

# Report of the Directors

The directors have pleasure in submitting to shareholders their report and statement of accounts for the year ended 31 December 2001.

## CHANGE OF COMPANY NAME

On 25 September 2001, the name of the Company was changed from “ICG Asia Limited” to “Hutchison Harbour Ring Limited”. In addition, the Company has adopted “和記港陸有限公司” as its trade name for identification purpose.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies are shown on pages 53 and 75 to 77.

The analysis of the turnover and results by principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 2 to the accounts.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated profit and loss account on page 26.

There was no transfer from accumulated profit (2000: Nil) to capital redemption reserve during the year.

## DIVIDENDS

No interim dividend for the year ended 31 December 2001 was paid and the directors recommend the declaration of a final dividend at the rate of HK1.5 cents per share payable on 25 May 2002 to all persons registered as holders of the Company's shares on 24 May 2002.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 29 to the accounts.

## CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to HK\$29,400 (2000: HK\$383,500).

# Report of the Directors

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### FIXED ASSETS

Particulars of the movements of fixed assets are set out in note 12 to the accounts.

### PROPERTIES

Particulars of the major properties of the Group are set out on pages 79 to 83.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the accounts.

### DIRECTORS

The board of directors as at 31 December 2001 comprised Mr. Fok Kin-ning, Canning, Dr. Luk Chung Lam, Mr. Lai Kai Ming, Dominic, Mr. Ko Yuet Ming, Mrs. Chow Woo Mo Fong, Susan, Mr. Chow Wai Kam, Raymond, Ms. Edith Shih, Ms. Chan Wen Mee, May (Michelle), Mr. Luk Tei, Lewis, Mr. Ronald Joseph Arculli and Mr. Cheng Ming Fun, Paul.

Messrs. Loh Dai Jur and Tang Sik Kui resigned as independent non-executive directors with effect from 19 January 2001 and Messrs. Ronald Joseph Arculli and Cheng Ming Fun, Paul were appointed in their stead with effect from 19 January 2001.

Mr. Victor Hwang resigned as a director with effect from 21 February 2001. Mr. Joseph J. Kim was appointed as a director with effect from 21 February 2001 and resigned with effect from 2 August 2001. Dr. Luk Chung Lam, Mr. Ko Yuet Ming, Mrs. Chow Woo Mo Fong, Susan, Mr. Chow Wai Kam, Raymond, Ms. Edith Shih, Ms. Chan Wen Mee, May (Michelle) and Mr. Luk Tei, Lewis were appointed as directors with effect from 12 July 2001 and Ms. Edith Shih ceased to act as the alternate director to Mr. Fok Kin-ning, Canning with effect from 12 July 2001. Messrs. Kenneth Allen Fox, Samir Jadallah, Henry Nathan Nassau and Bruce Webster Armstrong resigned as directors with effect from 2 August 2001. Ms. Edith Shih was appointed as an alternate director to Mr. Fok Kin-ning, Canning with effect from 21 August 2001. Mr. Endo Shigeru was appointed as a director with effect from 19 March 2002.

In accordance with bye-laws 95, 112(A) and 112(B) of the Company, Dr. Luk Chung Lam, Mr. Ko Yuet Ming, Mrs. Chow Woo Mo Fong, Susan, Mr. Chow Wai Kam, Raymond, Ms. Edith Shih, Ms. Chan Wen Mee, May (Michelle), Mr. Endo Shigeru and Mr. Luk Tei, Lewis will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

# Report of the Directors

## (Continued)

### INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any director proposed for re-election at the forthcoming annual general meeting.

### CONNECTED TRANSACTIONS

On 21 February 2001, the Company entered into an agreement with Internet Capital Group, Inc. ("ICGI") and ICG Japan K.K. ("ICGJ") with respect to the acquisition (the "Acquisition") by the Company of ICG B2B Exchanges K.K. ("B2B Exchanges"), a wholly owned subsidiary of ICGJ, and certain assets of ICGJ for a total maximum consideration of HK\$42,000,000 payable in cash and satisfied by the Company from internal resources. All acquired assets were held through B2B Exchanges. The Acquisition constituted a connected transaction for the Company as ICGI was the then controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company and had a beneficial interest of approximately 54.4% of the then issued share capital of the Company. ICGI also owned the entire issued share capital of ICGJ.

On 22 June 2001, the Company entered into a restructuring agreement (the "Restructuring Agreement") with its then subsidiary, MegaVillage.com Holdings Limited ("MegaVillage") under which MegaVillage agreed to waive in full the payment of US\$5,000,000 (approximately HK\$39,000,000) by the Company to MegaVillage pursuant to a subscription agreement dated 3 July 2000 between, inter alia, the Company and MegaVillage with respect to the acquisition of MegaVillage by the Company. In consideration for the waiver, 35,000,001 ordinary shares in MegaVillage, which were to be held by the Company following conversion of the convertible preference shares in MegaVillage, representing approximately 41% of the issued share capital of MegaVillage prior to the repurchase, were sold to MegaVillage by the Company. The entering into of the Restructuring Agreement constituted a connected transaction for the Company as MegaVillage was a connected person of the Company by virtue of it being a then non-wholly owned subsidiary of the Company.

# Report of the Directors

## (Continued)

On 26 June 2001, the Company, Breakaway Solutions, Inc. (“BSI”) and Breakaway Solutions Asia Pacific Limited (“BSAPL”) entered into (i) a share purchase agreement in respect to the acquisition by the Company of 99,500,000 shares in the capital of BSAPL from BSI for a consideration of US\$500,000 (approximately HK\$3,900,000) payable in cash; and (ii) a cooperation agreement setting out the terms and conditions pursuant to which BSI and the Company agreed to cooperate with each other in respect of certain licensing, co-marketing and business referred arrangements in respect of BSAPL, and BSI and the Company each agreed to allow the other to use its intellectual property on a royalty-free basis and each agreed to offer subcontracting opportunities to the other if it was appointed a lead or general contractor. The entering into of the share purchase agreement and the cooperation agreement constituted connected transactions of the Company by virtue of BSAPL being a then non-wholly subsidiary of the Company.

On 9 July 2001, the Company entered into a separation of employment agreement and general release (the “Separation Agreement”) with Mr. Joseph J. Kim, 1999 Internet Capital L.P. (“1999 Internet”) and ICGI for documenting the terms and conditions governing Mr. Kim’s termination of employment and resignation as director of the Company and its subsidiaries. Under the Separation Agreement, Mr. Kim agreed (i) to waive any claims he might have against the Company, its parent, subsidiaries, and affiliated entities, and its and their respective officers, directors, shareholders, employees and agents, (ii) not to compete with ICGI or any of its subsidiaries for a period of 6 months following his departure and to be bound by strict confidentiality provisions and (iii) to assist the Company if required after his departure. The consideration of US\$1,239,020 was payable by the Company on the acquisition of the shares of the Company held by 1999 Internet by Promising Land International Inc. and Reading Investments Limited. The entering into of the Separation Agreement constituted a connected transaction for the Company as Mr. Kim was a connected person of the Company by virtue of he being a then director of the Company.

On 31 January 2002, the Company and Whizz-Work Holdings Limited (“WWH”) entered into a repurchase agreement with respect to the repurchase (the “Repurchase”) by WWH of 1,737,557 shares in WWH from the Company for an aggregate cash consideration of US\$5,850,000 (equivalent to HK\$45,630,000) thereby reducing the Company’s interest in WWH from 75% to 15% of shares in WWH. The Repurchase constituted a connected transaction for the Company as WWH was a connected person of the Company by virtue of it being a then 75% subsidiary of the Company before completion of the Repurchase.

# Report of the Directors

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### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2001, the interests of the directors and chief executives of the Company in the securities of the Company or any of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

#### (a) Interests in the Company

Name	Number of securities held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Luk Chung Lam	3,450,000 ordinary shares	–	1,177,473,579 ordinary shares and 1 warrant	–	1,180,923,579 ordinary shares and 1 warrant
Ko Yuet Ming	3,000,000 ordinary shares	84,000 ordinary shares	–	–	3,084,000 ordinary shares
Luk Tei, Lewis	4,630,000 ordinary shares	–	–	–	4,630,000 ordinary shares

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## (b) Interests in Associated Corporations

*Hutchison Whampoa Limited ("HWL")*

Name	Number of ordinary shares held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Fok Kin-ning, Canning	–	–	1,260,875	–	1,260,875
Lai Kai Ming, Dominic	50,000	–	–	–	50,000
Ko Yuet Ming	–	16,000	–	–	16,000
Chow Woo Mo Fong, Susan	50,000	–	–	–	50,000
Edith Shih	–	17,100 <i>(Note)</i>	–	–	17,100
Chan Wen Mee, May (Michelle)	5,000	–	–	–	5,000
Luk Tei, Lewis	22,270	–	–	–	22,270
Ronald Joseph Arculli	–	–	11,224	–	11,224

*Note: The interest represented the aggregate number of shares held by Ms. Edith Shih and her spouse.*

In addition, as at 31 December 2001, Mr. Fok Kin-ning, Canning had (i) a personal interest of 100,000 ordinary shares in Hutchison Telecommunications (Australia) Limited ("HTAL") and (ii) corporate interests in a nominal amount of US\$32,500,000 in the 7% Notes due 2011 issued by Hutchison Whampoa International (01/11) Limited ("HWI(01/11)"), 1,000,000 ordinary shares in HTAL, 300,000 common shares in Husky Energy Inc. and 225,000 American Depositary Shares (each representing one ordinary share) in Partner Communications Company Ltd..

Dr. Luk Chung Lam had, as at 31 December 2001, a corporate interest in 50% of the registered capital of Shanghai Jia Hua Real-Estate Development Co., Ltd..

Ms. Edith Shih had, as at 31 December 2001, (i) a personal interest in a nominal amount of US\$205,000 in the 6.95% Notes due 2007 issued by Hutchison Whampoa Finance (CI) Limited and (ii) a personal interest and a family interest in an aggregate nominal amount of US\$400,000 in the 7% Notes due 2011 issued by HWI(01/11).

Save as disclosed above, as at 31 December 2001, none of the directors or the chief executives of the Company had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations within the meaning of the SDI Ordinance and none of the directors or the chief executives nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

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### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2001, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance showed, or the Company had been notified, that the following persons had an interest of 10% or more of the issued share capital of the Company:

Name	Number of ordinary shares
Promising Land International Inc. ("Promising Land") (Notes 1 and 2)	2,833,284,508
Acefield (B.V.I.) Limited ("Acefield") (Note 3)	1,177,473,579

Notes:

- Promising Land is a wholly owned subsidiary of Hutchison International Limited ("HIL"), which in turn is a wholly owned subsidiary of HWL. By virtue of the SDI Ordinance, HWL and HIL are deemed to be interested in the 2,833,284,508 ordinary shares of the Company held by Promising Land.*
- Li Ka-Shing Unity Holdings Limited (in which Mr. Li Ka-shing owns its entire issued share capital) owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUTI"). TUTI as trustee of The Li Ka-Shing Unity Trust, together with certain companies in which TUTI as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings (the "Related Companies"), hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). Certain subsidiaries of CKH together hold more than one-third of the issued share capital of HWL.*

*In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDTI"). TDTI as trustee of The Li Ka-Shing Unity Discretionary Trust holds a majority of units in The Li Ka-Shing Unity Trust.*

*By virtue of the interest in TDTI and TUTI through Li Ka-Shing Unity Holdings Limited, the interest in the shares of CKH held by TUTI as trustee of The Li Ka-Shing Unity Trust and its Related Companies, the interest of the subsidiaries of CKH in HWL, and the indirect interest of HWL in the ordinary shares in the Company as described above, Mr. Li Ka-shing is taken to have an interest in the ordinary shares of the Company held by Promising Land under the SDI Ordinance.*

- 1,065,473,579 ordinary shares and 112,000,000 ordinary shares of the Company were held by Reading Investments Limited and a company, both being companies of which more than one-third of the issued share capital was owned by Acefield. By virtue of the SDI Ordinance, Acefield was deemed to be interested in an aggregate of 1,177,473,579 ordinary shares of the Company.*

*In addition, Dr. Luk Chung Lam owns more than one-third of the issued share capital of Acefield. By virtue of the SDI Ordinance, Dr. Luk Chung Lam was deemed to be interested in the 1,177,473,579 ordinary shares of the Company as described above. In addition to the personal interest in 3,450,000 ordinary shares of the Company as described in the section entitled "Directors' and Chief Executives' Interests in Securities", Dr. Luk Chung Lam was taken to have an interest in an aggregate of 1,180,923,579 ordinary shares of the Company.*

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Saved as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company at 31 December 2001.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2001 and up to the date of this report, the directors of the Company have interests in companies of which their businesses compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Listing Rules, by virtue of either (i) their directorships in the following companies or a number (in excess of 100) of associated companies of the Company or its holding company or other companies in which the Company or its holding company has less than 20% shareholding interest, as a result of their nomination by the Company or its holding company to the board of such companies; or (ii) their deemed interests in the following companies:

Name	Name of company	Nature of competing business
Luk Chung Lam <i>(as director and substantial shareholder)</i>	Fill Sales Services Limited Game Pioneer Limited Lord Young International	– Property investment – Property investment – Investment holding
Ko Yuet Ming <i>(as director)</i>	Holdings Limited Lord Young Investment Limited	– Investment holding
Luk Tei, Lewis <i>(as director)</i>	Main Sales Development Limited	– Property investment
Luk Chung Lam <i>(as director and substantial shareholder)</i> Ko Yuet Ming <i>(as director)</i>	B.P.Y.A. 680 Holdings Limited Shabusen Yakniku House (No. 2) Limited	– Investment and management – Restaurant operation
Luk Chung Lam <i>(as director and substantial shareholder)</i> Luk Tei, Lewis <i>(as director)</i>	Lord Young Properties Limited	– Investment holding and property investment
Ko Yuet Ming <i>(as director and substantial shareholder)</i> Luk Tei, Lewis <i>(as director)</i>	Ever Century Enterprises Limited	– Investment holding



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Name	Name of company	Nature of competing business
Luk Chung Lam	B.P.Y.A. 129 Holdings Limited	– Real estate
<i>(as director and</i>	Coronet Industrial Limited	– Property investment
<i>substantial shareholder)</i>	Lord Young (Canada)	– Real estate
	Enterprises Limited	
	Shabusen Yakiniku House Limited	– Restaurant operation

Save as disclosed above, none of the directors is(was) interested in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company during the year ended 31 December 2001 and up to the date of this report.

### BORROWINGS

There were no bank borrowings outstanding at 31 December 2001.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 36 to the accounts.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, MegaVillage, a then subsidiary of the Company, sold a total of 9,793,420 shares of the Company on the SEHK for an aggregate consideration of approximately HK\$7,550,000.

Save as disclosed above, 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 OF BEST PRACTICE

With the exception of the non-executive directors (other than the two current independent non-executive directors) having no set term of office and retiring from office on a rotational basis, the Company has complied throughout the year ended 31 December 2001 with Appendix 14 to the Listing Rules.

# Report of the Directors

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### PRE-EMPTIVE RIGHTS

There was no provisions for pre-emptive rights under the Bye-Laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

### RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 10 to the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2001 attributable to the Group's major customers and suppliers are as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	22%	N/A
Five largest customers combined	38%	N/A
The largest supplier	N/A	33%
Five largest suppliers combined	N/A	77%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

# Report of the Directors

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### AUDITORS

KPMG were appointed as auditors of the Company in 2000 upon the retirement of Deloitte Touche Tohmatsu. PricewaterhouseCoopers were appointed as auditors of the Company to fill the casual vacancy upon the resignation of KPMG in 2001.

PricewaterhouseCoopers will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Edith SHIH**

*Director*

Hong Kong, 19 March 2002