK\$55.7 million) reflecting the savings from the repayment of a bank loan in late 2006 and early redemption of convertible notes in October 2007. The Group reported a net taxation credit of HK\$32.4 million in 2007 (2006: taxation charge of HK\$105.7 million) mainly due to a release of deferred tax liabilities amounting to HK\$172.6 million (2006: Nil) from the announced reduction in corporate income tax rate in the People's Republic of China (the "PRC"). As a result, the Group's consolidated profit attributable to shareholders amounted to HK\$311.7 million (2006: HK\$50.1 million), a 522% increase and the basic earnings per share was HK4.37 cents (2006: HK0.75 cents), a 483% increase.

Dividend

The Directors are pleased to recommend the payment of a final dividend of HK2.2 cents per share for the year 2007 (2006: HK0.6 cents per share) to shareholders whose names appear on the Register of Members of the Company on 16 May 2008. The proposed final dividend will be paid on 19 May 2008 following approval at the Annual General Meeting.

Business Overview

2007 was another challenging year. The business environment remained very difficult for our manufacturing and trading divisions with continued competition and costs pressures. To overcome these challenges, management has continued during the year to rationalise and re-engineer its cost structure, operating models, work-flow and processes to improve efficiencies and to reduce costs.

The technology division significantly increased sales and profitability this year with the successful execution of sales channel expansion, development of new strategic global accounts, penetration into new markets, improvements in internal workflow and process refinement. The technology division will continue with the current proven business strategies to maintain and improve returns in the coming years.

The toy division continued to operate under a very challenging business environment. The continued rising material and labour costs and Renminbi appreciation adversely impacted the toy division's profitability for the year. To improve the long-term performance of this division, the Group is rationalising its capital investment in manufacturing assets. In December 2007, the toy division disposed of one of its two factories in Zhongshan and leased out the remaining factory, thereby substantially reducing its fixed operating costs. The resulting lower cost base enhances the Company's ability to focus on quality high margin orders and reduces its reliance on the competitive lower margin high volume orders. As a result, this division's results are expected to improve.

The loss of the licensing and sourcing division for the year was mainly due to the heavy overhead costs of Shanghai Warner Bros. flagship store. Following a review of our retail sub-licensing business strategy and cost structure, the flagship store was closed in December 2007 in order to reduce operating and promotion costs. As a result, this division's results are also expected to improve. Going forward, this division will continue to develop the Warner Bros. agency business and to pursue business opportunities emerging from international sports events like Olympic Games and Fédération Internationale de Football Association ("FIFA") events by manufacturing and trading the official licensed mascots and related consumer products.

The property division continued to benefit from the strong property market in Shanghai and to provide a strong and reliable cashflow and income to the Group in 2007. The division continues to maintain high occupancy and rental rates with quality tenants.

Outlook

The technology division will build on its current growth momentum by continuing to broaden its product range, extend its business relationship with key strategic global accounts and strengthen its presence in established and new markets so as to optimise its returns and profitability.

In 2008, the toy division will benefit from a reduced fixed operating cost base resulting from the rationalisation of its manufacturing assets in December 2007. Moreover, the increased focus on research and development and end-to-end supply chain services provision will enhance the division's competitive ability.

The licensing and sourcing division is expected to benefit from an improved cost structure and also the opportunities arising from the Beijing 2008 Olympic Games and FIFA events.

The property division continues to provide stable rental income and cashflow to the Group.

On behalf of the Board, I would like to express my sincere gratitude to my fellow directors and the Group's employees for their consistent dedication, hard work, commitment 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, 6 March 2008

Review of Operations

Financial Overview

The Group's consolidated revenue grew by 5% to HK\$2,709.7 million in 2007 as compared to last year's revenue of HK\$2,587.8 million. Consolidated earnings before interest expense and taxation ("EBIT") grew by 55% to HK\$329.1 million as compared to HK\$213.0 million in 2006. Excluding profit on revaluation of investment properties of HK\$168.5 million (2006: HK\$99.0 million) and profit on disposal of investments and other net gains of HK\$9.7 million (2006: HK\$58.9 million), EBIT from recurring operation was HK\$150.9 million, a 174% increase as compared to HK\$55.1 million in 2006. The improved results were mainly due to improved results from technology and property divisions.

Technology Division

The technology division reported improved sales and profitability this year. The division's revenue increased from HK\$488.2 million in 2006 to HK\$811.8 million and recorded a turnaround to EBIT of HK\$54.1 million this year compared to loss before interest expense and taxation ("LBIT") of HK\$74.9 million last year.

The much improved results were mainly attributable to the successful development of the Original Brand Manufacturer ("OBM") and Original Design Manufacturer ("ODM") businesses, expansion of sales channels, development of new strategic global accounts, penetration into new markets and cost rationalisation measures. The division will continue to build its brand in the Bluetooth® market and expand its sales and distribution channels in current markets, including Hong Kong. The division will also increase its investment in new markets with identified demand and consumption power to capture available business opportunities there. Currently, the division has achieved a satisfactory performance and market share of Bluetooth® device in Hong Kong, the Mainland and nearby Asian countries.

Given the success of the division's co-operative business relationships with key strategic global accounts, the division will continue to launch new products together with global handset manufacturers and expects that these business opportunities to further strengthen the Group's presence in established markets like the U.S.A. and developing markets like India.

The division will continue to apply its strong research and development, product differentiation and technology innovation capabilities to capture upcoming market demands for Bluetooth® devices.

Toy Division

The toy division recorded a 13% decrease in revenue to HK\$1,513.4 million and a 87% increase in LBIT from recurring operations to HK\$58.4 million in 2007.

2007 was another challenging year for the toy division. The continued rising power, material and labour costs and Renminbi appreciation impacted our results for the year.

Looking ahead, the introduction of the New China Labour Law on 1 January 2008, implementation of stricter and more onerous quality reviews and customs procedures, and revised Value Added Tax and tax rules in the Mainland are expected to increase costs and challenges for the toy division. To enhance its competitive ability, the division is rationalising its capital investment in manufacturing assets. In December 2007, the toy division disposed one of its two factories in Zhongshan and leased out the remaining factory, thereby substantially reducing its fixed operating costs. The resulting lower cost base enhances the Company's ability to focus on quality high margin orders and reduces its reliance on the competitive lower margin high volume orders. As a result, this division's results are expected to improve. At the same time, the toy division will be strengthening its research and development capabilities so as to provide a broader and wider range of products and offerings to customers.

Licensing and Sourcing Division

The licensing and sourcing division recorded a 39% decrease in revenue to HK\$62.5 million and a 162% increase in LBIT from recurring operation to HK\$27.0 million in the current year.

The loss of the licensing and sourcing division for the year was mainly due to the heavy overhead costs of Shanghai Warner Bros. flagship store. Following a review of our retail sub-licensing business strategy and cost structure, the flagship store was closed in December 2007 to reduce operating and promotion costs. As a result, this division's results are also expected to improve. Going forward, this division will continue to develop the Warner Bros. agency business. In addition, the division has identified business opportunities emerging from international sports events like Olympic Games and Fédération Internationale de Football Association ("FIFA") events for the manufacturing and trading of official licensed mascots and related consumer products, and will develop business developments in these areas.

Property Division

The property division continued to contribute steady and promising revenue and EBIT to the Group. It recorded a 17% increase in revenue from HK\$279.6 million in 2006 to HK\$327.3 million this year and a 13% growth in EBIT from recurring operation of HK\$255.1 million in 2007 as compared to HK\$226.5 million last year.

The division continues to benefit from the robust Shanghai commercial property market and effect of Renminbi appreciation.

Prospects

In 2007, the Group has continued its focus to rationalise its cost structure and to restructure its business operational structure. As a result, despite the challenging business environment, the Group has delivered improved profitability for the year.

The technology division will continue with its current successful business strategies and to expand its sales activity by broadening its product range and customer base and strengthening its presence in established and new markets. The division will continue to improve productivity, strengthen cost control measures, enhance workflow to bolster efficiency and strengthen the ODM and OBM capabilities to increase long-term profitability.

Going forward, the toy division will continue to reduce its fixed operating cost base and look for ways to enhance its competitive abilities, including the provision of quality end-to-end supply chain services.

The licensing and sourcing division will develop identified business opportunities in the manufacturing and trading of official licensed mascots of the Beijing 2008 Olympic Games and FIFA events.

We are optimistic that the property sector will continue to benefit from the growth of the Mainland's economy and sustained demand for top-tier commercial properties in the coming year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Revenue	2	2,709,739	2,587,808
Cost of sales		(2,334,523)	(2,244,542)
Gross profit		375,216	343,266
Interest income		24,170	33,390
Other gains, net		178,265	157,896
Administrative expenses		(173,560)	(220,775)
Selling and distribution costs		(76,255)	(97,501)
Operating profit	3	327,836	216,276
Share of profit/(loss) of an associated company		1,286	(3,299)
Earnings before interest expense and tax		329,122	212,977
Finance costs	4	(39,320)	(55,658)
Profit before tax		289,802	157,319
Tax credit/(charge)	5	32,413	(105,709)
Profit for the year		<u>322,215</u>	<u>51,610</u>
Attributable to: Shareholders of the Company		311,705	50,112
Minority interests		10,510	1,498
		<u>322,215</u>	<u>51,610</u>
Earnings per share for profit attributable to the shareholders of the Company	6		
- Basic		<u>HK4.37 cents</u>	<u>HK0.75 cents</u>
- Diluted		<u>HK3.60 cents</u>	<u>HK0.75 cents</u>
Dividend	7	<u>196,888</u>	<u>40,230</u>

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Goodwill		362,563	342,040
Licence rights		55,114	55,114
Property, plant and equipment		137,603	192,229
Investment properties		3,785,324	3,425,420
Leasehold land and land use rights		16,237	29,132
Investment in an associated company		3,153	3,328
Loans receivable		-	3,879
Deferred tax assets		17,935	30,255
		<u>4,377,929</u>	<u>4,081,397</u>
Current assets			
Inventories		258,101	297,056
Trade receivables	8	372,395	426,281
Deposits, prepayments and other receivables		126,220	121,142
Loans receivable due within one year		3,879	2,514
Tax recoverable		4,338	11,701
Available-for-sale financial assets		11,288	223,099
Cash and bank deposits		1,068,118	717,764
		<u>1,844,339</u>	<u>1,799,557</u>
Current liabilities			
Trade payables	9	234,922	314,018
Other creditors and accruals		506,907	501,257
Tax payables		91,425	77,899
		<u>833,254</u>	<u>893,174</u>
Net current assets		<u>1,011,085</u>	<u>906,383</u>
Total assets less current liabilities		<u>5,389,014</u>	<u>4,987,780</u>
Non-current liabilities			
Deferred tax liabilities		660,469	720,599
Other non-current financial liabilities		69,281	69,101
Convertible note		-	899,955
Net assets		<u>4,659,264</u>	<u>3,298,125</u>
Equity			
Share capital		894,944	670,500
Reserves		3,640,464	2,522,853
Capital and reserves attributable to the shareholders of the Company		<u>4,535,408</u>	<u>3,193,353</u>
Minority interests		123,856	104,772
Total equity		<u>4,659,264</u>	<u>3,298,125</u>

Notes:

1 Basis of preparation and accounting policies

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

The Group has adopted all of the new and revised HKFRSs and Interpretations that are effective on annual periods beginning on or after 1 January 2007. There have been no significant changes to the accounting policies applied in the accounts except for the adoption of HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures'. There have been some additional disclosures as set out in notes to the accounts.

At the date of authorisation of the accounts, the following new/revised standards, amendments and interpretations were in issue but not yet effective:

HKAS 1 (Revised)	Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

The Group has carried out an assessment of the impact of the new standards, amendments and interpretations to existing standards which have been issued but are not yet effective and have not been early adopted by the Group. The adoption of these new standards, amendments and interpretations is not expected to result in substantial changes to the Group's accounting policies.

2 Turnover, revenue and segment information

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

	2007 HK\$'000	2006 HK\$'000
Sales of goods	2,374,427	2,296,717
Rental and service income from investment properties	326,761	279,210
Licensing commission and other income	8,551	11,881
Total revenues	<u>2,709,739</u>	<u>2,587,808</u>

Segment information is presented in respect of the Group's business and geographical segments. Each business or geographical segment is subject to risks and returns that are different from the others. Business segment information is chosen as the primary reporting format. The Group's core business segments are technology division, toy division, licensing and sourcing division and property 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 and geographical segments as the directors consider that this can be better reflect the performance of each division.

Primary segment information by business:

	Year ended 31 December 2007						
	Technology division	Toy division	Licensing and sourcing division	Property division	Unallocated	Elimination	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue							
Company and subsidiaries							
- External sales	810,477	1,510,227	62,274	326,761	-	-	2,709,739
- Inter-segment sales	1,299	3,217	217	513	-	(5,246)	-
	<u>811,776</u>	<u>1,513,444</u>	<u>62,491</u>	<u>327,274</u>	<u>-</u>	<u>(5,246)</u>	<u>2,709,739</u>
Segment results before changes in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	54,057	(59,652)	(26,958)	255,132	(73,179)	171	149,571
Share of an associated company	-	1,286	-	-	-	-	1,286
	<u>54,057</u>	<u>(58,366)</u>	<u>(26,958)</u>	<u>255,132</u>	<u>(73,179)</u>	<u>171</u>	<u>150,857</u>
Changes in fair value of investment properties	-	-	-	168,507	-	-	168,507
Profits/(losses) on disposal of investments and others	-	(1,908)	-	-	11,666	-	9,758
Earnings/(losses) before interest expense and tax	54,057	(60,274)	(26,958)	423,639	(61,513)	171	329,122
Finance costs							(39,320)
Tax credit							32,413
Profit for the year							<u>322,215</u>
Segment assets	340,355	846,982	123,159	4,829,541	-		6,140,037
Investment in an associated company	-	3,153	-	-	-		3,153
Tax recoverable	18	4,205	115	-	-		4,338
Deferred tax assets	4,262	13,673	-	-	-		17,935
Unallocated assets	-	-	-	-	56,805		56,805
Total assets							<u>6,222,268</u>
Segment liabilities	110,206	281,441	39,349	244,657	-		675,653
Loans from minority shareholders	-	7,934	-	39,785	-		47,719
Tax payables	2	1,447	119	89,857	-		91,425
Deferred tax liabilities	270	21,818	3	638,378	-		660,469
Unallocated liabilities	-	-	-	-	87,738		87,738
Total liabilities							<u>1,563,004</u>
Capital expenditure	(10,736)	(15,893)	(491)	(718)	-		(27,838)
Depreciation of property, plant and equipment	(12,564)	(29,801)	(1,987)	(929)	-		(45,281)
Amortisation of leasehold land and land use rights	-	(1,236)	-	(125)	-		(1,361)
Impairment provision	-	(15,000)	-	-	-		(15,000)

Year ended 31 December 2006

	Technology division HK\$'000	Toy division HK\$'000	Licensing and sourcing division HK\$'000	Property division HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Group HK\$'000
Revenue							
Company and subsidiaries							
- External sales	484,934	1,721,424	102,240	279,210	-	-	2,587,808
- Inter-segment sales	3,272	13,083	945	397	-	(17,697)	-
	<u>488,206</u>	<u>1,734,507</u>	<u>103,185</u>	<u>279,607</u>	<u>-</u>	<u>(17,697)</u>	<u>2,587,808</u>
Segment results before changes in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	(74,945)	(27,949)	(10,295)	226,530	(54,584)	(377)	58,380
Share of an associated company	-	(3,299)	-	-	-	-	(3,299)
	<u>(74,945)</u>	<u>(31,248)</u>	<u>(10,295)</u>	<u>226,530</u>	<u>(54,584)</u>	<u>(377)</u>	<u>55,081</u>
Changes in fair value of investment properties	-	3,020	-	96,014	-	-	99,034
Profits on disposal of investments and others	-	23,208	-	-	35,654	-	58,862
	<u>-</u>	<u>23,208</u>	<u>-</u>	<u>-</u>	<u>35,654</u>	<u>-</u>	<u>58,862</u>
Earnings/(losses) before interest expense and tax	(74,945)	(5,020)	(10,295)	322,544	(18,930)	(377)	212,977
Finance costs							(55,658)
Tax charge							(105,709)
Profit for the year							<u>51,610</u>
Segment assets	294,495	823,925	130,251	4,272,092	-	-	5,520,763
Investment in an associated company	-	3,328	-	-	-	-	3,328
Tax recoverable	6,904	4,588	209	-	-	-	11,701
Deferred tax assets	11,751	12,151	6,353	-	-	-	30,255
Unallocated assets	-	-	-	-	314,907	-	314,907
Total assets							<u>5,880,954</u>
Segment liabilities	105,245	352,071	68,513	263,884	-	-	789,713
Loans from minority shareholders	-	7,485	-	39,605	-	-	47,090
Tax payables	-	1,367	542	75,990	-	-	77,899
Deferred tax liabilities	-	14,389	385	705,825	-	-	720,599
Unallocated liabilities	-	-	-	-	947,528	-	947,528
Total liabilities							<u>2,582,829</u>
Capital expenditure	(8,351)	(35,512)	(63,437)	(1,135)	-	-	(108,435)
Depreciation of property, plant and equipment	(9,892)	(30,349)	(1,759)	(723)	-	-	(42,723)
Amortisation of leasehold land and land use rights	-	(575)	-	(103)	-	-	(678)

Secondary segment information by geographical location:

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

	Year ended 31 December 2007						Total HK\$'000
	United States HK\$'000	Europe HK\$'000	Mainland China HK\$'000	Hong Kong HK\$'000	Other regions HK\$'000	Unallocated HK\$'000	
Revenue	1,215,852	377,579	414,650	130,491	571,167	-	2,709,739
Segment results before change in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	3,704	(19,677)	279,400	(15,712)	(24,965)	(73,179)	149,571
Share of an associated company	-	-	1,286	-	-	-	1,286
	3,704	(19,677)	280,686	(15,712)	(24,965)	(73,179)	150,857
Change in fair value of investment properties	-	-	168,487	20	-	-	168,507
Profits/(losses) on disposal of investments and others	-	-	(25,947)	24,039	-	11,666	9,758
Earnings/(losses) before interest expense and tax	3,704	(19,677)	423,226	8,347	(24,965)	(61,513)	329,122
Segment assets	386,678	19,009	5,296,132	387,246	50,972	-	6,140,037
Investment in an associated company	-	-	3,153	-	-	-	3,153
Tax recoverable	-	18	186	4,134	-	-	4,338
Deferred tax assets	-	81	4,413	13,441	-	-	17,935
Unallocated assets	-	-	-	-	-	56,805	56,805
Total assets	386,678	19,108	5,303,884	404,821	50,972	56,805	6,222,268
Capital expenditure	-	-	25,626	2,212	-	-	27,838

	Year ended 31 December 2006						Total HK\$'000
	United States HK\$'000	Europe HK\$'000	Mainland China HK\$'000	Hong Kong HK\$'000	Other regions HK\$'000	Unallocated HK\$'000	
Revenue	1,102,341	497,602	359,837	131,301	496,727	-	2,587,808
Segment results before change in fair value of investment properties and profits on disposal of investments and others							
Company and subsidiaries	(23,045)	(46,081)	214,462	11,963	(44,335)	(54,584)	58,380
Share of an associated company	-	-	(3,299)	-	-	-	(3,299)
	(23,045)	(46,081)	211,163	11,963	(44,335)	(54,584)	55,081
Change in fair value of investment properties	-	-	95,414	3,620	-	-	99,034
Profits on disposal of investments and others	-	-	823	22,441	(56)	35,654	58,862
Earnings/(losses) before interest expense and tax	(23,045)	(46,081)	307,400	38,024	(44,391)	(18,930)	212,977
Segment assets	123,868	52,306	4,811,662	447,071	85,856	-	5,520,763
Investment in an associated company	-	-	3,328	-	-	-	3,328
Tax recoverable	-	70	1,332	10,299	-	-	11,701
Deferred tax assets	-	-	12,458	17,797	-	-	30,255
Unallocated assets	-	-	-	-	-	314,907	314,907
Total assets	123,868	52,376	4,828,780	475,167	85,856	314,907	5,880,954
Capital expenditure	-	498	36,329	71,608	-	-	108,435

3 Operating profit

	2007 HK\$'000	2006 HK\$'000
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Operating profit is stated after crediting and charging the following:

Crediting

Increase in fair value of investment properties	168,507	99,034
Gain on disposal of investment properties, leasehold land and buildings	24,039	22,441
Gain on disposal of property, plant and equipment	-	1,851
Gain on redemption of convertible note	57,620	-
Gain on disposal of available-for-sale financial assets	-	43,063
Gain on disposal of subsidiaries	-	767

Charging

Cost of inventories	1,795,221	1,731,457
Depreciation of property, plant and equipment	45,281	42,723
Impairment provision on property, plant and equipment	15,000	-
Amortisation of leasehold land and land use rights	1,361	678
Loss on disposal of plant and equipment	6,174	-
Loss on maturity of available-for-sale financial assets	4,992	7,409
Loss on disposal of subsidiaries	5,302	-

4 Finance costs

	2007 HK\$'000	2006 HK\$'000
Interest on bank overdrafts	-	147
Interest on bank loans (wholly repayable within one year)	-	10,011
Interest on loans from minority shareholders (not wholly repayable within five years)	1,197	1,183
Interest on convertible note		
- Cash portion	16,273	19,999
- Notional non-cash interest accretion	19,327	22,739
Interest accretion on licence fees payable	2,523	1,579
	<u>39,320</u>	<u>55,658</u>

5 Tax (credit)/charge

	2007 HK\$'000	2006 HK\$'000
Current tax		
- Hong Kong	1,597	1,378
- Outside Hong Kong	51,616	53,061
Deferred tax (credit)/charge	(85,626)	51,270
	<u>(32,413)</u>	<u>105,709</u>

PRC Enterprise Income Tax:

The Group's subsidiaries in the Mainland China were subject to Enterprise Income Tax of Mainland China ("PRC Enterprise Income Tax") at rates range from 15% to 33% for 2007 (2006: 15% to 33%).

The Group's certain operating subsidiaries are export-oriented production foreign-invested enterprises located in coastal economic open cities or development areas. Up to 31 December 2007, these subsidiaries enjoyed a preferential income tax rate of 15% and were also exempted from PRC Enterprise Income Tax in the first two profit-making years followed by a 50% reduction in the PRC Enterprise Income Tax for the next three years thereafter.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("the New Tax Law") which will take effect on 1 January 2008. From 1 January 2008, the income tax rate for the operating subsidiaries mentioned above will be gradually changed to the standard rate of 25% over a five-year transition period. According to the Circular 39 passed by the State Council on 26 December 2007, the tax exemption and reduction will be terminated latest by 2012. The Group has assessed the impact of the change and consider the financial effect on the change in tax rate does not have material effect to the accounts.

The Group's other property operating subsidiaries in the Mainland China were subject to PRC Enterprise Income Tax at a rate of 33% (2006: 33%). As a result of the New Tax Law, the income tax rate applicable to these subsidiaries is reduced from 33% to 25% with effect from 1 January 2008. The new tax rate of 25% has been applied in the measurement of the Group's deferred tax at 31 December 2007 in respect of these subsidiaries. The change in the PRC Enterprise Income Tax rate resulted in a deferred tax credit of HK\$172,572,000 (2006: Nil).

Hong Kong Profits Tax:

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

The Inland Revenue Department of Hong Kong has commenced a tax audit of the Group's operation for the past few years. The tax audit is presently ongoing and it is too early to assess the likely outcome of such audit.

6 Earnings per share

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of the Company of HK\$311,705,000 (2006: HK\$50,112,000) and the weighted average number of ordinary shares in issue during the year of 7,129,292,500 (2006: 6,705,000,263).
- (b) The diluted earnings per share for the year ended 31 December 2007 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares arising from the convertible note at 1 January 2007 to 8,040,445,832; and the adjusted profit attributable to shareholders of the Company of HK\$289,685,000, being the profit attributable to the shareholders of the Company of HK\$311,705,000 adjusted to eliminate the interest expense of HK\$35,600,000 and the gain on redemption of the convertible note of HK\$57,620,000. The number of ordinary shares that would have been issued under the share option scheme was not included as they are anti-dilutive for the periods presented. No diluted earnings per share for the year ended 31 December 2006 was presented as it was anti-dilutive.

7 Dividend

	2007 HK\$'000	2006 HK\$'000
Final dividend proposed – HK2.2 cents per ordinary share (2006: HK0.6 cents)	<u>196,888</u>	<u>40,230</u>

At a meeting held on 6 March 2008 the directors declared a final dividend of HK2.2 cents per ordinary share. The amount of proposed final dividend for 2007 is based on 8,949,444,707 shares issued at 31 December 2007. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2008.

The amount of proposed final dividend for 2006 was based on 6,705,000,263 shares issued at 31 December 2006 and the amount paid of HK\$40,230,000 was based on 6,705,000,263 shares issued and recorded on the Register of Members of the Company on 3 May 2007.

8 Trade receivables

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

	2007 HK\$'000	2006 HK\$'000
0-30 days	172,329	179,715
31-60 days	140,122	134,295
61-90 days	30,348	53,121
Over 90 days	29,596	59,150
	<u>372,395</u>	<u>426,281</u>

9 Trade payables

The aging analysis of trade payables at 31 December is as follows:

	2007 HK\$'000	2006 HK\$'000
0-30 days	185,740	221,417
31-60 days	29,463	62,704
61-90 days	8,190	11,177
Over 90 days	11,529	18,720
	<u>234,922</u>	<u>314,018</u>

CAPITAL RESOURCES AND LIQUIDITY

At the end of 2007, cash and cash equivalents together with other liquid listed investments totalled HK\$1,079.4 million (2006: HK\$940.9 million).

The Group's total borrowings at 31 December 2007 were HK\$47.7 million (2006: HK\$947.0 million). The prior year balance included the liability portion of a 2% convertible note due to a subsidiary of Hutchison Whampoa Limited ("HWL") of HK\$900.0 million. In October 2007, the Group had redeemed the convertible note.

TREASURY POLICIES

As at 31 December 2007, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES AND CONTINGENT LIABILITIES

As at 31 December 2007, no assets were pledged for any facilities. As at 31 December 2006, available-for-sale financial assets of HK\$89.1 million were pledged to a bank to secure banking facilities of HK\$300.0 million, of which no bank loan has been drawn as at year end. As at 31 December 2006, certain shares of and loans to the Group's subsidiaries which have interests in The Center in Shanghai were pledged to a subsidiary of HWL as security for the convertible note mentioned above.

The Group had provided guarantees of HK\$2.9 million as at 31 December 2007 (2006: HK\$3.1 million) for mortgage loan facilities granted to certain purchasers of the Group's properties in Mainland China.

HUMAN RESOURCES

Excluding associated companies, the Group employed 18,708 people at the end of 2007 (2006: 22,167). Total employee costs for the year, including directors' emoluments, amounted to HK\$537.2 million (2006: HK\$544.5 million).

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

REVIEW OF ACCOUNTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2007 have been reviewed by the Audit Committee of the Company, which is chaired by an Independent Non-executive Director and comprises two Independent Non-executive Directors and one Non-executive Director, and audited by the Company's auditor, PricewaterhouseCoopers. The unqualified auditor's report will be included in the Annual Report to shareholders.

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

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain the highest standards of corporate governance. The terms of reference of the Audit Committee and the Remuneration Committee of the Company, which are modelled upon the provisions of the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and adopted by the Company are posted on the website of the Company. Throughout the year, the Company is fully compliant with all code provisions of the Code on Corporate Governance Practices contained in the Listing Rules.

In addition, the Board of the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules and all Directors have confirmed that throughout 2007, they have complied with the provisions of such Model Code.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 May 2008 to Friday, 16 May 2008, both days inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 pm on Thursday, 8 May 2008.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 16 May 2008. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

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, 6 March 2008

* For identification purpose only



A Hutchison Whampoa Company