

*(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 \$35.0 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 Limited ("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 Limited ("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 \$33.0 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\$2.5 million (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".

## 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 the Board of Directors will decide on the future strategic direction of the Group.

Notice has been issued to convene a special general meeting of the Company 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.

By the order of the Board  
**Edith Shih**

*Director and Company Secretary*

Hong Kong, 21 September 2001