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 2005

HIGHLIGHTS

	2005	2004	**Changes**
	HK$'million	HK$'million	
Turnover - company and subsidiaries	**2,620.4**	2,602.0	0.7%
Profit attributable to shareholders	**186.0**	162.9	14.2%
Earnings per share	**2.77 cents**	2.43 cents	14.0%

- **Cash and liquid investments totalled HK$1,153.4 million**

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The Group's consolidated turnover for the year remained stable, increasing by 0.7% to HK$2,620.4 million while consolidated earnings before interest expense and taxation ("EBIT") increased by a much stronger 14.1% to HK$225.8 million, reflecting the positive and stabilising effect from the Group's diversification into more stable rental properties income and reducing the Group's dependence on the cyclical toy industry. Profit attributable to shareholders increased by 14.2% to HK$186.0 million and basic earnings per share rose by 14.0% to HK2.77 cents. While continuing to diversify and expand with cautious cost control, the Group has also benefited from the gains on revaluation of its investment properties in Shanghai, the profits from disposal of certain properties, and a gain on disposal of an overseas internet B2B investment.

DIVIDEND

The directors recommend the payment of a final dividend of HK2.2 cents per share in respect of 2005 (2004 – HK2.0 cents per share), to shareholders whose names appear on the Register of Members of the Company on 10 May 2006. The Register of Members will be closed from 2 May 2006 to 10 May 2006, both dates inclusive, and the proposed dividend will be paid on 11 May 2006 following approval at the Annual General Meeting.

BUSINESS REVIEW

Market conditions remained challenging during 2005. Revenue for the toy operation was stable, reflecting its solid position in the global toy market. The business faced cost pressures from the rising wage levels in China's southern Guangdong province and increased price competition. EBIT decreased by 13.7% as compared with last year. Management will continue to focus on improving and centralising the procurement processes with an aim to reduce costs.

To align with the Group's strategy of transforming into an Original Brand Manufacturer ("OBM") mode of operation and broadening its geographic coverage, the technology operation entered into an investment stage in 2005 with increased expenditure on overseas marketing activities, as a result EBIT declined from HK$52.0 million to HK$14.8 million. It successfully retained its leadership in Bluetooth® mobile telecommunications accessories and continues to gain recognition of its i.Tech brand in the market, an important step forward in the long-term success of the technology operation in pursuit of the Group's investment in OBM strategy. Management aims to further enhance growth by continuously exploring new markets and expanding its distribution base. In 2005, the Group established a presence in Europe with new sales and marketing subsidiaries in United Kingdom and Italy, marking a new era for the Group's expansion of its mobile phone accessories distribution business. The signing of a distribution agreement with 3 Italia of Hutchison Whampoa group ("Hutchison Group") in the fourth quarter provides a good foundation for further expansion into Europe.

The Group's licensing and sourcing operation continued to make good progress. Under the agreement with Warner Bros. Consumer Products Inc ("Warner Bros."), the Group opened a flagship store in Shanghai in January 2006 that will form the cornerstone for further development in retail sublicensing and product distribution businesses in China.

Total EBIT of the properties operation grew by 82.3% from HK$64.6 million in 2004 to HK$117.8 million in 2005, including gains on revaluation of investment properties and profits on disposal of certain properties. Recurring rental income increased by 47.2% to HK$69.0 million, reflecting approximately one month's rental effect of the Group's acquisition of a fully let new commercial property in Shanghai, The Center, in November 2005, thereby generating a steady earnings and cashflows base to help offset the volatility of the Group's other businesses. The acquisition was financed by internal cash resources on hand, the issuance of US$128.2 million 2% convertible notes to a subsidiary of Hutchison Whampoa Limited and a bank borrowing of US$31 million. Its investment in two existing commercial properties in Shanghai, namely Harbour Ring Plaza and Harbour Ring Huang Pu Centre, contributed stable rental income and maintained high average occupancy rates of over 96%

Outlook

Building on the strong foundations and diversified businesses established in 2005, the Group is in a strong and healthy position to grow all of the Group's businesses.

Sales of toy operation are expected to remain steady, and the business will over time benefit from the consolidation in the market. Management will continue to build its i. Tech brand and expand its market reach through further geographic penetration into Europe and Asia with a view to strengthen its revenue base. The licensing and sourcing operation, notably the cooperation with Warner Bros., will benefit from the anticipated expansion of retail sub-licensing and sales and distribution channels in China. The Group's recently acquired investment property in Shanghai will contribute a full year of rental income in 2006 providing substantial additional rental income to the Group.

In February 2006, Mr. Ko Yuet Ming became non-executive deputy chairman and Ms. Chan Wen Mee, May (Michelle) took up the post of managing director. I would like to thank Mr. Ko, as well as my fellow directors and all the Group's employees, for their professionalism, hard work, loyal support and dedication during 2005.

Fok Kin-ning, Canning
Chairman
Hong Kong, 8 March 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Note	**2005 HK$'000**	2004 HK$'000
Turnover			
Company and subsidiaries		**2,620,389**	2,602,017
Share of associates		**7,175**	8,501
		2,627,564	2,610,518
Company and subsidiaries			
Turnover	*2*	**2,620,389**	2,602,017
Cost of sales		**(2,292,810)**	(2,273,072)
Gross profit		**327,579**	328,945
Other revenue	*2*	**65,843**	59,210
Other net income		**113,054**	26,111
Administrative expenses		**(178,947)**	(147,948)
Selling and distribution costs		**(101,631)**	(68,634)
Operating profit	*3*	**225,898**	197,684
Share of profits less losses of associates		**(87)**	171
Earnings before interest expense and taxation		**225,811**	197,855
Finance costs	*4*	**(6,739)**	(8,061)
Profit before taxation		**219,072**	189,794
Taxation	*5*	**(26,509)**	(18,616)
Profit after taxation		**192,563**	171,178
Attributable to:			
Shareholders of the Company		**186,016**	162,883
Minority interests		**6,547**	8,295
		192,563	171,178
Dividend	*6*	**147,510**	134,100
Earnings per share for profit attributable to the shareholders of the Company	*7*	**2.77 cents**	2.43 cents

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2005

	Note	**2005** **HK$'000**	2004 HK$'000 (Restated)
Non-current assets			
Goodwill		**328,359**	-
Property, plant and equipment		**178,041**	174,091
Investment properties		**3,204,650**	681,130
Leasehold land and land use rights		**62,515**	63,899
Investments in associates		**6,025**	12,703
Held-to-maturity securities, listed		**-**	1,458,034
Available-for-sale financial assets		**218,394**	-
Non-trading securities		**-**	273
Loans receivable		**6,393**	8,762
Deferred tax assets		**14,613**	11,117
		4,018,990	2,410,009
Current assets			
Inventories		**381,551**	290,669
Trade receivables	8	**373,160**	351,582
Deposits, prepayments and other receivables		**110,477**	121,936
Loans receivable due within one year		**2,369**	2,770
Trading securities		**-**	7
Financial assets at fair value through profit and loss		**7**	-
Available-for-sale financial assets		**271,552**	-
Cash and bank deposits		**672,444**	585,271
		1,811,560	1,352,235
Current liabilities			
Trade payables	9	**276,767**	347,079
Other creditors and accruals		**455,991**	259,744
Bank loan wholly repayable within one year		**241,800**	-
Taxation		**67,685**	25,789
		1,042,243	632,612
Net current assets		**769,317**	719,623
Total assets less current liabilities		**4,788,307**	3,129,632
Non-current liabilities			
Deferred tax liabilities		**628,357**	48,303
Loans from minority shareholders		**39,386**	39,326
Convertible notes		**877,298**	-
Net assets		**3,243,266**	3,042,003
Equity			
Share capital		**670,500**	670,500
Reserves		**2,475,490**	2,280,192
Capital and reserves attributable to the Company's shareholders		**3,145,990**	2,950,692
Minority interests		**97,276**	91,311
Total equity		**3,243,266**	3,042,003

Notes:

1 Basis of preparation and accounting policies

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

In 2004, the Group has early adopted Hong Kong Accounting Standard ("HKAS") 36 "Impairment of Assets", HKAS 38 "Intangible Assets", HKAS 40 "Investment Property" and HKFRS 3 "Business Combinations". The adoption of these standards did not have material financial impact to the Group's profit for the year end 31 December 2004 except for the adoption of HKAS 40 which had resulted in an increase of HK$3,317,000 in the Group's profit for the year ended 31 December 2004.

In 2005, the Group adopted all of the remaining new / revised standards and interpretations of HKFRS, which are effective from the accounting period beginning on 1 January 2005. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

The Group has early adopted an amendment to HKAS 19 "Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures" issued up to the date of authorisation of these accounts.

At the date of authorisation of these accounts, the Group has not early adopted the following standards and interpretations which have been issued but are not yet effective:

HKAS 1 Amendment	Presentation of financial statements - capital disclosures
HKAS 21 Amendment	Net investment in a foreign operation
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 and HKFRS 4 Amendments	Financial guarantee contracts
HKFRS 1 and HKFRS 6 Amendments	First-time adoption of Hong Kong financial reporting standards and exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instruments: disclosures
HKFRS-Int 4	Determining whether an arrangement

	contains a lease
HKFRS-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC)-Int 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment
HK(IFRIC)-Int 7	Financial reporting in hyperinflationary economies

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

The effects of the adoption of the new / revised HKFRS on the Group's accounting policies and amounts disclosed in the accounts are summarised as follows:

(i) The adoption of HKAS 1 "Presentation of Financial Statements" has affected the presentation of minority interests and share of after-tax results of associates.

(ii) The adoption of HKAS 24 "Related parties disclosure" has affected the presentation of related parties transactions and amounts due from / to related parties.

(iii) The adoption of revised HKAS 17 has resulted in a change in accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to the operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is an impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at fair value or cost less accumulated amortisation and accumulated impairment.

(iv) The Company operates a share option scheme. In June 2005, the Company granted 123,750,000 share options to the Group's employees. HKFRS 2 "Share-based Payments" requires the Group to measure the fair value of the share options at the date of grant and recognise the amount as an expense over the relevant vesting periods. No share options were granted in prior years.

(v) The adoption of HKAS 32 "Financial Instruments: Disclosures and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Following the adoption of HKAS 32 and HKAS 39, the Group's investments in securities are classified into held-to-maturity securities, available-for-sale financial assets, financial assets at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Held-to-maturity securities are stated in the balance sheet at amortised cost. Interest income from held-to-maturity securities is calculated using the effective interest method. Available-for-sale financial assets are measured at fair value and changes in fair value are recognised in the investment revaluation reserve. Financial assets at fair value through profit and loss are measured at fair value and change in fair value are recognised in the profit and loss account. Loans and receivables are measured at amortised cost and the carrying amount of the asset is computed by discounting the future cash flows to the present value using the effective interest method.

In addition, HKAS 39 requires financial liabilities, except for those carried at fair value through profit or loss, to be carried at amortised cost using the effective interest method. Embedded derivatives should be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the derivative are not closely related to that of the host contract. Accordingly, the convertible notes issued by the Company at the date of issuance were split into the equity portion for the fair value of the conversion right by the noteholders, and the liability portion of the loan which is carried at amortised cost using effective interest method.

HKAS 39 does not require to recognise, derecognise and measure financial assets and liabilities in accordance with this accounting standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Investments in Securities" to investments in securities. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

(vi) The adoption of HKFRS 5 requires prospective application in accordance with the provisions of the standard. The adoption of HKFRS 5 has resulted in a change in the accounting policy for non-current assets (or disposal groups) held for sales. The non-current assets (or disposed groups) held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets (or disposal groups) held for sale or for continuing use.

(vii) The early adoption of the amendment to HKAS 19 has no material financial effect on the results of the Group.

(viii)The effects of changes in accounting policies on the consolidated balance sheets are as follows:

	Effect of adopting			
At 31 December 2005	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 32 and HKAS 39 HK$'000	Total HK$'000
Decrease in property, plant and equipment	(62,515)	-	-	(62,515)
Increase in leasehold land and land use rights	62,515	-	-	62,515
Increase in deferred tax assets	-	1,228	-	1,228
Decrease in available-for-sale financial assets	-	-	(2,368)	(2,368)
Decrease in held-to-maturity securities, listed	-	-	(1,209)	(1,209)
Increase/(decrease) in net assets	-	1,228	(3,577)	(2,349)
Increase in employee share-based compensation reserve	-	7,016	-	7,016
Decrease in investment revaluation reserve	-	-	(2,368)	(2,368)
Decrease in retained profits	-	(5,788)	(1,209)	(6,997)
Increase/(decrease) in equity	-	1,228	(3,577)	(2,349)

Upon adoption of HKAS 39 on 1 January 2005, the opening retained profits was decreased by HK$3,111,000, representing the understatement of amortisation of held-to-maturity securities in prior years as if the held-to-maturity securities were amortised using effective interest method since acquisition.

	Effect of adopting			
At 31 December 2004	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 32 and HKAS 39 HK$'000	Total HK$'000
Decrease in property, plant equipment	(63,899)	-	-	(63,899)
Increase in leasehold land and land use rights	63,899	-	-	63,899
Change in net assets	-	-	-	-

(ix) The change in accounting policies did not have material financial impact to the results and earnings per share for the year ended 31 December 2004. The effects of changes in accounting policies on the consolidated profit and loss for the year ended 31 December 2005 are as follows:

	Effect of adopting			
Year ended 31 December 2005	HKAS 17 HK$'000	HKFRS 2 HK$'000	HKAS 32 and HKAS 39 HK$'000	Total HK$'000
Increase in staff costs and related expenses	-	(7,016)	-	(7,016)
Decrease in deferred tax	-	1,228	-	1,228
Increase in amortisation of leasehold land and land use rights	(1,848)	-	-	(1,848)
Decrease in depreciation of property, plant and equipment	1,848	-	-	1,848
Decrease in amortisation of held-to-maturity securities	-	-	1,902	1,902
(Decrease)/increase in profit for the year	-	(5,788)	1,902	(3,886)

2 Turnover and segment information

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

	2005	2004
	HK$'000	HK$'000
Turnover		
Sales of goods	**2,551,352**	2,555,102
Rental and service income from investment properties	**69,037**	46,915
	2,620,389	2,602,017
Other revenue		
Interest income	**65,843**	59,210
Total revenues	**2,686,232**	2,661,227

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

Primary segment information by business:

	Year ended 31 December 2005					
	Toy operation HK$'000	Technology operation HK$'000	Licensing and sourcing operation HK$'000	Property operation HK$'000	Elimination HK$'000	Group HK$'000
Turnover						
Company and subsidiaries						
- External sales	1,833,653	620,990	96,709	69,037	-	2,620,389
- Inter-segment sales	16,062	5,581	2,004	-	(23,647)	-
	1,849,715	626,571	98,713	69,037	(23,647)	2,620,389
Share of associates	7,175	-	-	-	-	7,175
	1,856,890	626,571	98,713	69,037	(23,647)	2,627,564
Segment results						
Company and subsidiaries	55,153	14,803	(2,998)	118,216	(413)	184,761
Other corporate income and expenses						41,137
Operating profit						225,898
Share of profits less losses of associates	321	-	-	(408)		(87)
Earnings before interest expense and taxation	55,474	14,803	(2,998)	117,808		225,811
Finance costs						(6,739)
Taxation						(26,509)
Profit for the year						192,563
Segment assets	887,990	444,792	34,625	3,909,718		5,277,125
Investments in associates	6,025	-	-	-		6,025
Deferred tax assets	10,346	433	3,834	-		14,613
Unallocated assets						532,787
Total assets						5,830,550
Segment liabilities	319,287	116,138	10,760	495,608		941,793
Loans from minority shareholders	7,185	-	-	39,386		46,571
Taxation	278	1,427	1,038	64,942		67,685
Deferred tax liabilities	355	-	395	627,607		628,357
Unallocated liabilities						902,878
Total liabilities						2,587,284
Capital expenditure	(26,253)	(15,062)	(721)	(477)		(42,513)
Depreciation	(31,438)	(8,865)	(221)	(219)		(40,743)
Amortisation on leasehold land and land use rights	(1,791)	-	-	(57)		(1,848)
Gain on disposal of investment properties	-	-	-	27,876		27,876
Increase in fair value of investment properties	-	-	-	32,208		32,208
Gain on liquidation of a subsidiary	6,440	-	-	-		6,440

	Year ended 31 December 2004					
	Toy operation HK$'000	Technology operation HK$'000	Licensing and sourcing operation HK$'000	Property operation HK$'000	Elimination HK$'000	Group HK$'000
Turnover						
Company and subsidiaries						
- External sales	1,780,645	636,939	137,518	46,915	-	2,602,017
- Inter-segment sales	29,445	4,177	768	-	(34,390)	-
	1,810,090	641,116	138,286	46,915	(34,390)	2,602,017
Share of associates	8,501	-	-	-	-	8,501
	1,818,591	641,116	138,286	46,915	(34,390)	2,610,518
Segment results						
Company and subsidiaries	63,828	51,969	1,557	64,900		182,254
Other corporate income and expenses						15,430
Operating profit						197,684
Share of profits less losses of associates	440	-	-	(269)		171
Earnings before interest expense and taxation	64,268	51,969	1,557	64,631		197,855
Finance costs						(8,061)
Taxation						(18,616)
Profit for the year						171,178
Segment assets	1,005,774	263,164	29,375	806,837		2,105,150
Investments in associates	5,662	-	-	7,041		12,703
Deferred tax assets	9,867	-	1,250	-		11,117
Unallocated assets						1,633,274
Total assets						3,762,244
Segment liabilities	369,411	148,660	12,031	56,703		586,805
Loans from minority shareholders	7,035	-	-	39,326		46,361
Taxation	(168)	3,179	786	21,992		25,789
Deferred tax liabilities	747	235	-	47,321		48,303
Unallocated liabilities						12,983
Total liabilities						720,241
Capital expenditure	(39,284)	(12,689)	(609)	(84)		(52,666)
Depreciation	(33,460)	(9,343)	(218)	(688)		(43,709)
Amortisation on leasehold land and land use rights and impairment	(2,738)	-	-	(81)		(2,819)
Gain on disposal of investment properties	-	-	-	6,227		6,227
Increase in fair value of investment properties	-	-	-	11,490		11,490

Secondary segment information by geographical location:

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

	Turnover 2005 HK$'000	Segment results 2005 HK$'000	Total assets 2005 HK$'000	Capital expenditure 2005 HK$'000
United States	1,185,897	10,966	168,716	-
Europe	491,163	10,516	94,137	2,637
Mainland China	127,099	118,494	4,434,437	36,769
Hong Kong	139,908	16,764	503,852	3,107
Japan	147,740	5,594	22,576	-
Korea	308,615	13,410	43,129	-
Other regions	219,967	9,017	10,278	-
	2,620,389	184,761	5,277,125	42,513
Other corporate income and expenses		41,137		
Operating profit		225,898		
Investments in associates			6,025	
Deferred tax assets			14,613	
Unallocated assets			532,787	
Total assets			5,830,550	

	Turnover 2004 HK$'000	Segment results 2004 HK$'000	Total assets 2004 HK$'000	Capital expenditure 2004 HK$'000
United States	1,084,302	26,317	289,655	-
Europe	466,564	19,801	24,604	-
Mainland China	103,518	69,499	1,359,613	48,500
Hong Kong	190,628	16,821	348,465	4,038
Japan	448,740	33,773	45,823	128
Korea	117,580	10,008	28,115	-
Other regions	190,685	6,035	8,875	-
	2,602,017	182,254	2,105,150	52,666
Other corporate income and expenses		15,430		
Operating profit		197,684		
Investments in associates			12,703	
Deferred tax assets			11,117	
Unallocated assets			1,633,274	
Total assets			3,762,244	

3 Operating profit

	2005	2004
	HK$'000	*HK$'000*
Operating profit is stated after crediting and charging the following:		
Crediting		
Gain on liquidation of a subsidiary	**6,440**	-
Gain on disposal of investment properties	**27,876**	6,227
Gain on disposal of available-for-sale financial assets	**11,890**	-
Gain on disposal of an associate	**4,876**	3
Gain on disposal of non-trading securities	**-**	4,000
Increase in fair value of investment properties	**32,208**	11,490
Written back of provision of convertible notes	**22,455**	-
Charging		
Cost of inventories sold	**2,279,642**	2,263,080
Depreciation	**40,743**	43,709
Amortisation of leasehold land and land use rights and impairment	**1,848**	2,819

4 Finance costs

	2005	2004
	HK$'000	HK$'000
Interest on bank overdrafts	**31**	255
Interest on bank loan (wholly repayable within one year)	**1,090**	-
Interest on loans from minority shareholders (not wholly repayable within five years)	**1,497**	7,806
Interest on convertible notes	**4,121**	-
	6,739	8,061

5 Taxation

	Current taxation HK$'000	**Deferred taxation HK$'000**	**2005 Total HK$'000**	Current taxation HK$'000	Deferred taxation HK$'000	2004 Total HK$'000
Hong Kong	**369**	**(1,703)**	**(1,334)**	8,554	1,597	10,151
Outside Hong Kong	**26,623**	**1,220**	**27,843**	3,900	4,565	8,465
	26,992	**(483)**	**26,509**	12,454	6,162	18,616

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong has been provided for on the estimated assessable profits at applicable rate ruling in relevant countries.

In 2005, Macau enacted a change in the profits tax rate from 15.75% to 12% applicable starting from the year ended 31 December 2004.

6 Dividend

	2005 ***HK$'000***	2004 *HK$'000*
Final dividend proposed - HK2.2 cents per ordinary share (2004: HK2.0 cents)	**147,510**	134,100

At a meeting held on 8 March 2006, the directors declared a final dividend of HK2.2 cents per ordinary share. The amount of proposed final dividend for 2005 is based on 6,705,000,263 shares issued at 31 December 2005. 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 2006.

The amount of proposed final dividend for 2004 was based on 6,705,000,263 shares issued at 31 December 2004 and the amount paid of HK$134,100,000 was based on 6,705,000,263 shares issued and recorded on the Register of Members of the Company on 17 May 2005.

7 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK$186,016,000 (2004: HK$162,883,000) and 6,705,000,263 (2004: 6,705,000,263) ordinary shares in issue during the year.

The employee share options and the convertible notes outstanding as at 31 December 2005 did not have a material dilutive effect on earnings per share.

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:

	2005	2004
	HK$'000	HK$'000
0-30 days	**188,203**	175,498
31-60 days	**124,262**	97,838
61-90 days	**32,936**	50,820
Over 90 days	**27,759**	27,426
	373,160	351,582

9 Trade payables

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

	2005	2004
	HK$'000	HK$'000
0-30 days	**171,873**	193,255
31-60 days	**76,054**	108,400
61-90 days	**15,738**	19,091
Over 90 days	**13,102**	26,333
	276,767	347,079

REVIEW OF OPERATIONS

FINANCIAL OVERVIEW

The Group's consolidated turnover for 2005 was HK$2,620.4 million, representing an increase of 0.7% over 2004. Toy manufacturing remained the primary contributor to the Group's turnover, accounting for 70.0% of total turnover in 2005. The reliance on the toy operations is expected to decrease in 2006 and beyond with the recent purchase of The Center, a commercial property in Shanghai. The Group recorded an audited consolidated profit attributable to shareholders of HK$186.0 million for the year ended 31 December 2005 compared to HK$162.9 million for 2004, an increase of 14.2%.

The Group's toys and property operations continue to provide a good business base, while the Group is establishing new avenues for expansion of its technology and licensing and sourcing operations. The Group's earnings before interest expense and taxation ("EBIT") also benefited from the annual revaluation of its properties in Shanghai, profits from the disposal of certain properties, as well as a gain on disposal of an overseas internet B2B investment.

Toy Operation

The toy operation continued to contribute the bulk of the Group's revenues and recurrent profit. Turnover for the year grew slightly by 3.0% to HK$1,833.7 million, while EBIT decreased by 13.7% to HK$55.5 million.

The EBIT decline was mainly attributable to rising labour costs, exacerbated by the appreciation in Renminbi during the year. Higher labour costs have affected all manufacturers in southern China reflecting tightness in the labour market and a substantial increase in the statutory minimum wages that came into effect in the Pearl River Delta region during the year. Increasing price competition has also affected margins.

Management focuses on reducing operating costs. In January 2006, the toy operation completed the consolidation of the four factories in Guangdong province into three factories, thereby freeing up the remaining factory for the expansion of the technology operation as well as yielding substantial savings to the toy operation.

Despite the continuing rise in raw material costs, notably plastics, the operation was able to minimise the adverse impact by adjusting the pricing for new products and sharing the material costs fluctuations with customers on on-going projects. In order to control costs of raw materials and components, management continues to work on strengthening its central procurement function. .

The toy operation, as an original equipment manufacturing ("OEM") supplier to some of the world's leading brand names and niche players in the toy industry, relies on its reputation for quality, service, timeliness and cost-effectiveness to maintain its competitive advantage. Management endeavours to continue providing quality services to customers. During the year, the Group achieved a major milestone in this regard by gaining the Seal of Compliance from the International Council of Toy Industries in the United States.

Technology Operation

The technology operation entered a phase of increased, yet prudent investment in its brand-building and overseas expansion in 2005, while consolidating its leadership in Bluetooth® accessories. The operation experienced a slight drop in turnover by 2.5% from HK$636.9 million in 2004 to HK$621.0 million in 2005. EBIT declined to HK$14.8 million as a result of the increased investment in marketing and the set up of overseas subsidiaries.

Bluetooth® sales and the i.Tech brand benefited from the overall expansion of the mobile telecommunications market. Despite new competitors entering the market, the Group's technology, strong design capability and reputation, as well as growing i.Tech brand awareness, enabled it to compete effectively.

In preparing for a major expansion in the Europe, Middle East and Africa ("EMEA") markets, a service company was set up in the UK, with geographic coverage in over 20 cities. A distribution company was also set up in Milan, Italy, in mid-2005 to develop the Italian market. In September 2005, the Group signed a contract to be the exclusive distributor of "3" branded mobile phone accessories to designated resellers of the 3 Italia services of Hutchison Group, which commenced contributing revenues to the Group from the fourth quarter of 2005.

The award-winning Virtual Keyboard was enhanced to a Bluetooth® capable version. During the year, the Group successfully became one of the first companies to introduce Bluetooth® stereo headphones to the market. Aided by strong R&D capabilities, management continues to strive to diversify its product offerings to match with the pace of technological changes and retain its competitive edge. For instance, an initial successful launch of digital audio broadcast radio and portable media player represents a cornerstone for the Group in the development of digital multimedia products. The technology operation also continued to add to its roster of certifications from handset manufacturers and network operators.

In Asia, the Group is strengthening its working relationship with its mobile phone producer partners in Japan and Korea, including LG. The Group is extending the network of distributors to eastern and southern China by co-operating with major local corporations, handset manufacturers and network operators. In Hong Kong, the distributorship was reorganised and the awareness of the i.Tech brand was effectively raised through successful promotional campaigns.

Licensing and Sourcing Operation

Established in 2004, the operation is focusing on consolidating its sourcing businesses and preparing for the roll-out of retail operations during the year, and as a result, a loss before interest and taxation ("LBIT") of HK$3.0 million was recorded during the year, compared with an EBIT of HK$1.6 million in 2004.

The brand licensing arrangement with Warner Bros., mainly covering licensing, product sourcing and retail sub-licensing in Hong Kong, Mainland China and Macau, continued to develop well. Significant effort was made in preparing for the opening in January 2006 of the flagship store in Shanghai, which will form the template for developing its brand licensing, retail sub-licensing and product distribution businesses across the Mainland.

Property Operation

Turnover for the year at the Group's property operation was HK$69.0 million, while EBIT was HK$117.8 million, which are 47.2% and 82.3% higher than in 2004 respectively. During 2005, the Group disposed of certain smaller properties in Shenzhen, Macau and Shanghai, realising a total gain of HK$27.9 million. In addition, a surplus of HK$32.2 million arose from the revaluation of remaining properties was recorded. Excluding these two items, EBIT of the property division rose 23.0% over the recurrent income of 2004 to HK$57.7 million, reflecting the higher rental income received during the year.

The commercial property market in Shanghai continued to grow in 2005. As a result, the Group's two existing properties, Harbour Ring Plaza and Harbour Ring Huang Pu Centre, achieved satisfactory occupancy rates of over 96%, which together with rising rental levels, increased EBIT.

Encouraged by the prospects in the Shanghai properties market and in order to further diversify the Group's operations toward more stable, less cyclical operations, the Group acquired The Center, a new Grade A commercial property in Shanghai for a total consideration of HK$2,191.9 million. Constructed in 2004, The Center is an office tower with a gross floor area of 98,337 square metres with underground carparking facilities and a clubhouse adjacent to it. It was fully let on acquisition with satisfactory rental rates and started contributing additional rental income to the Group during the final quarter of 2005.

Capital Resources and Liquidity

The Group's total borrowings at 31 December 2005 were HK$1,165.7 million (2004: HK$46.4 million). In November 2005, the Group raised US$128.2 million through the issuance of 2% convertible notes to a subsidiary of Hutchison Whampoa Limited. The proceeds were used to fund the acquisition of The Center. These notes are due in November 2010 and, if converted, would raise Hutchison Group's interest in the Group from approximately 62% to approximately 67%.

At the end of 2005, cash and cash equivalents together with other liquid listed investments totalled HK$1,153.4 million, compared to HK$2,043.3 million at the end of 2004.

Treasury Policies

As at 31 December 2005, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Charges and Contingent Liabilities

At 31 December 2005, the available-for-sale financial assets of HK$360.7 million were pledged to a bank to secure banking facilities of HK$300.0 million, of which HK$241.8 million has been drawn down. In addition certain of the shares of and loans to the Group's subsidiaries which have interests in The Center were pledged to the Hutchison Group as security for the convertible notes recently issued as mentioned above.

The Group had provided guarantees for mortgage loan facilities granted to purchasers of the Group's properties in China amounting HK$19.1 million as at 31 December 2005 (2004: HK$0.7 million).

Human Resources

Excluding associated companies, the Group employed 23,856 people at the end of 2005. Total employee costs for the year, including directors' emoluments, amounted to HK$491.7 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.

The Group places considerable emphasis on training and ensures employees have the skills training they need to be able to contribute towards achieving common goals.

Outlook

The Group is confident that the investments it has made in expanding and diversifying its operations in 2005 will bring rewards in 2006.

The Group's strong position in the toys market will be reinforced by the trend toward consolidation and its ability to meet customer expectations for quality, services, timeliness, cost-effectiveness and operational compliance. The Group continues to enhance its design capability, to offer a "one-stop-shop" solution to its OEM customers and achieve higher margins through adding more value in the production process.

The technology operation will benefit from the enlarged distribution network now in place, the continuing expansion of mobile telecommunications market and the rise in the adoption of Bluetooth® technology by consumers. The Group is exploring co-operation similar to that with 3 Italia with other Hutchison Group's companies. In addition to existing markets, the Group will also focus on China, Japan and Korea in 2006 to begin promotion of Bluetooth® products. The Group will invest further in the i.Tech brand and in the development of more advanced wireless technology and digital multimedia products, with a view to staying at the forefront of technology. This will in turn allow the Group to improve margins.

The licensing and sourcing operation will see results flowing from the opening of its flagship store in Shanghai in January 2006. This will allow the Group to build quickly towards a network of retail sub-licensees across China, aggregating significant volumes. Licensing and sourcing arrangements with other parties are being explored.

The strong economic growth in the China is expected to result in continuing high occupancy rates and rental levels for the Group's three investment properties in Shanghai, providing strong and steady earnings and cashflow.

Review of Accounts

The Audit Committee, which is chaired by an independent non-executive director and currently has a membership comprising two independent non-executive directors and one non-executive director, has reviewed with management and approved the consolidated accounts for the year ended 31 December 2005. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

During the year ended 31 December 2005, 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.

Code on Corporate Governance Practices

The Company has been fully compliant with all code provisions of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2005.

Annual General Meeting

It is proposed that the Annual General Meeting of the Company will be held on 10 May 2006. 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)*
Mr. LUK Tei, Lewis *(Deputy Chairman)*
Ms. CHAN Wen Mee, May (Michelle) *(Managing Director)*
Mrs. CHOW WOO Mo Fong, Susan
Mr. CHOW Wai Kam, Raymond
Ms. Edith SHIH
Mr. ENDO Shigeru
Mr. TAM Yue Man

Non-executive Directors:

Mr. KO Yuet Ming *(Deputy Chairman)*
Mr. Ronald Joseph ARCULLI

Independent Non-executive Directors:
Mr. KWAN Kai Cheong
Dr. LAM Lee G.
Mr. LAN Hong Tsung, David

Chan Wen Mee, May (Michelle)
Managing Director

Hong Kong, 8 March 2006

** for identification purpose only*

A member company of
Hutchison Whampoa Limited