

Chairman's Statement

FINANCIAL RESULTS

Hutchison Harbour Ring Limited ("the Company") and its group companies ("the Group") recorded an audited consolidated profit attributable to shareholders of HK\$105.1 million for the year ended 31 December 2002 compared to HK\$680.6 million for 2001. The 2001 profits included a one-time write-back of a provision of HK\$967.6 million relating to the Group's toy and property subsidiaries. Excluding this one-time write-back, 2002 results improved by HK\$392.1 million over the previous year reflecting the strategy adopted in late 2001 to focus on its core expertise in manufacturing and property operations. Earnings per share for 2002 were HK1.87 cents (2001 - HK12.16 cents).



Zhongshan International Toys Ltd.

DIVIDEND

The Directors have decided to recommend the payment of a final dividend of HK1.5 cents per share in respect of 2002 (2001 - HK1.5 cents per share), to shareholders whose names appear on the Register of Members of the Company on 19 May 2003. The proposed dividend will be paid on 20 May 2003 following approval at the Annual General Meeting.

BUSINESS REVIEW

In 2002, the Group achieved satisfactory results and continued to consolidate its position as a leading toy manufacturer. A new technology operation ("Technology Division") was established in early 2002 to manufacture high quality technology products, a growing market segment.

In 2002, the Group's toy operation reported profits in line with management's expectation, in spite of a difficult global operating environment characterised by subdued consumer demand in key toy markets. During the year, the Group focused on consolidating market share and expanding product diversity.

The Technology Division was created to spearhead the design, manufacturing, marketing and sales of high-value-added technology products. The new division expands the Group's product portfolio to include mobile handset accessories, digital cameras for mobile phones, computer peripherals, MP3 players and FM radios. This opens up new markets and creates an opportunity for the Group to counterbalance the seasonal fluctuations pertaining to the toy market.



Assembly lines

Chairman's Statement

(Continued)

The Group has also broadened its scope of operations to enhance original design manufacturing ("ODM"), representing an evolution towards a greater level of customisation and product differentiation.

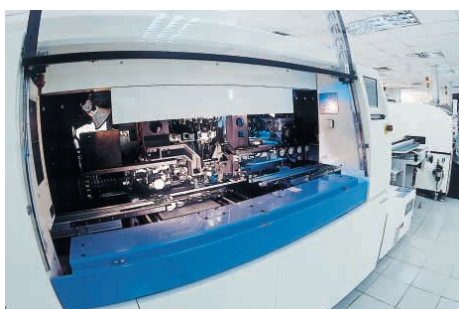
The Group's rental income from the property investment portfolio in Mainland China grew by 10% in 2002 reflecting the increase in both occupancy rate and average rental rate on new tenancy agreements. As a result of satisfactory occupancy levels, the Group's office and retail properties in Shanghai generated stable income. During the year, the Group disposed of all its property investments in Shaoxing at a profit.



Harbour Ring Plaza,
Shanghai

OUTLOOK

Global economic conditions continue to be affected by uncertainties and international conflict, particularly in the Middle East. These factors may prolong lacklustre growth in our primary markets and perpetuate price fluctuations in oil-based materials such as plastics, which are primary raw materials of the Group's manufacturing operations. 2003 is expected to be another challenging year.



SMT Mounting Line

The Group's sustained focus and core expertise, coupled with the expansion and diversification of operations into leisure and technology products as well as value-added services, encourage confidence in the long-term business prospects. Looking ahead, the toy and technology operations will continue

to build on its core expertise. Ample production capacity, well-equipped production facilities and a solid customer base put the Company in a strong position to further enhance its market share and competitiveness in providing high-quality original equipment manufacturing and ODM products and services. The Group will continue to work closely with its parent company, Hutchison Whampoa Limited, to expand the business into key markets and establish strategic alliances with technology partners to upgrade design capabilities.

With its core manufacturing strengths and a strong balance sheet, I believe the Group is well positioned to seize opportunities to achieve sustained growth in the future. I would like to thank all members of the Board of Directors and our staff for their hard work and dedication over the past year, and also our shareholders and business partners for their continued support.

Fok Kin-ning, Canning

Chairman

Hong Kong, 18 March 2003