

ING BEIJING INVESTMENT COMPANY LIMITED

ING北京投資有限公司

(Incorporated in Hong Kong with limited liability)

RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2002

RESULTS

The board of directors of ING Beijing Investment Company Limited (“ING Beijing” or the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2002 as follows:–

	<i>Note</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Turnover: Group and share of jointly controlled entities’ turnover	2	93,910,913	95,521,951
Less: Share of jointly controlled entities’ turnover		<u>(86,586,919)</u>	<u>(94,447,980)</u>
Group turnover	1	7,323,994	1,073,971
Other net loss	3	(15,536)	(7,240)
Gain on deemed disposal of subsidiaries		5,506,894	–
Consideration for cancellation of investment agreements		16,301,103	–
Provision for amount due from jointly controlled entity		–	(19,197,572)
Impairment losses on non-trading investments	4	(35,857,021)	(125,800,516)
Loss on disposal of convertible loan and non-trading unlisted investments		(328,645)	–
Gain on disposal of non-trading listed investments		2,714,000	–
Provision for convertible loan		–	(49,382,247)
Operating expenses		<u>(15,579,297)</u>	<u>(15,567,997)</u>
Loss from operations		(19,934,508)	(208,881,601)
Share of losses of associates		(963,800)	–
Share of profits of jointly controlled entities		<u>1,029,042</u>	<u>1,000,476</u>
Loss from ordinary activities before taxation	2	(19,869,266)	(207,881,125)
Taxation	5	(121,150)	723,989
Loss attributable to shareholders		<u><u>(19,990,416)</u></u>	<u><u>(207,157,136)</u></u>
Loss per share			
Basic	6	<u><u>(3.71 cents)</u></u>	<u><u>(38.44 cents)</u></u>

Notes:

- The principal activity of the Group is the holding of equity and a convertible debt investments 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.

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 and dividend income from listed investments. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Interest income from deposits with banks and other financial institutions	898,474	1,073,971
Dividend income from listed investments	6,425,520	–
	<u><u>7,323,994</u></u>	<u><u>1,073,971</u></u>

2. Segmental information

Segmental information is presented in respect of the Group's business segments which are based on the nature of business of its associates, jointly controlled entities and other investee companies. No geographical segment information is presented as the revenue of the Group, its associates and jointly controlled entities and the Group's results were substantially derived from the PRC.

The Group's associates, jointly controlled entities and other investee companies comprise the following main business segments:

Manufacture of industrial products: Electronic and electrical instruments, plywood and timber products.

Manufacture of consumer products: Audio-visual products and ceramic tiles.

Communications: Provision of paging, internet content, software and solutions and paid e-mail services and offline magazine publishing.

Real estate: Development of residential and commercial properties for sale.

Segment revenue includes the Group's share of jointly controlled entities' turnover. Segment results include only those relating to the Group.

	Segment revenue Group and share of jointly controlled entities' turnover		Segment results Contribution to loss from ordinary activities before taxation	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Manufacture of industrial products	86,586,919	94,447,980	16,037,926	(20,622,647)
Manufacture of consumer products	6,425,520	–	8,281,297	(97,474,074)
Communications	–	–	(37,035,235)	(83,214,030)
Real estate	–	–	(705,687)	–
Unallocated	898,474	1,073,971	(6,447,567)	(6,570,374)
	<u>93,910,913</u>	<u>95,521,951</u>	<u>(19,869,266)</u>	<u>(207,881,125)</u>
3. Other net loss				
			2002 HK\$	2001 HK\$
Net exchange loss			(115,536)	(7,240)
Others			100,000	–
			<u>(15,536)</u>	<u>(7,240)</u>
4. Impairment losses on non-trading investments				
			2002 HK\$	2001 HK\$
Beijing Asia Pacific First Star Communications Technology Co. Ltd.			12,299,130	18,448,695
ChinaGo Limited			23,557,891	–
Skynet Limited			–	62,183,929
Skyworth Digital Holdings Limited			–	45,167,892
			<u>35,857,021</u>	<u>125,800,516</u>
5. Taxation				
			2002 HK\$	2001 HK\$
Provision for Hong Kong profits tax for the year			–	–
Over-provision in respect of prior years			–	(786,532)
			–	(786,532)
Share of jointly controlled entities' taxation			121,150	62,543
			<u>121,150</u>	<u>(723,989)</u>

No provision for Hong Kong profits tax has been made for the year ended 31 December 2002 as the Group has no assessable profits for the year.

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

6. Basic loss per share

The calculation of basic loss per share is based on loss attributable to shareholders of HK\$19,990,416 (2001: loss of HK\$207,157,136) on 539,512,000 ordinary shares in issue during the year (2001: weighted average number of 538,945,041 ordinary shares).

MOVEMENT IN RESERVES

	Share premium HK\$	Exchange reserves HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2002	498,097,415	3,236,285	–	(383,945,798)	117,387,902
Loss for the year	–	–	–	(19,990,416)	(19,990,416)
Exchange differences on translation of financial statements of PRC jointly controlled entities	–	(136,096)	–	–	(136,096)
Shares of exchange reserve of associates	–	(1,895)	–	–	(1,895)
Net deficit on revaluation of non-trading investments	–	–	(20,442,181)	–	(20,442,181)
Transfer to income statement	–	–	35,857,021	–	35,857,021
At 31 December 2002	<u>498,097,415</u>	<u>3,098,294</u>	<u>15,414,840</u>	<u>(403,936,214)</u>	<u>112,674,335</u>
At 1 January 2001	498,013,818	3,049,510	(60,539,332)	(176,788,662)	263,735,334
Loss for the year	–	–	–	(207,157,136)	(207,157,136)
Exchange differences on translation of financial statements of PRC jointly controlled entities	–	186,775	–	–	186,775
Shares issued from exercise of warrants, net of expenses	83,597	–	–	–	83,597
Net deficit on revaluation of non-trading investments	–	–	(65,261,184)	–	(65,261,184)
Transfer to income statement	–	–	125,800,516	–	125,800,516
At 31 December 2001	<u>498,097,415</u>	<u>3,236,285</u>	<u>–</u>	<u>(383,945,798)</u>	<u>117,387,902</u>

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2002 (2001: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of members will be closed from 15th May 2003 to 21st May 2003, both days inclusive during which no transfer of shares will be effected.

REVIEW OF THE YEAR

For the year ended 31st December 2002, the audited net loss for the Group totaled HKD19,990,416. The consolidated net asset value per share of the Company was HKD0.309, as at 31st December 2002. The Group's audited net loss for the year up to 31st December 2001, and the consolidated net asset value per share of the Company as at 31st December 2001 were HKD207,157,136 and HKD0.318 respectively.

The loss for the year was arrived at after providing losses against certain investments as a result of changes in the market environment.

HIGHLIGHTS OF THE YEAR

During 2002, the Group realized its convertible loan advanced to Companion-China Limited and its investment in Skynet Limited. Due to uncertainties surrounding the world economy and the continued depression of the IT and telecommunication sectors, the Company has decided to provide in full for its investment in ChinaGo Limited (“ChinaGo”) and the remaining unprovided portion of its investment in Beijing Asia Pacific First Star Communications Technology Co., Limited (“APFS”). ChinaGo is an information technology services provider specializing in internet email services and software solutions, ING Beijing invested USD3 million in ChinaGo in April 2000. APFS is a nationwide radio paging service operator. The radio paging industry in China has suffered from severe competition from mobile phone operators due to the increasing affordability of mobile phones in recent years. ING Beijing invested USD7.8 million in APFS in 1995.

The continuous economic growth and the government’s policy to encourage home purchases to speed up housing reform have resulted in strong demand for housing in the domestic market in China. ING Beijing has thus identified property sector as one of its new investment area. In February 2002, ING Beijing established China Property Development (Holdings) Limited and in April allocated USD10 million to fund two residential property development projects in Beijing. A third project was added later in August 2002. The three projects are: West Mountain Badachu Project, Taiyonggong F Zone Project and Pacific Town Project.

REVIEW OF MAJOR INVESTMENTS

CHINA PROPERTY DEVELOPMENT (HOLDINGS) LIMITED (“CPDH”)

During the year, CPDH has undergone share placement to a strategic investor and reducing ING Beijing’s equity interest in CPDH to approximately 30%. In addition to the West Mountain Badachu Project and the Taiyonggong F Zone Project as stated below, CPDH also acquired an 80% interest in its third residential development project, Pacific Town Project.

CPDH is to invest within 3 months from the issuance of the business licence a sum of RMB42.68 million for a 30% interest in the registered capital of the West Mountain Badachu Project, a high-end residential development project located in western suburb of Beijing. CPDH has an option to invest a further sum of RMB34.68 million by way of a shareholders’ loan within 12 months from the issuance of the business licence, and to increase proportionately the profit sharing entitlement of the project from 16.55% up to 30%. CPDH is also to invest within 3 months from the issuance of the business licence a sum of RMB40 million for a 30% interest in the registered capital of Taiyanggong F Zone Project, a high-end residential development project located in the northeastern part of Beijing. CPDH has an option to invest a further sum of RMB97 million by way of a shareholders’ loan within 12 months from the issuance of the business licence, and to increase proportionately the profit sharing entitlement of the project from 8.75% up to 30%. These two projects are pending approval from local authorities.

The Pacific Town Project is a unique high-end residential development project planned for mixed development with residential apartments and town houses. The total site area is around 129,800 square meters with planned gross floor area of around 240,000 square meters. The project has been formally approved and registered by the local government in July 2002. The project is currently finalizing its design and planning approval procedures.

The Pacific Town Project is located in the Lido area of Jiangtai Town, Chaoyang District. Lido area is a popular community area for foreign expatriates and upper middle class local families. It has a number of international schools situated in the area and has convenient access to the Airport Expressway, and the 4th Ring Road System. Access to the Central Business District (CBD) of Beijing is only 15 minutes by car during morning hour traffic.

SKYWORTH DIGITAL HOLDINGS LIMITED (“Skyworth”)

For the six months ended 30th September 2002, Skyworth’s turnover jumped a year-on-year 68% to HKD2.95 billion as compared with that of the same period of the previous financial year in 2001. Net profit for the period was HKD22.33 million, against a net loss of HKD65.76 million for the same period in 2001. The growth of Skyworth was driven by increased sales in higher end televisions in both China and the overseas markets and lower cost due to the enhancement in production by its R&D force.

The Group has received an interim dividend of HKD0.05 per share totally around HKD5.14 million in February 2002 and a final dividend of HKD0.03 per share totaling around HKD1.28 million from Skyworth in September 2002.

BEIJING FAR EAST INSTRUMENT CO., LTD. (“Far East”)

Far East is one of the leading instrument manufacturers in China. After a slow down of the company’s business in the late 90s affected by increasing competition from imported products, the company has completed its restructuring process. Its joint venture, Beijing Rosemount Far East Instrument Co. Ltd., which produces advanced industrial instruments, is showing result. The company generated a net profit of Rmb 2.75 million for the year ended 2002.

In March 2002, ING Beijing entered into a conditional agreement to sell 9% out of its 35% equity interest in Far East to a strategic partner for a consideration of Rmb 14 million. The consideration is payable over a period of 5 years. The strategic partner has also acquired a further 16% equity interest in Far East from its holding company. The introduction of the strategic partner is intended to help Far East to move into the business of large system integration and supply of electrical systems to the property sector. The strategic partner is one of the biggest property developers in Beijing, which develops over 1.9 million square meters of property area in 2001.

FUTURE PROSPECTS

With the country’s robust GDP growth, the property market is likely to enjoy healthy development as people’s living standard continues to improve. Together with the government’s announced new measures to boost the property market, all these led to our belief that the Beijing property market will have healthy development in the years ahead. Together with our years of knowledge in the Beijing market and our relationship with local companies, we will continue to look for opportunities in the property sector and are confident that the sector will bring satisfactory return to our shareholders. The Directors are both confident and optimistic on the prospects of the Group.

AUDIT COMMITTEE

The audit committee comprises three non-executive directors of the Company, two of them being independent. This committee acts in an advisory capacity and makes recommendations to the board of directors of the Company. It met on 27th March 2003 to review the Group’s 2002 final results before it was tabled for the approval of the board of directors of the Company.

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 financial year.

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 Limited throughout the financial year except that the 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, 9th April 2003

A detailed results announcement containing all the information required by paragraphs 45(1) and 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be subsequently published on the Exchange’s website in due course.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of the Company will be held at 41st Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Thursday, 22nd May 2003 at 3:00 p.m. for the purpose of transacting the following business:

1. To adopt the Audited Financial Statements together with the Reports of the Directors and Auditors for the year ended 31 December 2002.
2. To re-elect retiring Directors.

3. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

As special businesses, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

4. **“THAT** the general mandate unconditionally given to the Directors to allot, issue and deal with shares in the share capital of the Company, and to make or grant offers, agreements and options in respect thereof including warrants to subscribe shares, which would or might require the exercise of such powers, be and it is hereby generally and unconditionally approved in substitution for and to the exclusion of any existing authority previously granted, subject to the following conditions:
- (a) the mandate shall not extend beyond the Relevant Period (as defined below), except that the Directors might during the Relevant Period make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
 - (b) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors, otherwise than pursuant to (i) a Rights Issue (as defined below), (ii) the exercise of the subscription rights attaching to any warrant in the Company or (iii) the exercise of any options granted under any option scheme adopted by the Company, shall not exceed 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the date of passing of this Resolution; and
 - (c) for the purposes of this Resolution,
“Relevant Period” means the period from the date of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the mandate given under this Resolution by an ordinary resolution of the shareholders in general meeting; or
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held.“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company on the register of members on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).
5. **“THAT** a general mandate be and is hereby unconditionally given to the Directors of the Company, in substitution for and to the exclusion of any existing authority previously granted, to exercise all powers of the Company, to (i) repurchase shares in the share capital of the Company and (ii) to repurchase warrants or other rights to subscribe for shares in the share capital of the Company in each case on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, provided that:
- (a) the mandate shall not extend beyond the Relevant Period (as defined below);
 - (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution;
 - (c) the aggregate subscription rights attaching to the warrants of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the general mandate in this Resolution shall not exceed 10 per cent. of the aggregate subscription rights attaching to all the warrants issued by the Company and for the time being outstanding, and the said mandate be limited accordingly; and
 - (d) for the purposes of this Resolution,
“Relevant Period” means the period from the date of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the mandate given under this Resolution by ordinary resolution of the shareholders in general meeting; or
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held.”

6. “**THAT** conditional upon the passing of the Resolutions Nos. 4 and 5 as set out in the notice of the Meeting of which this Resolution forms part, the general mandate granted to the Directors of the Company to allot shares pursuant to the said Resolution No. 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the said Resolution No. 5.”
7. To discuss any other business, if necessary.

By Order of the Board
Liu Xiao Guang
Chairman

Hong Kong, 9th April 2003

Registered Office:

41st Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

Notes:

- (a) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend instead of him and to vote on a poll. A proxy need not be a member of the Company. In order to be valid, proxy forms should be returned to the registered office of the Company not less than 48 hours before the time fixed for holding the Meeting.
- (b) With reference to the Ordinary Resolution proposed under item 4 above, approval is being sought from members as a general mandate to authorise allotment of additional shares in the share capital of the Company in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any shares of the Company up to twenty per cent. of the issued share capital of the Company. The Directors have no immediate plans to issue any new shares of the Company after the passing of that Ordinary Resolution pursuant to the mandate to be given thereunder.
- (c) An explanatory statement in relation to the Ordinary Resolution proposed under item 5 above will be sent to members of the Company together with this Notice.
- (d) The register of members will be closed from 15th May 2003 to 21st May 2003 both days inclusive, during which period no transfer of shares or warrants will be effected. In order to qualify for attending the Annual General Meeting, all transfers, accompanied by the relevant share or warrant certificates, must be lodged with the Company's Registrar, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Waichai, Hong Kong, no later than 4:00 p.m. on 14th May 2003.

Please also refer to the published version of this announcement in The Standard.