

Review of Operations

Operating Results

The results for the year ended 31 December 2000 reflected the results deriving from the Company's toy and property operations and the start-up costs associated with the new e-commerce businesses. Between 1 January 2000 and 3 May 2000, margins on toy sales decreased from prior years due to increases in plastic costs, capacity expansion in the PRC and provision for taxes.

Pursuant to the Management Services Agreement entered into on 28 April 2000 (the "MSA"), the Company granted to Harbour Ring Group Limited and its former executive directors the exclusive right to manage, operate and control the toy and property operations. Under applicable accounting standards, the Company has not included the toy and property operations in its consolidated results of operations since 4 May 2000, the effective date of the MSA. The Company's results for the period from 4 May 2000 through 31 December 2000 reflected the funding of the new subscriptions by ICGE and Hutchison Whampoa Limited ("Hutchison") and new management's actions to capitalize on the Asian B2B e-commerce opportunity including initial set-up expenses and costs associated with the Subscription Agreement.

After a review of the financial position and operations of the Company, the management decided to dispose its manufacturing and toy trading business and property investment subject to receiving the approval of the SEHK and the Securities and Futures Commission. While there are no immediate plans for such a disposition, applicable accounting standards require the Company to record a provision for the diminution in value of these assets.

MegaVillage



MegaVillage.com Holdings Limited

MegaVillage, a global sourcing company focusing on fashion accessory industries, provides product development and production management services via an internet-based platform to wholesaling and retailing customers in the US and Europe. With offices in New York, Hong Kong and Shenzhen, MegaVillage offers the capability to manage the development, production and delivery of products in these vertical industries.

With a wide factory base to support on-line processes, MegaVillage's wealth of domain knowledge in these vertical industries forms the foundation for meticulous process integration. In summary, MegaVillage provides state-of-the-art on-line B2B applications combined with off-line support processes in servicing its customers.

MegaVillage is developing and refining the basis of its value proposition through focused marketing and sales activities. Once critical mass is obtained, MegaVillage long-term objective is to maintain a leadership position in a wide range of light industry consumer products through organic growth and strategic alliances with established players in relevant industries.

Acquisitions

In line with our objective of expanding our network to capitalize on the enormous opportunities for B2B e-commerce business in the Asia Pacific area, we are pleased to have announced the consummation of three partner companies during the year.

On 3 July 2000, the Company entered into an agreement for the subscription of 45 million convertible preferred shares of MegaVillage, the Company's first e-commerce acquisition in Asia. Under the agreement, the Company subscribed for 22,500,000 of the total convertible preferred shares of MegaVillage for a cash consideration of US\$10 million (approximately HK\$77.5 million) of which US\$5 million was paid on 3 July 2000 and US\$5 million is payable, in 2001, on the satisfaction of certain operating milestones to be achieved by the MegaVillage group of companies. The Company agreed to subscribe for another 22,500,000 convertible preferred shares in MegaVillage in exchange for 52,542,373 new shares of the Company subject to the approval of the SEHK. On 17 July 2000, the Listing Committee of the SEHK granted the Company, on a conditional basis, the listing of and permission to deal in 52,542,373 new shares of HK\$0.10 each to be issued at HK\$1.475 per share to MegaVillage.

MegaVillage, whose operations are headquartered in Hong Kong, is a virtual sourcing agent for multinational companies in light consumer product industries. MegaVillage provides buyers with one-stop solutions that enable them to select from a wide-range of consumer products manufactured in the Greater China region. MegaVillage has already launched four vertical procurement sites for products including timepieces, luggage, eyewear, and footwear.



Breakaway Solutions

A S I A P A C I F I C

Breakaway Solutions Asia Pacific Limited

Breakaway Asia Pacific is an Enterprise Relationship Management (the “ERM”) solutions provider offering consulting practice and technology service. With offices in major cities across the US, Europe and Asia Pacific, Breakaway’s ERM practice focuses on customer relationship management, e-enterprise, intranet, wireless and e-commerce.

Breakaway ERM model has enabled companies to conduct personalized interactions with customers, suppliers, partners and employees across all touch points, and has maximized efficiency, productivity and profitability for more than 200 client sites and exchanges, and 150 ERM engagements.

Advising customers on how to leverage and better manage relationships with suppliers, partners and employees, Breakaway Asia Pacific has helped many companies better serve their customers, partners and employees, reduce costs, improve bottom line results and create competitive advantages. With its focus on building strong relationships with enterprise level customers, the company has built up a list of reputable blue chip customers in the Asia Pacific region.





On 24 October 2000, the Company entered into a Shareholders Agreement whereby the Company and Breakaway established Breakaway Asia Pacific to provide strategic consulting, systems integration services and application hosting throughout Asia. The Company holds approximately 80% (subject to reduction for any shares transferred to employees of Breakaway Asia Pacific) and Breakaway holds approximately

20% of Breakaway Asia Pacific. The Company paid US\$10 million (approximately HK\$77.5 million) in cash on subscription, plus a commitment to fund an additional US\$15 million (approximately HK\$116.3 million) in cash or shares at its discretion. The aggregate consideration is approximately US\$25 million (approximately HK\$193.75 million). Pursuant to the Shareholders Agreement, the Company provides consulting services to Breakaway Asia Pacific for an annual consulting fee of US\$30,000 (approximately HK\$232,500). This fee was negotiated on an arm's length basis. Further, Breakaway and Breakaway Asia Pacific entered into a License Agreement whereby Breakaway granted Breakaway Asia Pacific a royalty-free license over its know-how and other intellectual property rights on an exclusive basis throughout Asia. Breakaway also provided certain consulting services to Breakaway Asia Pacific either without compensation or at reduced rates. This compensation is based on a discount to Breakaway's standard hourly rates.

Breakaway Asia Pacific, whose operations are headquartered in Singapore, is an ERM solutions provider offering leading consulting practice. Breakaway has a network of worldwide offices and Solution Centers in major cities across the US, Europe and the Asia Pacific.

FreeBorders

FreeBorders.com, Inc.

A global corporation with offices in the US, Europe, Mexico and Asia, FreeBorders was established in 1999 to develop a technology solution exclusively for the international soft goods industry that helps increase efficiencies and improve profitability. Working closely with and leveraging IBM's technology, FreeBorders has developed a unique design to delivery solution that integrates design, sourcing, and delivery applications that are customized to customers' environment and needs.

Solidifying its position as a comprehensive technology platform for the apparel supply chain, FreeBorders acquired in November 2000 Applied Intranet Technologies ("Ai"), one of the industry's largest providers of collaborative product design and development applications. The combination of Ai's proven design and FreeBorders' advanced Web-based commerce tools has added value for the company's customers through a more complete solution for managing supply chain activities.

With a portfolio of US\$33 million of venture financing to date, FreeBorders' technology is powering the supply chain of over 350 apparel, textile and retail customers in over countries.

The logo for FreeBorders.com is centered in the lower half of the page. It features a large, light blue circle with a white outline. Inside this circle, there is a smaller, solid blue circle. The text "FreeBorders" is written in a bold, dark blue font across the middle of the white circle, and ".com" is written in a smaller, dark blue font to the right of "FreeBorders".

FreeBorders .com

In August and November 2000, the Company entered into two transactions with FreeBorders. In August 2000, the Company entered into a Stock Purchase Agreement pursuant to which it agreed to subscribe for 2,066,420 Series B Preferred Stock in FreeBorders for an aggregate consideration of US\$5,600,000 (equivalent to approximately HK\$43.7 million).

In November 2000, the Company entered into an Agreement and Plan of Merger and Reorganization pursuant to which it agreed to lend to FreeBorders two sums of US\$1,250,000 (equivalent to approximately HK\$9.75 million) within two specified periods, which sum may be convertible into preferred stock of FreeBorders at the option of the Company. The first sum was advanced to FreeBorders on 12 April 2001.

Headquartered in San Francisco, California, FreeBorders is a leading global supply chain solution provider that focuses on creating efficiency in the soft goods industry including apparel, textile and retail products. In addition to ICGE, FreeBorders shareholders include IBM, FountainSet, Crystal Group, Luen Thai, Tal Apparel Limited, Orient Holding International and Grupo Mino.

ICG Japan

ICG Japan K.K.

Principally engaged in the investment in and operation of B2B technology-related businesses in the IT sector, ICGJ identifies, acquires and supports domestic venture business in Japan. It also solicits US partner companies to the country, especially those that are capable of providing unique and innovative technology in the B2B e-commerce marketplace. ICGJ also focuses on bringing the business know-how and technology expertise of overseas partner companies to major domestic players.



Subsequent Event

On 21 February 2001 the Company entered into an Asset Purchase Agreement with ICGE and ICGJ to acquire a B2B technology investment made by ICGJ and other assets including office fixtures and equipment and rights under contracts and agreements for a maximum cash consideration of HK\$42 million. In addition, the Company announced the expansion of its business scope into Japan through consolidating its operations with ICGJ.

Strategic Partnership

The management of the Company is delighted to be Hutchison Preferred Partner for its B2B e-commerce activities. As Hutchison's Preferred Partner, the Company looks forward to working actively with Hong Kong's leading conglomerate in the development of its potential and existing strategic B2B initiatives.

The Company's strategic equity relationship with Hutchison is consistent with its parent company's successful track record of partnering with established leading companies around the world, including AT&T, Compaq, Dell, Ford, Comcast, Dupont, GE and Safeguard Scientific. By leveraging their operational assets and vast network throughout Asia Pacific, these partners have further strengthened the Company's position of helping to build leading B2B e-commerce companies in the region.

In Japan, the Company's wholly-owned subsidiary, ICGJ, has entered into two Memoranda of Understanding to form joint venture relationships with two reputable Japanese conglomerates.

The first Memorandum of Understanding, a 50:50 partnership arrangement with Itochu Corporation, will provide a full range of B2B backend services, including logistics, clearance, settlement and authentication for companies in Japan. Incorporated in November 2000, the joint venture is named B2B Platform Inc..

The second Memorandum of Understanding, with Sanyo Electric Co., Ltd. is aimed at accelerating venture business in Japan. e-Xcelerator, the name of the joint venture, will also partner with and cooperate as an advisor through "Interpreneur Club" to be established by the Osaka Chamber of Commerce and Industry. The term "interpreneur" is a composite word taken from "internal" and "entrepreneur" meaning to start up business within major corporations. The Club will serve venture businesses, particularly B2B and Internet infrastructure focus for the Sanyo Group as well as other expanding companies in the region.