



ICG Asia Limited

(Incorporated in Bermuda with limited liability)

Interim Results Announcement for the six months ended 30 June 2001

(Unless otherwise stated, all amounts are stated in Hong Kong dollars)

RESULTS

The Group's unaudited loss attributable to shareholders for the six months ended 30 June 2001 amounted to \$104.8 million compared to a loss of \$1,007.7 million in the same period last year. The loss per share amounted to 1.88 cents compared to 34.4 cents in the same period last year.

DIVIDEND

Your Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

OPERATIONS

Turnover of the Group for the period was \$19.9 million, a decrease of 94% compared with \$330.6 million in the same period last year. Turnover for the first six months of 2001 was derived mainly from customer relationship management consulting services and sale of hardware and network infrastructure services by subsidiaries of the Company in Singapore whereas the turnover in 2000 represented the results of the Group's subsidiaries holding the businesses of manufacturing and trading of toys and accessories and property development (the "toys and property subsidiaries") for the period from 1 January to 3 May 2000. Consistent with the prior year, the results of the toys and property subsidiaries have not been included in the Group's consolidated operating results. The loss attributable to shareholders of the Group for the period was \$104.8 million (2000: \$1,007.7 million) mainly comprised of operating losses of \$35 million, the Group's share of profits less losses of associates of a loss of \$6.3 million, amortisation of goodwill and intangible assets of \$14.1 million and a loss of \$49.4 million related to the Group's disposal of a 33.05% interest in MegaVillage.com Holdings Limited ("MegaVillage").

The progress of the Internet B2B businesses is detailed below.

- Breakaway Solutions Asia Pacific Ltd ("BSAP"), incorporated in Bermuda and having a branch office in Singapore, is an e-business solution provider offering consulting and technology services in Singapore. On 26 June 2001, the Group entered into a share purchase agreement with Breakaway Solutions, Inc., which was completed in July resulting in the acquisition of a 19.9% shareholding in BSAP for US\$500,000 (approximately \$3.9 million). Subsequent to the purchase, the entire issued share capital of BSAP is held by the Group.
- Whizz-Work Holdings Ltd ("Whizz-Work"), incorporated in British Virgin Islands and having a subsidiary in Singapore, provides network infrastructure services and hardware reselling. On 23 March 2001, the Group acquired 75% of Whizz-Work for approximately \$56.2 million. The consideration was satisfied by a payment of \$38.2 million in cash and the issue and allotment of approximately 59.5 million shares of the Company at \$0.302 each.
- ICG Japan K.K. is principally engaged in the investment in and operation of B2B technology-related businesses in the IT sector in Japan. On 21 February 2001, the Group entered into an Asset Purchase Agreement with Internet Capital Group, Inc. ("ICGI") and Internet Capital Group Japan K.K. to acquire the non-cash assets and business of ICG Japan K.K. Cash consideration of Japanese Yen 527,741,819 (approximately \$33 million) was paid to ICGI in August 2001 on completion of the purchase.
- MegaVillage is an Internet based sourcing agent for multinational companies in light consumer product industries in Hong Kong. On 22 June 2001, the Group entered into a restructuring agreement with MegaVillage, pursuant to which MegaVillage repurchased certain MegaVillage shares held by the Group, and as a result the Group's shareholding in MegaVillage was reduced from 52.95% to 19.9%. The restructuring was completed on 29 June 2001. As a result, a loss of \$49.4 million was recorded on disposal of the equity interest and the related portion of goodwill. The share of the profits less losses of associates includes a loss of \$6.3 million which represents the Company's share of operating losses of MegaVillage from 1 January to 29 June 2001.
- The Group has an interest of approximately 5% in FreeBorders, Inc. ("FreeBorders") which provides solutions to integrate design, sourcing, and delivery applications for the international soft goods industry in Hong Kong. Pursuant to a merger agreement with Animated Image, Inc. entered into by the Group in November 2000, the Group subscribed for convertible notes totalling US\$2,500,000 (approximately \$19.5 million) in April and July 2001. The convertible notes bear interest at a prime rate charged by a leading bank in the U.S. and are convertible into preferred stock of FreeBorders at the option of the Group.

Manufacturing and trading of toys and property investments:

- Certain of the Group's subsidiaries manufacture and trade toys with production facilities in Dongguan, Panyu & Zhongshan and certain other subsidiaries hold property investments mainly in Shanghai and Shaoxing, Mainland China. Under a put option deed dated 9 March 2000 (as amended by supplemental deed dated 29 March 2000) (the "Put Option Deed") entered into between the Company and Shamrock Green Limited ("Shamrock"), the Company is entitled to require Shamrock to acquire all, but not part, of the toys and property subsidiaries for approximately \$225,413,000 at any time before 3 May 2002, subject to certain provisions for extension as set out in the Put Option Deed. The Company's controlling shareholder, Hutchison Whampoa Limited ("Hutchison"), has a 50% indirect interest in Shamrock. The other 50% interest in Shamrock is owned by two companies which are controlled by Dr. Luk Chung Lam, currently the Co-chairman of the Company and, prior to 4 May 2000, the Chairman. The obligations of Shamrock under the Put Option Deed are guaranteed by Hutchison. In addition, under a Management Services Agreement dated 28 April 2000 (the "MSA") entered into between the Company and Dr. Luk Chung Lam, Messrs. Ko Yuet Ming, Tam Yue Man and Luk Tei, Lewis, Harbour Ring Group Limited ("HRG"), a company controlled by the former substantial shareholders of the Company, agreed from 4 May 2000 to provide management services to the toys and property subsidiaries and the Company gave HRG the exclusive right to manage and operate the toys and property subsidiaries, including without limitation control of the dividend policies from that date. The MSA will be terminated by the Company on the exercise or the lapse of the Put Option Deed. To date, the Company has not exercised the put option.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and deposits for the Group at 30 June 2001 amounted to \$1,262.4 million. At 30 June 2001, the Group's total outstanding loans amounted to \$1.5 million. The Group continues to maintain a healthy balance sheet with total net assets of \$1,574.5 million at 30 June 2001 (2000: \$1,666.2 million).

TREASURY POLICIES

At 30 June 2001, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CONTINGENT LIABILITIES

At 30 June 2001, the Company had guaranteed banking facilities of \$50 million extended to the toys and property subsidiaries. The Group's contingent liabilities have not significantly changed from the last year-end date.

EMPLOYEES

During the six months ended 30 June 2001, the Group consistently maintained remuneration policies which are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employee. The Group's total remuneration costs for the six months ended 30 June 2001, excluding directors' fees, amounted to \$38.2 million. As at 30 June 2001, the Group employed 124 permanent staff excluding the toys and property subsidiaries. The Company's employee share option scheme expired in June 2001.

AUDIT COMMITTEE

The Audit Committee of the Board, consisting of two independent non-executive directors, has reviewed this Interim Report with management and the Company's external auditors and recommended its adoption by the Board.

The Interim Accounts, which are prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting", have been reviewed by the Company's independent auditors KPMG in accordance with Statement of Auditing Standards 700 "Engagements To Review Interim Financial Reports". A report of their review will be included in the Interim Report to Shareholders.

OUTLOOK

Currently, a review is being conducted of the financial position and business prospects of the toys and property subsidiaries with a view to continuing the existing businesses. In addition, a review of the financial position and operations of the Internet B2B investments is being conducted. Currently there is no immediate specific plan for any redeployment of the fixed and other assets of the Group and it is envisaged that the Group will continue its existing businesses until the completion of these reviews whereupon completion the Board of Directors will decide on the future strategic direction of the Group.

Notice has been issued to convene a special general meeting on 25 September 2001 to change the Company's name to "Hutchison Harbour Ring Limited".

We would like to thank all the members, past and present, of the Board of Directors and our staff for their hard work and dedication, and also our shareholders for their continued support.

Consolidated profit and loss account for the six months ended 30 June 2001 — unaudited

		Six months ended 30 June	
	Note	2001 \$'000	2000 \$'000 (restated)
Turnover	1	19,904	330,566
Cost of sales		(17,262)	(297,092)
Gross profit		2,642	33,474
Other revenue		33,408	32,060
Distribution costs		—	(12,534)
Administrative expenses		(74,603)	(53,071)
Amortisation of goodwill and intangible Assets		(14,139)	—
Share of profits less losses of associates		(6,251)	645
Loss on partial disposal of an associate	2	(49,413)	—
(Loss)/profit from operations		(108,356)	574
Impairment loss in respect of interest in the toys and property subsidiaries		—	(1,018,148)
Finance costs		(26)	(322)
Loss before taxation	3	(108,382)	(1,017,896)
Taxation	4	(304)	10,382
Loss after taxation		(108,686)	(1,007,514)
Minority interests		3,904	(225)
Loss attributable to shareholders		(104,782)	(1,007,739)
Loss per share	6		
Basic		(1.88 cents)	(34.4 cents)

Notes:

1. Segmental information

The analysis of the principal activities and geographical location of the operations of the Company and its subsidiaries for the six months ended 30 June 2001 are as follows:

	Group turnover		Contribution to gross profit	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Sales of toys and accessories	—	321,239	—	26,793
Gross rentals from investment properties	—	9,327	—	6,681
Sales of computer hardware and software and other service income	<u>19,904</u>	<u>—</u>	<u>2,642</u>	<u>—</u>
	<u><u>19,904</u></u>	<u><u>330,566</u></u>	<u><u>2,642</u></u>	<u><u>33,474</u></u>

All the Group's turnover during the period was generated in Asia.

2. Loss on partial disposal of an associate

During the six months ended 30 June 2001, the Company sold a portion of its shareholding in MegaVillage.com Holdings Limited ("MegaVillage") to MegaVillage. As consideration for the repurchase, MegaVillage waived the Company's US\$5 million commitment to fund MegaVillage. From the date of the completion of sale on 29 June 2001 and the resignation of certain directors of the Company from MegaVillage's board, the directors of the Company consider that the Company and the Group no longer have significant influence over the operations of MegaVillage. The remaining 19.9% interest in MegaVillage has therefore been accounted for as non-trading securities from the date of the sale.

A loss of \$49,413,000 was charged to the profit and loss account for the period on disposal of these shares, which includes the write-off of the related portion of goodwill on acquisition and losses in respect of the related portion of treasury shares.

3. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2001	2000
	\$'000	\$'000
Staff costs	38,207	67,547
Operating lease charges in respect of properties	6,150	12,154
Depreciation	<u>3,727</u>	<u>16,167</u>

4. Taxation

	Six months ended 30 June	
	2001	2000
	\$'000	\$'000
Hong Kong taxation	—	(10,566)
Overseas taxation	<u>304</u>	<u>—</u>
	304	(10,566)
Share of associates' taxation	<u>—</u>	<u>184</u>
	<u><u>304</u></u>	<u><u>(10,382)</u></u>

Provision for Hong Kong taxation is calculated at the rate of 16% (2000: 16%) of the estimated assessable profits for the six months ended 30 June 2001. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

5. Dividends

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2001 (2000: nil per share).

6. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of \$104,782,000 (2000: \$1,007,739,000) and the weighted average of 5,584,030,000 ordinary shares (2000: 2,933,153,000) in issue during the period.

(b) Diluted loss per share

No diluted loss per share figures have been presented for 2001 or 2000 as the exercise of the Company's three outstanding share warrants which entitle the holders to subscribe in cash for up to 1,095,000,000 new ordinary shares of the Company would be anti-dilutive.

PUBLICATION OF FURTHER INFORMATION

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") will be published on the Exchange's website in due course.

By Order of the Board
Edith Shih
Director and Company Secretary