

ING BEIJING INVESTMENT COMPANY LIMITED

2001 INTERIM RESULTS

REVIEW OF THE PERIOD

The loss of ING Beijing Investment Company Limited ("ING Beijing" or "the Company") for the first half of 2001 was HKD1,461,780 compared to the loss of HKD1,771,549 for the same period in 2000. The loss in the first half of 2001 was mainly attributable to operational expenses.

The success in the application for the hosting of the Olympic Games in Beijing in 2008 has brought a new breeze of business opportunities. As evidenced by Olympic Games hosting cities around the world, the Beijing property sector is expected to enjoy good market sentiment for the years to come.

ING Beijing was established in May 1994 with the joint effort of the Beijing Municipal Government and the ING Group. With its Beijing Municipal Government background and its link to one of the largest property developer in Beijing, the Beijing Capital Group, via the Board members, ING Beijing is well positioned to benefit from the favorable conditions of the Beijing property sector.

ING Beijing is being repositioned to take advantage of this favorable environment. In July, the Executive Committee of the Board of Directors approved an investment relating to a commercial property in Beijing. The investment is to be satisfied with a combination of cash and shares considerations. Such investment is the first of a series of property projects to be considered by the Company. In addition, to facilitate the Company's development in the property sector, ING Beijing will seek strategic alliance with major property developers in Beijing to co-develop existing and future projects.

In August, ING Beijing issued bonus warrants to shareholders and introduced an incentive scheme by providing share options to Executive Directors and senior management of the Company and directors of its subsidiaries.

The issue of bonus warrants is a measure to stimulate liquidity, and to increase public interest in the Company's shares. Warrants are marketable instrument, which offer investors an alternative to investing in the Company's shares. Investors can choose the amount of risk, which they are willing to undertake when investing in the Company. Although warrants do not provide investors with actual shares in the Company, they offer investors an option to convert into shares.

The share option scheme is designed to align the interest of Executive Directors and senior management with that of shareholders. It motivates the key personnel according to their contributions to the Company and draws their efforts together to create better value for all.

EXISTING PORTFOLIO

ING Beijing made every effort to restructure the current portfolio of investee companies, improve their operations and create good business models for them.

Beijing Far East Instrument Company Limited ("Far East") showed improvement in its results. It generated a turnover of RMB45 million (RMB34 million in the first half of 2000) and net profit of RMB0.5 million (net loss of RMB1 million in the first half of 2000) in the first half of 2001. Its 20% owned associated company, a joint venture with Rosemount of the United States, generated a net profit of over RMB8 million in the first half of 2001.

ING Beijing exercised its option to double its equity share in ChinaGo Limited ("ChinaGo") at nominal cost, to bring valuation of ChinaGo in line with the market situation. As a result, ING Beijing's holding in ChinaGo is increased from 5.94% to 10.44% of ChinaGo's enlarged issued share capital. ChinaGo has subsequently reorganized its business and is now focused in two main business sectors: offline magazine publishing and software/IT solution services. The management of ChinaGo is optimistic that the company will be able to achieve breakeven before the end of the year.

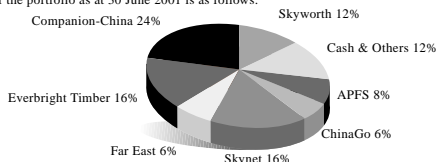
Turnover of Companion-China Limited increased to HKD249 million in the year ended 31 March 2001 from HKD195 million in the previous year. The profit after tax for the year ended 31 March 2001 was HKD4.5 million that was significantly lower than HKD32.9 million in last year. However, the outlook for the company is considered promising due to the expected increase in both local and export sales.

ING Beijing is in the course of negotiation with the Companion group on settlement of the convertible loan to Companion-China Limited. Based on the announced financial information of Companion Building Material International Holdings Limited ("Companion International") as at 31 March 2001, the group should have sufficient assets to cover the liabilities.

Regarding Skynet Limited ("Skynet"), ING Beijing may elect to demand repayment of USD4 Million as to USD1 million by Skynet Limited's holding company, Skynet (International Group) Holdings Limited ("Skynet International"), and as to USD3 million by Companion International; both companies are listed on The Stock Exchange of Hong Kong Limited. The remaining USD4 million may be converted into shares of Skynet International. Based on the announced results for the year ended 31 March 2001, and the trading price of the shares of Skynet International of 8 August 2001, the conversion if exercised may provide ING Beijing with shares of Skynet International whose value is not less than USD4 million.

Other investee companies have also been developed in the favorable direction. Everbright Timber Industry (Shenzhen) Co., Ltd.'s fixed costs have been significantly reduced. Skyworth Digital Holdings Limited ("Skyworth")'s performance would improve as the TV prices in China were stabilized and the demand for Skyworth's new TV models with advanced features was growing. Beijing Asia Pacific First Star Communications Technology Co. Ltd continues to expand its subscriber base.

The fair value of the portfolio as at 30 June 2001 is as follows:



ING Beijing's liquid assets which comprise its investments in Skyworth and net current assets now account for 51% of the portfolio. The cash and liquidity asset per share was HKD0.31 which represents a significant increase from previous year.

FUTURE PROSPECT

China's economy has been growing at a healthy pace throughout the recent years. The country's imminent entry to the WTO is expected to further stimulate the economy in the years to come while the hosting of the 2008 Olympic Games in Beijing is expected to create opportunities in the property sector. The Company will utilize its Beijing resources to capture investment opportunities in the property sector focusing on the Beijing market. The revival of the property sector is also expected to bring recovery to the building materials industry and that will benefit ING Beijing's investee companies in the building materials sector. ING Beijing is optimistic with the years ahead and believes that the positive atmosphere of the property market will compensate the current depression in the China market caused by the downturn of technology companies. The Directors are confident that ING Beijing will be able to perform in this new environment.

RESULTS

The Board of Directors of the Company announces the unaudited results of the Company and its subsidiaries (the "Group") for the period from 1 January 2001 to 30 June 2001 as follows:—

Note		Six months ended 30 June	
		2001	2000
		HKD	HKD
Turnover: Group and share of jointly controlled entities' turnover	3	\$ 53,538,710	\$ 73,694,387
Less: Share of jointly controlled entities' turnover		(47,406,582)	(67,023,214)
Group turnover	2	\$ 6,132,128	\$ 6,671,173
Other net income		1,656	505,674
Operating expenses		(6,897,329)	(8,881,006)
Operating loss		\$ (763,545)	\$ (1,704,159)
Share of profits/(losses) of jointly controlled entities		183,824	(67,390)
Loss from ordinary activities before taxation	3	\$ (579,721)	\$ (1,771,549)
Taxation	4(a)	(882,059)	—
Loss for the period		\$ (1,461,780)	\$ (1,771,549)
Basic loss per share	5	(0.27) cents	(0.35) cents

Notes:—

1 Basis of preparation

This interim financial report is unaudited, but has been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"), by KPMG, whose unmodified review report is included in the interim report to be sent to shareholders.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 31 December 2000 included in the interim financial report does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2000 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 19 April 2001.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report.

2 Turnover

The principal activity of the Company and of its subsidiaries is the holding of equity investments and convertible loan primarily in companies or entities with significant business interests or involvement in the People's Republic of China ("the PRC"). In particular, the Group focused on investing in Sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC including Hong Kong.

Share of jointly controlled entities' turnover represents the Group's share of jointly controlled entities' invoiced value of goods sold.

Group turnover represents interest income earned on fixed deposits, debt securities and convertible loan and is analysed as follows:

	Six months ended 30 June	
	2001	2000
Interest income from deposits with banks and other financial institutions	\$ 729,926	\$ 835,983
Interest income from listed securities	—	314,805
Interest income from convertible loan	5,402,202	5,520,385
	<u>\$ 6,132,128</u>	<u>\$ 6,671,173</u>

3 Segment reporting

Business segments

Segment information is presented in respect of the Group's business segments. No geographical segment information is presented as the Group's revenue and results were substantially derived from Mainland China.

	Revenue		Segment results	
	Group and share of jointly controlled entities' turnover		Contribution to profit/(loss) from ordinary activities before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
Manufacture of industrial products	\$ 47,406,582	\$ 67,023,214	\$ (1,056,633)	\$ (1,681,851)
Non-trading investments	—	—	(1,811,516)	(2,388,006)
Interest income				
— convertible loan	5,402,202	5,520,385	4,357,557	4,130,327
— bank deposits	729,926	835,983	553,711	601,503
Listed securities	—	314,805	—	394,650
	<u>\$ 53,538,710</u>	<u>\$ 73,694,387</u>	<u>\$ 2,043,119</u>	<u>\$ 1,056,623</u>
Unallocated expenses			(2,622,840)	(2,828,172)
			<u>\$ (579,721)</u>	<u>\$ (1,771,549)</u>

4 Taxation

(a) Taxation in the consolidated profit and loss account represents:

	Six months ended 30 June	
	2001	2000
Provision for Hong Kong profits tax for the period	\$ 860,000	\$ —
Share of jointly controlled entities' taxation	22,059	—
	<u>\$ 882,059</u>	<u>\$ —</u>

The provision for Hong Kong profits tax is calculated at 16% of the estimated assessable profits for the period ended 30 June 2001.

(b) No provision for deferred tax has been made as the net effect of all timing differences is immaterial.

5 Basic loss per share

The calculation of basic loss per share is based on loss attributable to shareholders of \$1,461,780 (2000: loss of \$1,771,549) and on the 538,840,000 (2000: 500,000,000) ordinary shares in issue during the period.

There were no potential ordinary shares in existence during 2000 and 2001.

6 Transfer to/(from) reserves

	Six months ended 30 June	
	2001	2000
(a) Exchange reserve		
Exchange differences on translation of the financial Statements of PRC jointly controlled entities	\$ 86,948	\$ (97,340)
(b) Investment revaluation reserve		
Surplus on revaluation of non-trading investments	\$ 15,268,622	\$ 41,714,163

INTERIM DIVIDEND

The Board of Directors does not recommend payment of interim dividend for the period ended 30th June 2001 (2000: nil).

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed results announcement containing all the 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 subsequently published on the Exchange's website in due course.

AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Directors, two of them being independent. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 5th September 2001 to review the Group's 2001 interim results before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the period from 1 January 2001 to 30 June 2001.

CODE OF BEST PRACTICE

The Company has complied with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd, throughout the period from 1 January 2001 to 30 June 2001 except that Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Article 97 of the Company's Articles of Association.

By Order of the Board
Liu Xiao Guang
Chairman

Hong Kong, 7th September 2001