New Capital

International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2004

Contents

Chairman's Statement

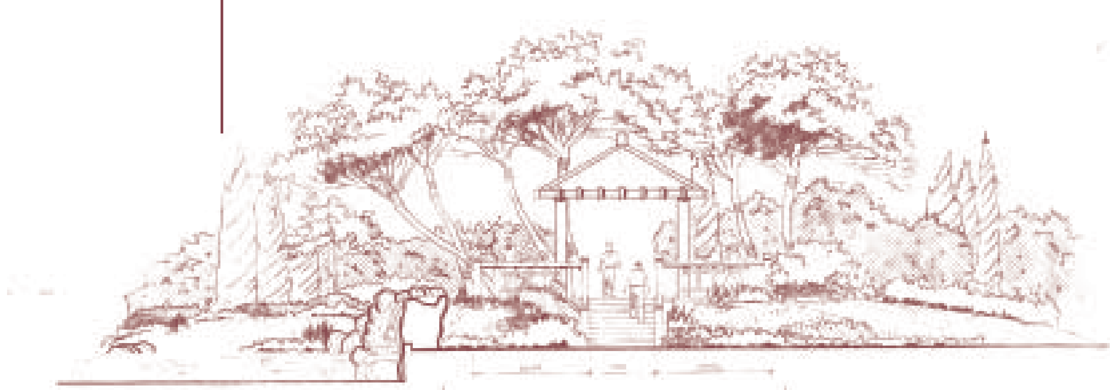
For the year ended 31st December 2004, the audited proforma combined profit for New Capital International Investment Limited ("New Capital" or the "Company") and its subsidiaries (the "Group") totaled HKD 6,251,287. The proforma combined net asset value per share of the Company was HKD 0.284 as at 31st December 2004. The Group's audited proforma combined profit for the year ended 31st December 2003, and proforma combined net asset value per share as at 31st December 2003 were HKD 8,181,299 and HKD 0.337 respectively.

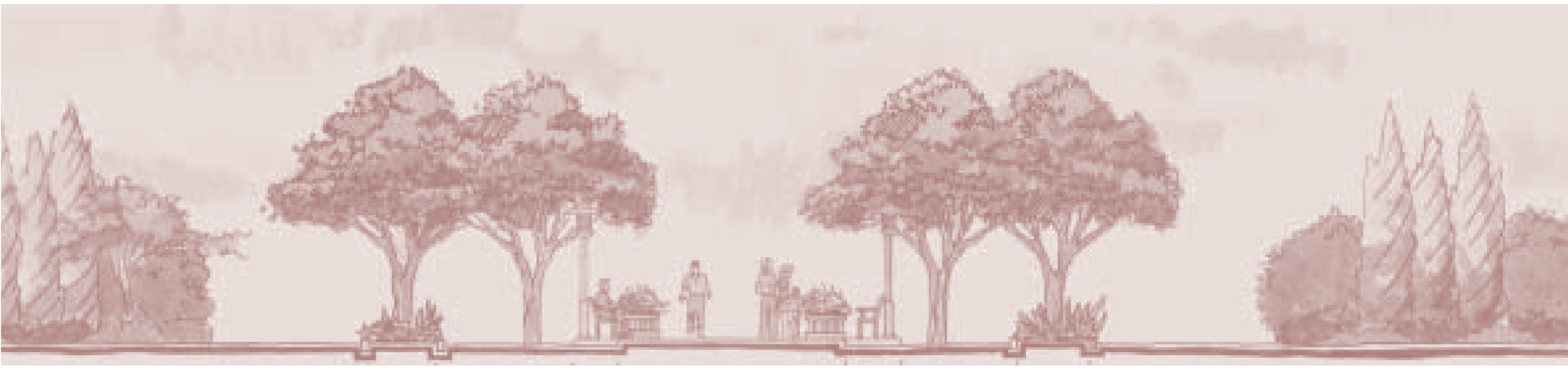
Change of Domicile

On 13th April 2005, New Capital International Investment Limited, a company incorporated in the Cayman Islands, has replaced the listing status of ING Beijing Investment Company Limited ("ING Beijing") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). New Capital has become the new holding company of the Group and ING Beijing is now a wholly owned subsidiary of New Capital.

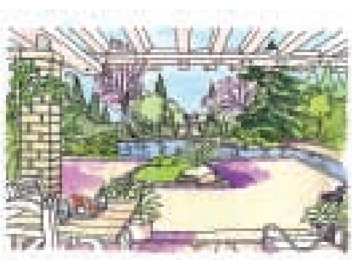
Redomicile Scheme

The Board of ING Beijing announced on 9th October 2003 that ING Beijing intended to reorganize the structure of the Group by means of a redomicile scheme. The first scheme document was submitted to the Stock Exchange on the same day and announcement was put out on newspapers immediately afterwards. In February 2004, the Board has resolved to change to the name "New Capital International Investment Limited". In April 2004, the Board has approved the new structure of the Board.

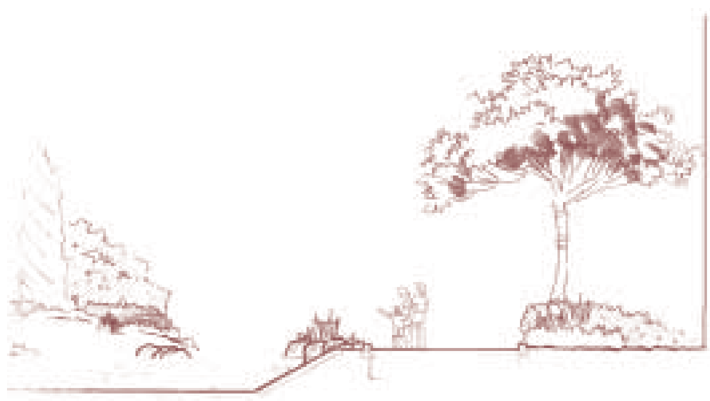


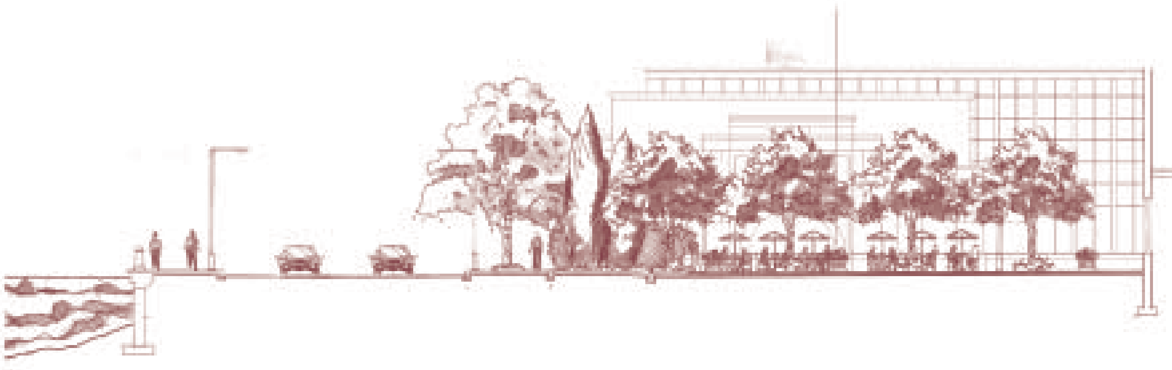


In January 2005, the Stock Exchange confirmed its final approval for the redomicile scheme. Subsequently ING Beijing circulated documents and published announcement to its shareholders on 13th January 2005. Court Meeting and EGM were convened on 7th February 2005 and the scheme was approved. Court hearing of petition to sanction the redomicile scheme was held on 12th April 2005 and the first day of dealings in the shares of New Capital commenced on 13th April 2005.



New Capital shall provide a more flexible structure for the Group to raise new capital from the market and to further develop its business and to pursue expansion. The Cayman Islands domicile will also allow the Group to project a more international image and help to attract new potential investors. With a new name, new face and transparent capital structure, New Capital is well prepared to take on a new phase of development capitalizing on the current buoyant market environment.

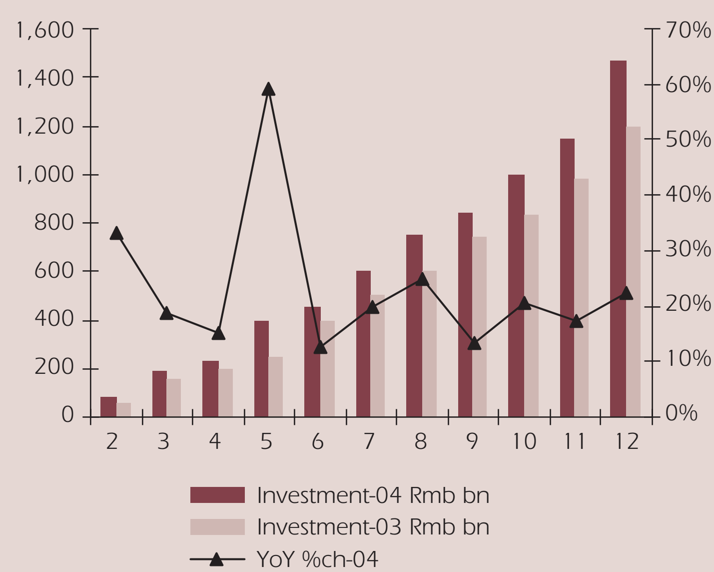




2004 ECONOMIC OVERVIEW

For the year 2004, China saw rapid economic growth registering a total value-added industrial output reaching Rmb 4,374.6 billion, up 16.9% from a year earlier. China achieved a record trade surplus of USD 20.8 billion, with export increased 35.7% compared with the year 2003. Retail sales were up 13.2% year-on-year while consumer price index rose by 2.8% year-on-year.

China posted a GDP of 9.4% in the year 2004, while Beijing registered a slower year-on-year GDP growth rate of 13.2% for the year of 2004, as compared with the level of 13.8% recorded in the first quarter of 2004. The slower growth was



mainly a result of a slowdown in investment and a reduction in credit extension by commercial banks, especially to projects in overheated sectors, including real estate.

Fixed Asset Investment (FAI) in China increased by 28.9% to Rmb 4,927.4 billion in 2004. Of this, investment in real estate was reported at Rmb 1,190.6 billion, up 29.2% year-on-year. FAI in Beijing was at Rmb 202.3 billion, an increase of 17.5% year-on-year. Over the same period, real estate investment reached Rmb 115.1 billion, an increase of 20.8% year-on-year.

China is heading towards a soft-landing fixed investment growth and CPI are approaching sustainable level. The run-down to 2008 Beijing Olympics shall provide new opportunities. A total of 250,000 new foreign funded businesses were established in China, including 450 of the world's top 500 multinational companies.

Real Estate Market in Beijing

In 2004, total real estate investment was Rmb 147.33 bn, recorded a 22.5% growth from 2003. Sale of commercial housing grew by 30.4% to 24.72 million sqm. Individual purchase represented 99% of total properties sold.

In 2004, the average selling price of commercial housing in Beijing was Rmb 5,053 per sq m, higher than the national average selling price of Rmb 2,758 per sq m, but substantly lower than the average prices in Shanghai of Rmb 9,850 per sq m.

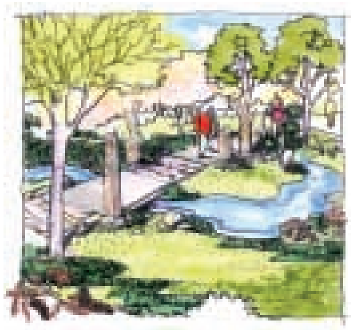
REAL ESTATE TRANSACTIONS

The Group invested HKD 78 million in China Property Development (Holdings) Limited ("CPDH") in February 2002. CPDH holds a 100% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing). The project is a 240,000 square meters high-end residential development project located in the northeast corner of Beijing within the Lido Area of the Chaoyang District. The project is situated in an up market district popular with foreigners and the diplomatic community. Phase I was launched in late August 2004 and was well received by the market. The apartments were substantially sold within a four month period. The sales price of Phase I have been adjusted steadily from Rmb 9,300 to Rmb 11,500 per sq.m. Phase II is expected to launch sales in September of 2005.

The Group invested HKD 35 million in the Taiyanggong Zone F ("TYG") project in October 2003. The deal was guaranteed by the ultimate shareholder of the project in Hong Kong. Due to the delay in the registration of the share transfer under joint venture regulations, the guarantor was demanded to repay the investment of HKD 35 million. TYG, also known as Sun Star City, is a 413,000 square meters residential development project targeting the middle sector. It is located between northeast Third and Fourth Ring Road in Beijing. The pre-sales of Phase II was launched in June 2004 and received good public response. The construction work for phase II is in progress, and is expected to be completed in August 2005.

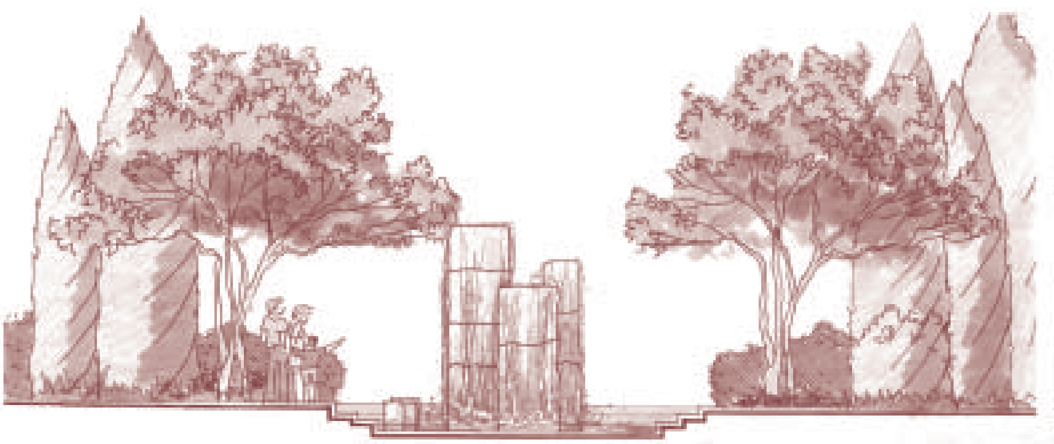
Other Investment

Beijing Far East Instrument Company Limited ("Far East") is the only remaining non-property related investment in the Company's portfolio. In 2004, Far East generated a profit of Rmb 6 million before stock provision, mainly contributed from its successful joint venture with Rosemount. However, due to the change in products mix, Far East discontinued the production of certain series of products. Inventories of the discontinued products stored over two years had became obsolete and provision was made. Accordingly, the Group shared the loss of approximately HKD 2.9 million of Far East for the year 2004. Far East is implementing a four-year business plan to consolidate its business operations, with a target to increase sales revenue 4 times by 2008. It will concentrate on streamlining the production of traditional electrical products as well as restructuring the product composition of Rosemount's business. Far East will increase efforts to explore the business of self-developed systems, which includes the automatic recording system and building integrated control systems.



Future Prospects

With the stable growth of China's economy and macro economic measures to curb overheated industries, the property market is likely to achieve a soft landing and a healthy development prevails as people's standard of living continues to improve. Together with our years of knowledge in the China market and our relationship with local partners, 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.



Investment Portfolio

Fair Value of the Portfolio

The fair value of the portfolio as at 31st December 2004 was as follows:

Investment Portfolio	Date of Investment	Valuation at 31 Dec 2004
China Property Development (Holdings) Limited	April 2002	HKD 78.00 million
Taiyanggong Zone F Project	Oct 2003	HKD 35.00 million
Beijing Far East Instrument Company Limited	Jul 1994	HKD 47.77 million
Quoted Investment – Skyworth		HKD 13.60 million

China Property Development (Holdings) Limited ("CPDH")

The Group invested HKD 78 million in China Property Development (Holdings) Limited ("CPDH") in February 2002. CPDH held 80% interest in a Beijing residential development project, the Pacific Town Project (marketed as Richmond Park in Beijing), and during the year increased its stake to 100%.

Richmond Park

The Richmond Park project, is located in the up-market Lido area at the northeastern corner of Beijing outside the Fourth Ring Road. Popular amongst foreigners, major hotels and international schools are situated within the area. With convenient access to major expressways and roads, the Beijing International Airport, CBD and Yansa Business District are all within 10 minutes drive by car. Covering a site area of 125,925 square meters, the project plans to build 294,667 square meters high-end residential space with a product mix of high-rise apartments, condominiums and villas.

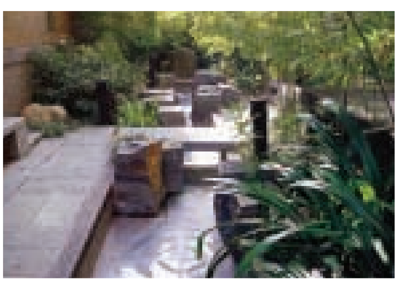
Richmond Park has made good progress in 2004. It launched pre-sale in August and had received good response from the market. Phase I apartments were substantially sold within a four month period. The sales price of Phase I have been adjusted steadily from Rmb 9,300 to Rmb 11,500 per sq. m. The Phase I of Richmond Park consists of 2 high-rise luxury residential buildings and a clubhouse facility, construction works have been commenced in June 2004 and are expected to be fully completed for occupancy in mid 2006.

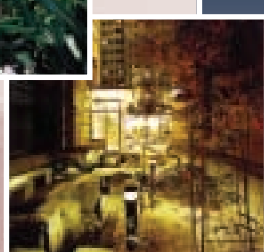
Phase II and III resettlement works are in progress and construction work will start immediately after site clearance. The pre-sale of the phase II project is expected to commence in September 2005. The high-end residential apartments and condominiums are priced competitively of not less than Rmb13,000 per square meter.

Richmond Park won Asian Creative Design Award for Habitation in Hong Kong on 8th November during the Asian Habitation Summit organized jointly by major property developers and the World Bank. There was only one project received such honor from Beijing. This activity was firstly organized in Hong Kong since the opening and reform of China.

In the 2004 Beijing Real Estate Master Award organized by a leading real estate magazine, Richmond Park was awarded Residential Masterwork of the year, 2004. The activity is regarded as the most authoritative and influential of it's kind in the real estate sector.

Organized by Real Estate Consumer Guide magazine, Richmond Park was awarded The Best Property Service Award from voters poll.





TAIYANGGONG ZONE F PROJECT ("TYG ZONE F")

The TYG Zone F project, also known as Sun Star City, is a 413,000 square meters residential development project targeting the middle sector. It locates between northeast 3rd and 4th Ring Road in Beijing. It is only 2 km from Lufthansa Center, 5 km from China World Trade Center, and 3 km from planned Olympic Village. As the hub of three business districts above, TYG F enjoys convenient and multi-dimensional web of transportation system.

Being one of the 22 pivot government projects in Beijing in 2004, Metro No.10 has already commenced its construction work of phase I. In accordance with the government plan, Metro No.10 will connect Zhongguancun Sci-tech Park, Olympic Game Village, TYG Area, Lufthansa Center, and CBD. Since two stations are planned in the TYG Area, the TYG project will further benefit from the transport infrastructure improvement.

The pre-sales of Phase II was launched in June 2004 and received good public response. The construction work for phase II is in progress, and is expected to be completed in August 2005.

ING Beijing deposited HKD 35 million in the project in October 2003. The deal was guaranteed by the ultimate shareholder of the project in Hong Kong. Due to the delay in the registration of share transfer under joint venture regulations, the guarantor was demanded to repay the investment of HKD35 million.

BEIJING FAR EAST INSTRUMENT CO., LTD. ("FAR EAST")

In 2004, the sale revenue of Far East increased by 30% and reached Rmb140 million. The profit for the year was Rmb 6 million before stock provision, in which 25% came from the main stream business, the production and sales of measuring instruments and systems. Most of the profit came from the dividend income distributed from its successful joint venture, Beijing Rosemount Far East Instrument Co. Ltd., which produced advanced industrial products.

However, due to the change in products mix, Far East discontinued the production of certain series of products. Inventories of the discontinued products stored over two years had become obsolete and provision was made. Accordingly, the Group shared the loss of approximately HKD 2.9 million of Far East for the year 2004.

In the near term, Far East will implement a four-year business plan to consolidate the business operations, with a target to achieve annual sales revenue of Rmb 400 million by 2008. It will be concentrated on streamlining the production of traditional electrical products as well as restructuring the product composition of Rosemount's business. Far East will increase efforts to explore the business of self-developed systems, which includes the automatic recording system and building integrated control systems.

The Group entered into a conditional agreement to sell 9% out of its equity interest in Far East to Beijing Capital Group Limited in March 2002 for a consideration of Rmb14 million payable over a period of 5 years. As the conditions of the disposal including the settlement of the consideration have not been satisfied, the profit of the disposal has not been accounted for in the financial statements. The Group will continue to share the results of Far East in respect of the unpaid portion of the disposal interest. For the year ended 31 December 2004, Far East declared a final dividend of Rmb 5.1 million of which Rmb1.78 million, representing a 35% of the total dividend, was payable to the Group. In the event that the consideration is not fully settled at the end of the five year period, the equity interest in relation to any unpaid portion of the disposal interest will be transferred back to the Group. The Directors will seek for other opportunities to reduce the Group's interest in Far East.

Quoted Investment

The Company's investment in quoted securities is an investment of 10 million shares in Skyworth Digital Company Limited ("Skyworth"). Skyworth was listed on the Stock Exchange in April 2000. On 30 November 2004, Skyworth was suspended from trading due to an alleged misappropriation of corporate funds and possible fraud by the chairman and other senior managers. Such news exposes Skyworth's share to substantial downside risk when it resumes trading. Accordingly, the Company's investment in Skyworth has been revalued by applying 50% discount of HKD 1.36 per share. The last trading price of the Skyworth's shares before suspension was HKD 2.725.

Biographical Details of Directors

Executive Directors

Mr. **Liu Xiao Guang,** aged 49, is the Chairman of the board of directors of the Company and ING Beijing Investment Company Limited. He is also the chairman of the board of directors of Beijing Capital Land Ltd., which is a H-share company listed on the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties and medium to high-end residential properties. Mr. Liu has been appointed an Executive Director since April 2004. He was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. Mr. Liu has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr. Liu also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing for Beijing Capital. He is currently the vice chairman and deputy general manager of Beijing Capital, a large-sized enterprise group directly under the supervision of Beijing Municipal People's Government. Mr. Liu obtained a bachelor's degree in economics from Beijing Commerce College in 1983.

Mr. **Cheng Bing Ren,** aged 54, is the deputy general manager of the Beijing International Trust and Investment Corporation Limited ("BITIC"), a state-owned enterprise which is engaged in the provision of financial trust products and services. Since Mr. Cheng joined BITIC in 1987, he has been primarily responsible for managing BITIC's trust management business. Being a member of the senior management of BITIC's trust management business, Mr. Cheng has wide discretion and authority to make investment decisions for the discretionary trust clients of BITIC. Most of these clients have been assigned by the PRC government. Mr. Cheng is also responsible for the evaluation, monitoring and management of investments for BITIC itself. He obtained a graduate certificate from Beijing Normal College, a teachers' college in the PRC, in 1977. Mr. Cheng was appointed an Executive Director in April 2004 and is an Executive Director of ING Beijing Investment Company Limited since March 1994.

Mr. **Lawrence H. Wood** (also known as Wu Yuk Shing or Hu Xu Cheng), aged 43, has been appointed an Executive Director since August 2003 and is an Executive Director of ING Beijing Investment Company Limited since March 1994. Mr. Wood graduated with a bachelor degree in economics from the Beijing Economics College in 1983. Over the past 10 years, he has been working with the Beijing International Trade Association and the Beijing International Trade Research Institute, during which period his responsibilities included performing financial and economic research and providing professional advice on Beijing Government's cross-provincial investments and foreign investments, participating in the decision-making process for granting export rights to Beijing government-owned enterprises, evaluating investment proposals as well as supervising sino-foreign investments in Beijing.

Mr. **Liu Xue Min**, aged 46, was appointed Executive Director of the Company in April 2004 and is a Non-executive Director of ING Beijing Investment Company Limited since March 1994. Mr. Liu graduated with a master degree in currency and banking from Post Graduate Institute of Chinese Academy of Social Science in the PRC in 1998. He is the chairman of First Capital Securities Co., Limited, which is a subsidiary of Beijing Capital and is engaged in the provision of financial services including securities consultation and asset management, and was the general manager of Beijing Jingfang Economic Development Company, a state-owned company which is engaged in the investment, securities and real estate development businesses in the PRC, from 1993 to 1997.

Independent non-executive directors

Mr. **To Chun Kei**, aged 38, has over 10 years of experience in accounting and financial management. He was the financial controller of a private company in Hong Kong which is primarily engaged in the property investment business from 2001 to 2004. Prior to joining this private company in 2001, he worked as the financial controller of Kiu Lok Service Management Co., Ltd., a subsidiary of New World Property Holdings Limited, from 2000 to 2001. He also worked as a senior accountant in Hop Hing Holdings Limited, the shares of which are listed on the Stock Exchange, during 1994 to 2000. Mr. To graduated from the University of Western Sydney, Australia and has a bachelor degree in business administration. He is an associate member of Hong Kong Institute of Certified Public Accountants and Association of International Accountants. Mr. To was appointed an Independent Non-executive Director in April 2004.

Dr. **Kwong Chun Wai**, aged 39, is a fellow of the International Institute of Management, a fellow of the Hong Kong Institute of Marketing and a member of the Hong Kong Logistics Association. He is currently an independent non-executive Director of China Haidian Holdings Limited, a company whose shares are listed on the Stock Exchange, a director of the Hong Kong Economic and Trade Association, principal examiner of Cambridge Career Awards in Business, University of Cambridge Local Examination Syndicate in the United Kingdom and a business strategist specialising in the area of marketing and business administration. Dr. Kwong obtained a bachelor of arts degree with honours in philosophy from the University of Nottingham in the United Kingdom in 1987 and a doctor degree in business administration from Newport University in the United States in 2001. He has worked in leading media corporations as senior executives and served in the past as executive committee member in the Hong Kong branch of the Chartered Institute of Marketing and certified professional marketer of the Hong Kong Institute of Marketing. Dr. Kwong was appointed an Independent Non-executive Director in April 2004.

Mr. **Fung Tze Wa**, aged 48, is a certified public accountant. He has been a director of Lawrence (DFK) CPA Limited, a professional accounting firm in Hong Kong since 2002 and had worked in the fields of accounting and finance in several listed companies in Hong Kong for over 10 years. Mr. Fung has extensive experience in auditing, taxation and company secretarial practice in Hong Kong. He is an independent non-executive director of China Haidian Holdings Limited, a company whose shares are listed on the Stock Exchange and is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. He obtained a master degree in professional accounting from Hong Kong Polytechnic University in 2000. Mr. Fung was appointed an Independent Non-executive Director in April 2004.

CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Liu Xiao Guang
Mr. Cheng Bing Ren
Mr. Lawrence H. Wood
(also known as Wu Yuk Shing or Hu Xu Cheng)
Mr. Liu Xue Min

Independent non-executive directors

Mr. To Chun Kei
Dr. Kwong Chun Wai
Mr. Fung Tze Wa

Registered office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head office and principle place of business in Hong Kong

35th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Company secretary

Ms. Ngai Lin Ying ACIS, CIS

Qualified accountant

Mr. Li Chun Hung AHKICPA

Members of the audit committee

Mr. To Chun Kei
Dr. Kwong Chun Wai
Mr. Fung Tze Wa

Principal share registrar and transfer office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 1405
George Town
Grand Cayman
British West Indies

Hong Kong branch share registrar and transfer office

Standard Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Corporate Information (CONT'D)

Principal bankers

ING Bank N.V
35th to 39th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

The Bank of East Asia, Limited
Ground Floor
The Bank of East Asia Building
10 Des Voeux Road Central
Hong Kong

Investment Manager

Baring Capital (China) Management Limited
Hong Kong office:
39th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Beijing office:
Room 1501
Landmark Building
No. 8 North Dongsanhuan Road
Beijing 100004
the PRC

Administrator

ING Management (Hong Kong) Limited
35th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Custodian

The Law Debenture Corporation (H.K.) Limited
Suite 1904, 19th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Report of the Directors

The directors present their report to the shareholders together with the audited financial statements and the proforma financial information for the financial year ended 31st December 2004.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap 22 (Laws of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation proposal whereby ING Beijing Investment Company Limited ("ING Beijing") will become a wholly owned subsidiary of the Company to be implemented by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong ('the Scheme") as stated in a document dated 13 January 2005 issued to the shareholders of ING Beijing ("the Document"), the Company became the holding company of the companies now comprising the group ("the Group") on 13 April 2005, the effective date of the Scheme. This was accomplished by the Company acquiring the entire issued share capital of ING Beijing, the then holding company of other subsidiaries, as set out in note 10 on the proforma financial information.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company's shares were listed on the Stock Exchange by way of introduction on 13 April 2005.

To facilitate comparison of the financial results and position of the Group with that of ING Beijing and its subsidiaries prior to the Scheme becoming effective presented in the previous annual report, proforma financial information comprising proforma combined income statement, balance sheet, statement of changes in equity and cash flow statement are presented in the annual report as if the Scheme had become effective on 1st January 2003. The "Basis of presentation of the proforma financial information" is set out in note 1(b) on page 48 of the annual report and the accounting policies set out on pages 49 to 56 have been consistently applied in preparing the proforma financial information of the Group in this report.

PRINCIPAL ACTIVITIES

During the period from 1 August 2003 (date of incorporation) to 31 December 2004, the Company did not carry on any business other than the issue of share capital and entering into the reorganisation proposal.

The principal activity of the Group is the holding of equity investments primarily in companies or entities with significant business interests or involvement in the People's Republic of China ("PRC"). In particular, the Group focuses on investment in Sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities included in the Group's proforma financial information as at 31st December 2004 are set out on pages 63 to 68 of this report.

RESULTS

The results of the Group for the financial year ended 31st December 2004 are set out in the proforma combined income statement as set out on page 43 of this report.

FINANCIAL SUMMARY

A summary of the proforma results and of the combined assets and liabilities of the Group for the last five financial years is given on pages 81 to 82 of this report.

DIVIDENDS

The directors do not recommend the payment of a final dividend in respect of the financial year ended 31st December 2004.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during 1 August 2003 (date of incorporation) to the date of this report are set out in note 6 to the financial statements on pages 40 to 42 of this report.

RESERVES

Movements in the reserves during the financial year are set out in note 17 to the proforma financial information on pages 74 to 76 of this report.

DIRECTORS

The directors of ING Beijing during the financial year were:

- Mr. Liu Xiao Guang
- Mr. Cheng Bing Ren
- Mr. Lawrence H Wood (also known as Wu Yuk Shing or Hu Xu Cheng)
- Mr. Yu Sek Kee
- Mr. Liu Xue Min
- Mr. Poon Kai Leung
- Mr. Tong Ng Siu Yee
- Mr. Kwong Chun Wai Michael
- Mr. To Chun Kei
- Mr. Fung Tze Wa

The directors of New Capital are:

- Mr. Liu Xiao Guang
- Mr. Cheng Bing Ren
- Mr. Lawrence H Wood (also known as Wu Yuk Shing or Hu Xu Cheng)
- Mr. Liu Xue Min
- Mr. Kwong Chun Wai Michael
- Mr. To Chun Kei
- Mr. Fung Tze Wa

Cheng Bing Ren and Lawrence Wood will retire by rotation from the board of directors in accordance with Article 88 of New Capital's articles of association at the forthcoming annual general meeting. Cheng Bing Ren and Lawrence Wood, all being eligible, offer themselves for re-election.

Each of Messrs. Cheng Bing Ren and Lawrence Wood entered into a service contract on 29 October 2004 with New Capital under which they agreed to act as directors of New Capital for a period of three years and shall continue for a maximum of three years, and unless terminated in accordance with the terms of the service contracts.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES. UNDERLYING SHARES AND DEBENTURES

As at 31st December 2004, the interests or short positions of the Directors of the Company or ING Beijing in the shares, underlying shares and debentures of the Company, ING Beijing or any of their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company or ING Beijing and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company or ING Beijing and the Stock Exchange, were as follows:

Rights to acquire ordinary shares of the Company or ING Beijing:

A share option scheme was approved by ING Beijing in an extraordinary general meeting held on 16 August 2001 under which the board of directors of ING Beijing may, at its discretion, grant to any executive director or senior employee of ING Beijing, or any director or senior employee of any subsidiaries from time to time of ING Beijing, to subscribe for its shares. A New Share Option Scheme was adopted by the Company effective 13 April 2005. Details of the movements of directors' interests in options under the Share Option Scheme of ING Beijing during the year are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Number of shares to be issued upon exercise of options at 01.01.04	Option granted during the period (01.01.04 – 31.12.04)	Option lapsed during the period (01.01.04 – 31.12.04)	Number of shares to be issued upon exercise of options at 31.12.04
Director							
Mr. Liu Xiao Guang	27.11.01	HK$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900	–
Mr. Cheng Bing Ren	27.11.01	HK$0.298	28.05.02 – 27.11.04	2,694,450	–	2,694,450	–
Mr. Lawrence H. Wood	27.11.01	HK$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900	–
Mr. Yu Sek Kee	27.11.01	HK$0.300	28.05.02 – 27.11.04	2,694,450	–	2,694,450	–

Save as disclosed herein, as at 31st December 2004, none of the Directors of the Company, ING Beijing or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company, ING Beijing or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or ING Beijing and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company or ING Beijing and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31st December 2004, the persons/companies who have interests or short positions in the shares or underlying shares of ING Beijing which would fall to be disclosed to ING Beijing under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Names	**No. of Shares**	**Approximate % of shareholding**
ING Groep N.V. *(Note 1)*	85,140,000	13.16
ING Bank N.V. *(Note 1)*	85,140,000	13.16
ING Real Estate (B) B.V. *(Note 1)*	85,140,000	13.16
ING Insurance Investments Holdings B.V. *(Note 1)*	85,140,000	13.16
ING IM Investment Holdings B.V. *(Note 1)*	85,140,000	13.16
N.V. Haagsche Herverekering-Maatachappij van 1836 *(Note 1)*	85,140,000	13.16
Lin Si Yu *(Note 2)*	107,600,000	16.63
Sense Control International Limited *(Note 2)*	107,600,000	16.63

Notes:

1. The 85,140,000 shares were held by N. V. Haagsche Herverekering-Maatachappij van 1836, which is a wholly-owned subsidiary of ING IM Investment Holdings B.V.. ING IM Investment Holdings B.V. is therefore deemed to be interested in the same parcel of shares hold by N.V. Haagsche Herverekering-Maatachappij van 1836.

   ING IM Investment Holdings B.V. is a wholly-owned subsidiary of ING Insurance Investments Holdings B.V. and ING Insurance Investments Holdings B.V. is therefore deemed to be interested in the same parcel of shares hold by ING IM Investment Holdings B.V..

   ING Insurance Investments Holdings B.V. is a wholly-owned subsidiary of ING Real Estate (B) B.V. and ING Real Estate (B) B.V. is therefore deemed to be interested in the same parcel of shares hold by ING Insurance Investments Holdings B.V..

   ING Real Estate (B) B.V. is a wholly-owned subsidiary of ING Bank N.V. and ING Bank N.V. is therefore deemed to be interested in the same parcel of shares hold by ING Real Estate (B) B.V..

   ING Bank N.V. is a wholly-owned subsidiary of ING Groep N.V. and ING Groep N.V. is therefore deemed to be interested in the same parcel of shares hold by ING Bank N.V..

2. Sense Control International Limited is beneficially and wholly owned by Mr. Lin Si Yu. Mr. Lin Si Yu is therefore deemed to be interested in the same parcel of shares hold by Sense Control.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

SHARE OPTION SCHEME

As at 31 December 2004, the particulars in relation to the share option scheme of ING Beijing and New Capital that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

(a) Share option scheme of ING Beijing Investment Company Limited

Since the adoption of the share option scheme of ING Beijing on 16 August 2001, other than the options detailed below, no options to subscribe for ordinary shares in ING Beijing have been granted to any eligible participants under the share option scheme and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

Name	Date of grant	Exercise price per share	Exercise period	Number of shares to be issued upon exercise of options at 01.01.04	Option granted during the period (01.01.04 – 31.12.04)	Option lapsed during the period (01.01.04 – 31.12.04)	Number of shares to be issued upon exercise of options at 31.12.04
Director							
Mr. Liu Xiao Guang	27.11.01	HK$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900	–
Mr. Cheng Bing Ren	27.11.01	HK$0.298	28.05.02 – 27.11.04	2,694,450	–	2,694,450	–
Mr. Lawrence H. Wood	27.11.01	HK$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900	–
Mr. Yu Sek Kee	27.11.01	HK$0.300	28.05.02 – 27.11.04	2,694,450	–	2,694,450	–
Other Participant	27.11.01	HK$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900	–

(b) Summary of the share option scheme of ING Beijing is set out as follows:

▪ Purpose:	To give incentive to any executive director or senior employee of ING Beijing, or any director or senior employee of any subsidiaries from time to time of ING Beijing
▪ Participants:	any executive director or senior employee of ING Beijing, or any director or senior employee of any subsidiaries from time to time of ING Beijing
▪ Maximum entitlement of each participant:	Not to exceed 1% of the issued share capital in any 12 month period
▪ Period within which the securities must be taken up under an option:	30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option
▪ Minimum period for which an option must be held before it can be exercised:	6 calendar months after the offer date of the relevant option
▪ Amount payable on acceptance of an option:	HK$10

▪ Period within which payments/calls/loans must be made/repaid:	Not applicable
▪ Basis of determining the exercise price	The closing price of the share on the date of acceptance of the relevant option or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option, whichever is higher
▪ The remaining life of the share option scheme:	Valid until 16 August 2006 unless otherwise terminated under the terms of the option scheme

(c) Summary of the share option scheme of New Capital is set out as follows:

▪ Purpose:	To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company
▪ Participants:	any director, employee, executive or officer of the Company, or any any subsidiaries from time to time of the Company
▪ Total number of ordinary shares available for issue and percentage of the issued share capital that it represents as at the date of the annual report:	64,711,400 ordinary shares and 10% of the issued share capital

▪ Maximum entitlement of each participant:	Not to exceed 1% of the issued share capital in any 12 month period
▪ Period within which the securities must be taken up under an option:	30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option
▪ Minimum period for which an option must be held before it can be exercised:	6 calendar months after the offer date of the relevant option
▪ Amount payable on acceptance of an option:	HK$10
▪ Period within which payments/calls/loans must be made/repaid:	Not applicable
▪ Basis of determining the exercise price	The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher
▪ The remaining life of the share option scheme:	Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme

MANAGEMENT CONTRACTS

Under an investment management agreement made between ING Beijing Investment Company Limited and Baring Capital (China) Management Limited (then known as ING Luxfund Management (Hong Kong) Limited) (the "Investment Manager") dated 25th April 1994, the Investment Manager agreed to provide investment management services in relation to the investment portfolio of the Group for a period of three years from the date of the agreement. The Investment Manager, in accordance with the terms of the agreement as revised by a supplemental agreement dated 22nd May 1998 and a second supplemental agreement dated 7th January 1999, is entitled to a fee calculated at the rate of 2.00 per cent. per annum of the net asset value of ING Beijing Investment Company Limited, payable quarterly in advance. The Investment Manager is also entitled, with effect from the financial year ended 31st December 1999, to receive an incentive fee calculated at (i) 10 per cent. of the realised profit of ING Beijing Investment Company Limited for a financial year if the realised profit per issued share does not exceed 10 per cent.; (ii) 15 per cent. of the realised profit if the realised profit per issued share exceeds 10 per cent. but is below 15 per cent.; or (iii) 20 per cent. of the realised profit if the realised profit per share equals or exceeds 15 per cent. The agreement is determinable by either the Investment Manager or ING Beijing Investment Company Limited giving to the other party not less than 6 months' prior notice of termination. On 29th October 2004, New Capital, Investment Manager and ING Beijing Investment Company Limited entered into a novation agreement, pursuant to which the parties agreed that ING Beijing Investment Company Limited assigned to New Capital all its rights and benefits under the investment management agreements.

Under an agreement between New Capital and ING Management (Hong Kong) Limited (the "Administrator") dated 29th October 2004, the Administrator agreed to provide administrative services to New Capital. The agreement has no fixed term but is subject to termination by either the Administrator or New Capital giving to the other party not less than six months' prior notice of termination. The Administrator is entitled to receive a fixed fee of HK$800,000 per year under the administrative agreement.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

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.

INVESTMENTS

Details of the Group's investments as at 31st December 2004 are set out in the proforma financial information on pages 69 to 71.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31st December 2004.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, the information in relation to the matters set out in Paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the most recent published annual report of ING Beijing for the year ended 31st December 2003.

EMPLOYEE

As at 31st December 2004, the Group employed a qualified accountant and basic salary and mandatory provident fund scheme are provided to this employee.

AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Independent Directors. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 18th April 2005 to review the Group's 2004 final results before it was tabled for the Board's approval.

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 which was in force prior to 1st January 2005 throughout the financial year 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 88 of the Company's Articles of Association.

AUDITORS

The financial statements and proforma financial information have been audited by KPMG, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board of Directors of
New Capital International Investment Limited

Liu Xiao Guang
Chairman

Hong Kong, 22 April 2005

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of New Capital International Investment Limited (the "Company") will be held at 39th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on Thursday, 26th day of May, 2005 at 3:00 p.m. for the purpose of transacting the following businesses:

1. To adopt the Audited Financial Statements together with the Reports of the Directors and Auditors for the year ended 31 December 2004.

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, 22nd April 2005.

Principal place of business
35th Floor
One International Finance Centre
1 Harbour View Street
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 Company's branch share register in Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong 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 19th May 2005 to 25th May 2005 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, Wanchai, Hong Kong, no later than 4:00 p.m. on 18th May 2005.

Auditors' Report

Auditors' report to the shareholders of New Capital International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 37 to 42 which have been prepared in accordance with accounting principles generally accepted in Hong Kong. We have also audited the proforma financial information on pages 43 to 80. The proforma financial information has been prepared in accordance with the "Basis of presentation of the proforma financial information" set out in note 1(b) on page 48 and the accounting policies set out in pages 49 to 56.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements and proforma financial information which give a true and fair view. In preparing financial statements and proforma financial information which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and proforma financial information and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and proforma financial information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and the proforma financial information, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements and proforma financial information are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and proforma financial information. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

(a) the financial statements set out on pages 37 to 42 give a true and fair view of the state of affairs of the Company as at 31 December 2004 and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance; and

(b) the proforma financial information set out on pages 43 to 80 has been properly prepared in accordance with the "Basis of presentation of the proforma financial information" set out in note 1(b) on page 48 and the accounting policies set out on pages 49 to 56 and, on that basis, gives a true and fair view of the state of affairs of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended as if the Company had been the holding company of the companies now comprising the Group as at and throughout the year ended 31 December 2004.

KPMG
Certified Public Accountants
Hong Kong, 22 April 2005

Balance Sheet

at 31 December 2004

(Expressed in Hong Kong dollars)

	Note	**2004**	2003
Share capital	*6*	**$ –**	$ –

Approved and authorised for issue by the board of directors on 22 April 2005

Lawrence H. Wood	)	
	)	*Directors*
Liu Xue Min	)	

The notes on pages 38 to 42 form part of these financial statements.

(Expressed in Hong Kong dollars)

1 Status of the Company

(a) The Company

The Company was incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws of 1961 as consolidated and revised) of the Cayman Islands.

During the period from 1 August 2003 (date of incorporation) to 31 December 2004, the Company did not carry on any business other than the issue of share capital and entering into the reorganisation proposal set out in note 1(b) below.

(b) Reorganisation

Pursuant to a reorganisation proposal whereby ING Beijing Investment Company Limited ("ING Beijing") will become a wholly owned subsidiary of the Company to be implemented by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("the Scheme") as stated in a document dated 13 January 2005 issued to the shareholders of ING Beijing ("the Document"), the Company became the holding company of the companies now comprising the group ("the Group") on 13 April 2005, the effective date of the Scheme. This was accomplished by the Company acquiring the entire issued share capital of ING Beijing, the then holding company of other subsidiaries, as set out in note 10 on the proforma financial information. Further details of the Scheme and the subsidiaries acquired pursuant thereto are set out in notes 1(a) and 10 on the proforma financial information.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited ("HKSE") and the Company's shares were listed on the HKSE by way of introduction on 13 April 2005.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(b) Basis of preparation of the financial statements

As the Scheme became effective on 13 April 2005, in accordance with Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" issued by the HKICPA, the effect of the Scheme is not reflected in the Company's financial statements for the year ended 31 December 2004. However, since all of the entities which took part in the Scheme were owned by the same group of ultimate shareholders before and immediately after the Scheme became effective and, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Scheme becoming effective, additional proforma financial information prepared using the merger basis of accounting, has been prepared as set out on pages 43 to 80, as if the Company had been the holding company of the companies now comprising the Group as at and throughout the year ended 31 December 2004. Further details concerning the basis of presentation of the proforma financial information is set out in note 1(b) on page 48.

The measurement basis used in the preparation of the financial statements is historical cost.

(c) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3 Income statement and statement of changes in equity

No income statement is presented as the Company did not earn any income during the period from the date of its incorporation on 1 August 2003 to 31 December 2004. No statement of changes in equity is prepared as there was no movement during the same period.

Auditors' remuneration of $10,000 (2003: $Nil) for the year ended 31 December 2004 has been borne by ING Beijing, a wholly-owned subsidiary of the Company after the Scheme, which has waived its right of recovery thereof.

(Expressed in Hong Kong dollars)

4 Income tax

(a) No provision for Hong Kong Profits Tax has been made in the financial statements as the Company earned no assessable income from the date of incorporation on 1 August 2003 to 31 December 2004.

(b) There are no significant deferred tax assets/liabilities not provided for.

5 Directors' remuneration

Directors' remuneration pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2004	Period from 1 August 2003 (date of incorporation) to 31 December 2003
Fees	**$ –**	$ –
Salaries and other emoluments	**–**	–

6 Share capital

	2004	2003
Authorised:		
10,000,000 ordinary shares of $0.01 each	**$ 100,000**	$ 100,000
Issued but nil paid:		
10,000,000 ordinary shares of $0.01 each	**$ –**	$ –

(Expressed in Hong Kong dollars)

6 Share capital *(continued)*

During the period from 1 August 2003 (date of incorporation) to the date of approval of the financial statements, the following changes in the Company's authorised and issued share capital were recorded:

	Note	**Number of ordinary shares of $0.01 each**		**Amount**
Authorised:				
On incorporation, at 31 December 2003 and at 31 December 2004	*(a)*	10,000,000	$	100,000
Increase in authorised share capital	*(c)*	11,990,000,000		119,900,000
Authorised share capital as at the date of approval of the financial statements		12,000,000,000	$	120,000,000
Issued:				
Ordinary shares issued nil paid and subsequently credited as fully paid as part of the consideration for the acquisition of the entire issued share capital of ING Beijing	*(b)*	10,000,000	$	100,000
Ordinary shares issued as the remaining consideration for the acquisition of the entire issued share capital of ING Beijing	*(d)*	637,114,000		6,371,140
Issued share capital as at the date of approval of the financial statements		647,114,000	$	6,471,140

Notes:

(a) On 1 August 2003, the Company was incorporated with an authorised share capital of $100,000 divided into 10,000,000 ordinary shares of $0.01 each.

(b) On 25 August 2003, 10,000,000 ordinary shares were allotted and issued nil paid to a sole shareholder, ING Beijing.

(Expressed in Hong Kong dollars)

6 Share capital *(continued)*

(c) Pursuant to a written resolution of the sole shareholder of the Company dated 4 November 2004, the authorised share capital of the Company was increased from $100,000 to $120,000,000 by the creation of 11,990,000,000 additional ordinary shares of $0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company conditional upon the Scheme becoming effective.

(d) On 13 April 2005, pursuant to the Scheme described in note 1(b) on the financial statements, the Company allotted and issued 637,114,000 ordinary shares of $0.01 each, credited as fully paid, and also credited as fully paid the 10,000,000 nil paid ordinary shares of $0.01 each as set out in (b) above, in consideration for the acquisition of the entire issued share capital of ING Beijing.

7 Material related party transactions

Pursuant to the Scheme, the Company became the holding company of the subsidiaries now comprising the Group on 13 April 2005.

The Scheme was accomplished by acquiring the entire issued share capital of ING Beijing, the then holding company of other subsidiaries, as set out in note 10 on the proforma financial information. Further details of the Scheme and the subsidiaries acquired pursuant thereto are set out in notes 1(a) and 10 on the proforma financial information.

8 Post balance sheet events

The following events took place subsequent to 31 December 2004:

(a) Subsequent to 31 December 2004, there were movements in share capital as set out in note 6 on the financial statements.

(b) The Scheme became effective on 13 April 2005 and the Company became the holding company of the Group.

(c) A share option scheme was established on 13 April 2005, further details of which were set out in the Document dated 13 January 2005 issued in connection with the Scheme and the directors' report.

PROFORMA COMBINED INCOME STATEMENT

for the year ended 31 December 2004

(Expressed in Hong Kong dollars)

	Note	2004	2003
Turnover: Group and share of jointly controlled entities' turnover	*4*	**$ 47,263,429**	$ 49,293,541
Less: Share of jointly controlled entities' turnover		**(46,167,527)**	(46,860,690)
Group turnover	*3*	**$ 1,095,902**	$ 2,432,851
Other net loss	*5(a)*	**(13,539)**	(2,882)
Gain on disposal of non-trading listed investments	*5(c)*	**16,938,629**	6,013,708
Gain on deemed disposal of associates	*11*	**11,202,890**	–
Gain on disposal of interest in jointly controlled entity	*5(d) & 12*	**–**	2,064,532
Write-back of amount due from jointly controlled entity	*12*	**–**	1,528,897
Reversal of impairment of non-trading listed investments	*5(e)*	**–**	16,240,360
Operating expenses	*5(b)*	**(10,775,647)**	(7,846,444)
Profit from operations	*5*	**$ 18,448,235**	$ 20,431,022
Share of losses of associates		**(14,168,595)**	(13,810,728)
Share of (losses)/profits of jointly controlled entities		**(2,909,273)**	1,754,967
Profit from ordinary activities before taxation		**$ 1,370,367**	$ 8,375,261
Income tax	*6(a)*	**4,880,920**	(193,962)
Profit attributable to shareholders	*17*	**$ 6,251,287**	$ 8,181,299
Earnings per share			
Basic	*9*	**1.16 cents**	1.52 cents

The notes on pages 48 to 80 form part of the proforma financial information.

PROFORMA COMBINED BALANCE SHEET

at 31 December 2004

(Expressed in Hong Kong dollars)

	Note		**2004**		2003
Non-current assets					
Interest in associates	*11*	**$**	**65,114,939**	$	63,617,196
Interest in jointly controlled entities	*12*		**23,452,360**		29,234,376
Non-trading investments	*13*		**13,600,000**		44,497,050
Investment deposit	*14*		**35,000,000**		35,000,000
		$	**137,167,299**	$	172,348,622
Current assets					
Prepayments and other receivables		**$**	**742,142**	$	1,525,093
Cash and cash equivalents	*15*		**49,387,783**		14,470,509
		$	**50,129,925**	$	15,995,602
Current liabilities					
Accounts payable and accruals		**$**	**3,483,557**	$	1,617,495
Current tax payable	*6(c)*		**–**		5,000,000
		$	**3,483,557**	$	6,617,495
Net current assets		**$**	**46,646,368**	$	9,378,107
Net assets		**$**	**183,813,667**	$	181,726,729
Capital and reserves					
Share capital	*16*	**$**	**6,471,140**	$	5,395,140
Reserves	*17*		**177,342,527**		176,331,589
		$	**183,813,667**	$	181,726,729
Net asset value per share	*19*	**$**	**0.284**	$	0.337

Approved and authorised for issue by the board of directors on 22 April 2005

Lawrence H. Wood)
) *Directors*
Liu Xue Min)

The notes on pages 48 to 80 form part of the proforma financial Information.

Proforma Combined Statement of Changes in Equity

for the year ended 31 December 2004

(Expressed in Hong Kong dollars)

	Note	2004	2003
Shareholders' equity as at 1 January		**$ 181,726,729**	$ 166,625,535
(Deficit)/surplus on revaluation of non-trading listed investments	17	**$ (5,900,000)**	$ 24,785,470
Exchange differences on translation of financial statements of jointly controlled entities in the People's Republic of China ("PRC")	17	**131,601**	(106,693)
Share of exchange and other reserves of associates	17	**–**	(1,518,971)
Net (losses)/gains not recognised in the proforma combined income statement		**$ (5,768,399)**	$ 23,159,806
Net profit for the year	17	**$ 6,251,287**	$ 8,181,299
Revaluation surplus credited to the proforma combined income statement on disposal of non-trading listed investments	17	**$ (13,459,950)**	$ –
Reversal of impairment of non-trading listed investments previously charged to the proforma combined income statement	17	**$ –**	$ (16,240,360)
Issue of shares by ING Beijing	17	**$ 15,064,000**	$ 449
Shareholders' equity as at 31 December		**$ 183,813,667**	$ 181,726,729

The notes on pages 48 to 80 form part of the proforma financial information.

PROFORMA COMBINED CASH FLOW STATEMENT

for the year ended 31 December 2004

(Expressed in Hong Kong dollars)

	Note	**2004**	2003
Operating activities			
Profit from ordinary activities before taxation		**$ 1,370,367**	$ 8,375,261
Adjustments for:			
– Interest income		**(89,522)**	(291,901)
– Dividend income from listed investments		**(1,006,380)**	(2,140,950)
– Gain on disposal of non-trading listed investments		**(16,938,629)**	(6,013,708)
– Gain on deemed disposal of associates		**(11,202,890)**	–
– Gain on disposal of interest in jointly controlled entity		**–**	(2,064,532)
– Write-back of amount due from jointly controlled entity		**–**	(1,528,897)
– Reversal of impairment of non-trading listed investments		**–**	(16,240,360)
– Share of losses of associates		**14,168,595**	13,810,728
– Share of losses/(profits) of jointly controlled entities		**2,909,273**	(1,754,967)
Operating loss before changes in working capital		**$ (10,789,186)**	$ (7,849,326)
Decrease/(increase) in prepayments and other receivables		**788,741**	(1,339,380)
Increase/(decrease) in accounts payable and accruals		**1,866,062**	(397,826)
Decrease in amount due to an associate		**(86)**	(23,857)
Cash used in operations		**$ (8,134,469)**	$ (9,610,389)
Hong Kong Profits Tax paid		**(4,582,442)**	–
Net cash used in operating activities		**$ (12,716,911)**	$ (9,610,389)

The notes on pages 48 to 80 form part of the proforma financial information.

for the year ended 31 December 2004

(Expressed in Hong Kong dollars)

	Note	2004	2003
Investing activities			
Interest received		**$ 83,732**	$ 303,307
Dividends received from listed investments		**1,006,380**	2,140,950
Dividends received from jointly controlled entity		**3,004,344**	–
Proceeds from sale of non-trading listed investments, net of expenses		**28,475,729**	21,413,708
Proceeds from sale of interest in jointly controlled entity, net of expenses		**–**	2,064,532
Amount repaid by jointly controlled entity		**–**	1,528,897
Payment for investment deposit		**–**	(35,000,000)
Net cash generated from/(used in) investing activities		**$ 32,570,185**	$ (7,548,606)
Financing activities			
Proceeds from issue of new shares		**$ 15,064,000**	$ 449
Net cash from financing activities		**$ 15,064,000**	$ 449
Net increase/(decrease) in cash and cash equivalents		**$ 34,917,274**	$ (17,158,546)
Cash and cash equivalents at 1 January		**14,470,509**	31,629,055
Cash and cash equivalents at 31 December	*15*	**$ 49,387,783**	$ 14,470,509

The notes on pages 48 to 80 form part of the proforma financial information.

(Expressed in Hong Kong dollars)

1 Reorganisation and basis of presentation of the proforma financial information

(a) Background

The Company was incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation proposal whereby ING Beijing Investment Company Limited ("ING Beijing") will become a wholly owned subsidiary of the Company to be implemented by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("the Scheme") as stated in a document dated 13 January 2005 issued to the shareholders of ING Beijing ("the Document"), the Company became the holding company of the companies now comprising the group ("the Group") on 13 April 2005, the effective date of the Scheme. This was accomplished by the Company acquiring the entire issued share capital of ING Beijing, the then holding company of other subsidiaries, as set out in note 10 on the proforma financial information.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited ("HKSE") and the Company's shares were listed on the HKSE by way of introduction on 13 April 2005.

(b) Basis of presentation of the proforma financial information

As explained in note 2(b) on the financial statements on page 39, since the Scheme became effective on 13 April 2005, in accordance with Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the effect of the Scheme is not reflected in the Company's financial statements for the year ended 31 December 2004. However, since all of the entities which took part in the Scheme were owned by the same group of ultimate shareholders before and immediately after the Scheme became effective and, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Scheme becoming effective, additional proforma financial information, prepared using the merger basis of accounting, has been presented on pages 43 to 80.

The proforma combined income statement of the Group for the year ended 31 December 2004 includes the financial results of the companies which now comprise the Group for the year from 1 January 2004 (or the date of incorporation if later) to 31 December 2004 as if the current group structure had been in existence and remained unchanged throughout the year presented. The proforma combined balance sheet of the Group as at 31 December 2004 has been prepared to present the combined assets and liabilities of the companies which now comprise the Group as at that date as if the current group structure was in existence then. The comparative figures as at and for the year ended 31 December 2003 have been presented on the same basis.

(Expressed in Hong Kong dollars)

2 Significant accounting policies

(a) Statement of compliance

The proforma financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance except that the effect of the Scheme, which became effective on 13 April 2005, has been reflected in the proforma financial information. The proforma financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the proforma financial information

The measurement basis used in the preparation of the proforma financial information is historical cost modified by the marking to market of certain non-trading securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the proforma financial information, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the proforma combined balance sheet at fair value with changes in fair value recognised in the same manner as for non-trading investments.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the proforma combined financial information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Significant accounting policies *(continued)*

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the proforma financial information under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's and jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the same manner as for non-trading investments. The proforma combined income statement reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 2(e).

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate and jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the proforma combined income statement.

(e) Goodwill

Positive goodwill arising on combination represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries, positive goodwill is amortised to the proforma combined income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the proforma combined balance sheet at cost less accumulated amortisation and impairment losses (see note 2(g)).

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(e) Goodwill *(continued)*

In respect of acquisitions of associates or jointly controlled entities, positive goodwill is amortised to the proforma combined income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less accumulated amortisation and impairment losses (see note 2(g)) is included in the carrying amount of the interest in associates and jointly controlled entities.

On disposal of a subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the proforma combined income statement is included in the calculation of the profit or loss on disposal.

(f) Other investments

(i) Investments held for trading are stated in the proforma combined balance sheet at fair value. Changes in fair value are recognised in the proforma combined income statement as they arise.

(ii) Non-trading investments are stated in the proforma combined balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the investment is sold, collected or otherwise disposed of or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the proforma combined income statement.

(iii) Transfers from the investment revaluation reserve to the proforma combined income statement as a result of impairments are reversed when the circumstances and events that led to the impairments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profits or losses on disposal of investments are accounted for in the proforma combined income statement as they arise. In the case of non-trading investments, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that investment.

2 Significant accounting policies *(continued)*

(g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that investments in subsidiaries, associates, jointly controlled entities and goodwill may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the proforma combined income statement in the year in which the reversals are recognised.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(i) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the proforma combined income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 Significant accounting policies *(continued)*

(i) Income tax *(continued)*

(iii) *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(j) Revenue recognition

Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the applicable rates of interest.

Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the proforma combined income statement.

The results of subsidiaries, associates and jointly controlled entities are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a subsidiary, an associate or a jointly controlled entity, the cumulative amount of the exchange differences which relate to that subsidiary, associate or jointly controlled entity is included in the calculation of the profit or loss on disposal.

(l) Related parties

For the purposes of the proforma financial information, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(m) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment and are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Unallocated items mainly comprise financial and corporate assets, corporate and financing expenses.

3 Turnover

The principal activity of the Group is the holding of equity investments primarily in companies or entities with significant business interests or involvement in the PRC. In particular, the Group focuses 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:

	2004	2003
Interest income from deposits with banks	**$ 89,522**	$ 291,901
Dividend income from listed investments	**1,006,380**	2,140,950
	$ 1,095,902	$ 2,432,851

(Expressed in Hong Kong dollars)

4 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.

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, assets and liabilities include only those relating to the Group.

	Segment revenue		**Segment results**	
	Group and share of jointly controlled entities' turnover		**Contribution to profit from ordinary activities before taxation**	
	2004	2003	**2004**	2003
Manufacture of industrial products	**$ 46,167,527**	$ 46,860,690	**$ (3,776,217)**	$ 4,204,259
Manufacture of consumer products	**1,006,380**	2,140,950	**17,377,399**	23,699,981
Communications	**–**	–	**–**	(403,009)
Real estate	**–**	–	**(5,016,627)**	(14,235,609)
Unallocated	**89,522**	291,901	**(7,214,188)**	(4,890,361)
	$ 47,263,429	$ 49,293,541	**$ 1,370,367**	$ 8,375,261

(Expressed in Hong Kong dollars)

4 Segmental information *(continued)*

	Segment assets		Segment liabilities	
	2004	2003	**2004**	2003
Manufacture of industrial products	**$ 23,452,360**	$ 29,234,376	**$ –**	$ –
Manufacture of consumer products	**13,600,000**	44,497,050	**–**	–
Communications	**–**	–	**–**	–
Real estate	**100,114,939**	98,617,196	**–**	–
Unallocated	**50,129,925**	15,995,602	**(3,483,557)**	(6,617,495)
	$187,297,224	$ 188,344,224	**$ (3,483,557)**	$ (6,617,495)

	Reversal of impairment		Capital expenditure incurred	
	2004	2003	**2004**	2003
Manufacture of consumer products	**$ –**	$ 16,240,360	**$ –**	$ –
Real estate	**–**	–	**–**	35,000,000
	$ –	$ 16,240,360	**$ –**	$ 35,000,000

(Expressed in Hong Kong dollars)

5 Profit from operations

Profit from operations is arrived at after charging/(crediting):

			2004		2003
(a)	Other net loss				
	Net exchange loss	**$**	**13,539**	$	2,882
(b)	Operating expenses				
	Administrative fees *(Note)*	**$**	**690,000**	$	690,000
	Audit fee		**800,000**		610,000
	Consultancy fee		**–**		89,661
	Custodian fee		**60,000**		150,000
	Legal and secretarial fees		**3,068,964**		885,912
	Management fees *(Note)*		**3,559,617**		2,414,581
	Project fee		**–**		267,798
	Other operating expenses		**2,597,066**		2,738,492
		$	**10,775,647**	$	7,846,444

Note: Administrative fees are paid to ING Management (Hong Kong) Limited, a wholly owned subsidiary of ING Groep N.V., pursuant to the agreement as disclosed in the directors' report. ING Groep N.V. is a substantial shareholder of the Company.

Management fees are paid to Baring Capital (China) Management Limited ("BCCM") pursuant to the terms of the agreements as disclosed in the directors' report. BCCM is also a wholly owned subsidiary of ING Groep N.V.

			2004		2003
(c)	Gain on disposal of non-trading listed investments				
	Skyworth Digital Holdings Limited				
	Sales proceeds, net of expenses	**$**	**(28,475,729)**	$	(21,413,708)
	Original cost less impairment losses		**11,537,100**		15,400,000
		$	**(16,938,629)**	$	(6,013,708)

The gain on disposal for the year ended 31 December 2004 includes a revaluation surplus of $13,459,950 transferred from the investment revaluation reserve.

(Expressed in Hong Kong dollars)

5 Profit from operations *(continued)*

Profit from operations is arrived at after charging/(crediting): *(continued)*

		2004		2003
(d)	Gain on disposal of interest in jointly controlled entity			
	Everbright Timber Industry (Shenzhen) Company Limited			
	Sale proceeds, net of expenses	**$ –**	$	(2,064,532)
	Carrying value of investment	**–**		–
		$ –	$	(2,064,532)
(e)	Reversal of impairment of non-trading listed investments			
	Skyworth Digital Holdings Limited	**$ –**	$	(16,240,360)

6 Income tax

(a) Taxation in the proforma combined income statement represents:

	2004		2003
Over-provision of Hong Kong Profits Tax in respect of prior years	**$ (417,558)**	$	–
Share of associates' taxation	**(4,463,362)**		–
Share of jointly controlled entities' taxation	**–**		193,962
Income tax (credit)/expense	**$ (4,880,920)**	$	193,962

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2004 as the Group earned no profits assessable to Hong Kong Profits Tax for the year.

(Expressed in Hong Kong dollars)

6 Income tax *(continued)*

(b) Reconciliation between actual tax (credit)/expense and accounting profit at applicable tax rates:

		2004		2003
Profit before tax	**$**	**1,370,367**	$	8,375,261
Notional tax on profit before tax calculated at the rates applicable to profits in the countries concerned	**$**	**(1,696,284)**	$	1,233,296
Tax effect of non-deductible expenses		**3,094,408**		3,459,534
Tax effect of non-taxable revenue		**(4,360,420)**		(5,235,916)
Unrecognised deferred tax assets recognised in current year		**(1,501,066)**		–
Tax effect of unused tax losses not recognised		**–**		737,048
Over-provision in respect of prior years		**(417,558)**		–
Actual tax (credit)/expense	**$**	**(4,880,920)**	$	193,962

(c) Taxation in the proforma combined balance sheet as at 31 December 2003 represents the balance of provision for Hong Kong Profits Tax relating to the prior years.

(d) The Group has not recognised deferred tax assets in respect of the Group's share of tax losses of $Nil (2003: $4,548,684) sustained by its associates.

(Expressed in Hong Kong dollars)

7 Directors' remuneration

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

		2004		2003
Fees	$	**120,000**	$	131,671
Salaries and other emoluments		**660,000**		660,000
	$	**780,000**	$	791,671

No remuneration was paid to the non-executive directors of the Company.

The remuneration of each of the directors is within the band of $Nil – $1,000,000.

(b) Individuals with highest emoluments

The five highest paid individuals are all directors of the Group whose emoluments have been disclosed in note (a) above.

8 Profit attributable to shareholders

The combined profit attributable to shareholders includes a profit of $Nil (2003: $Nil) which has been dealt with in the financial statements of the Company.

9 Proforma earnings per share

(a) Basic

The calculation of the proforma basic earnings per share is based on the proforma combined profit attributable to shareholders of $6,251,287 (2003: $8,181,299) and the proforma weighted average of 540,395,967 ordinary shares (2003: proforma weighted average of 539,512,583 ordinary shares) in issue during the year, being the shares that would have been in issue throughout the year on the assumption that the Scheme as set out in note 1 to the proforma financial information had become effective on 1 January 2003.

(b) Diluted

Diluted earnings per share is not shown for the years ended 31 December 2004 and 2003 as the potential ordinary shares were anti-dilutive.

(Expressed in Hong Kong dollars)

10 Subsidiaries

The following wholly owned subsidiaries are intermediate investment holding companies. The class of shares held is ordinary. All of these are subsidiaries as defined under note 2(c) and have been included in the Group's proforma financial information for the year ended 31 December 2004 in accordance with the basis of presentation set out in note 1(b).

Name of subsidiary	Place of incorporation and operation	Issued and paid up capital held by the Company	Issued and paid up capital held by the subsidiary
ING Beijing Investment Company Limited	Hong Kong	647,114,000 shares of HK$0.10 each	–
Ever Talent Investments Ltd.	British Virgin Islands ("BVI")	–	1 share of US$1
Kencheers Investments Ltd.	BVI	–	1 share of US$1
Pacific Investment Project Inc.	BVI	–	1 share of HK$1
Pacific Equity Venture Inc.	BVI	–	1 share of HK$1
Motion Technology Ltd.	BVI	–	1 share of US$1
Mobile Office Investments Ltd.	BVI	–	1 share of US$1
Success Journey Ltd.	BVI	–	1 share of US$1
Great Progress Ltd.	Mauritius	–	2 shares of US$1 each

(Expressed in Hong Kong dollars)

11 Interest in associates

		2004		2003
Share of net assets	$	65,122,881	$	63,625,224
Amount due to an associate		(7,942)		(8,028)
	$	65,114,939	$	63,617,196

Amount due to an associate is unsecured, interest free and has no fixed terms of repayment.

Additional information in respect of the Group's associates is given as follows:

	2004 *$'000*	2003 *$'000*
Non-current assets	22,508	12,889
Current assets	696,531	250,928
Current liabilities	(544,776)	(23,857)
Non-current liabilities	–	(118,491)
Total turnover	–	–
Total losses before taxation	(28,659)	(26,367)
Group's share of losses before taxation	(14,169)	(13,811)
Group's share of taxation	4,463	–
Group's share of associates' capital commitments *(note 20)*	307,183	590,913
Group's share of associates' guarantees *(note 21(a))*	25,700	–

Details of other contingent liabilities of the associates are disclosed in notes 21 (b), (c) and (d).

(Expressed in Hong Kong dollars)

11 Interest in associates *(continued)*

The following list contains only the particulars of associates, all of which are unlisted companies, which principally affected the results or assets of the Group.

Name of the associate	Place of incorporation/ establishment and operation	Particulars of issued capital	Proportion of ownership interest held by the Company *(note (i))*	Proportion of ownership interest held by the Group *(note (i))*	Principal activity
China Property Development (Holdings) Limited	Cayman Islands	2,778 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares; all shares are at US$0.01 each	22.88%	–	Investment holding
Sound Advantage Limited	BVI	1 ordinary share of US$1	–	22.88%	Investment holding
Choice Capital Limited	BVI	1 ordinary share of US$1	–	22.88%	Investment holding
World Lexus Pacific Limited	Hong Kong	1,000,000 ordinary shares of $1 each	–	22.88%	Investment holding
Beijing Pacific Palace Real Estate Development Co Ltd	PRC	Registered and paid-up capital of US$12,000,000	–	22.88%	Property development

11 Interest in associates *(continued)*

Notes:

(i) On 30 June 2004, the Group's associate, China Property Development (Holdings) Limited ("CPDH"), completed a reorganisation pursuant to which, the Group's holding of 1,100 ordinary shares of US$0.01 each were redesignated as 460 non-voting ordinary shares of US$0.01 each and 640 ordinary shares of US$0.01 each. Upon completion of the reorganisation, the Group's profit sharing ratio and proportion of voting rights held remained at 52.38% and 30% respectively.

On 1 November 2004, a convertible loan holder of CPDH, through its subsidiary, converted a portion of the convertible loan and accrued interest into 928 new ordinary shares of US$0.01 each of CPDH at a conversion price of US$10,000 each. On the same date, 110 and 100 new ordinary shares of US$0.01 each of CPDH were allotted at par to the Group and another shareholder respectively. Upon the loan conversion and allotment, the Group's profit sharing ratio and proportion of voting rights held were diluted from 52.38% to 37.37% and from 30% to 22.88% respectively, resulting in a gain on deemed disposal of $11,202,890 which has been recognised in the proforma combined income statement for the year.

Subsequent to the year end date, 383 new ordinary shares of US$0.01 each of CPDH were allotted to certain related companies of a shareholder of CPDH at a price of US$10,000 each. Upon the allotment, the Group's profit sharing ratio and proportion of voting rights held were further diluted to 33.42% and 20.49% respectively.

(ii) Sound Advantage Limited ("Sound Advantage") and Choice Capital Limited ("Choice Capital") are wholly owned subsidiaries of CPDH. They hold equity interests of 30% and 50% in World Lexus Pacific Limited ("World Lexus") respectively. World Lexus's sole asset is a wholly owned PRC subsidiary, Beijing Pacific Palace Real Estate Development Co Ltd ("Beijing Pacific Palace"), which is engaged in a property development project at the Lido area of Jiangtai Town, Chaoyang District, Beijing, the PRC ("Pacific Town project").

The Pacific Town project is a medium density residential area with a mixed development of high rise apartments and villas. The development of the project will be carried out in several phases. During the year, Beijing Pacific Palace obtained the pre-sale permit from the relevant government authorities for Phase I of the Pacific Town project. Pre-sale of the properties of Phase I commenced in late August 2004. Resettlement work of Phase II and Phase III commenced in October 2004 and February 2005 respectively.

(iii) In November 2004, CPDH acquired the remaining 20% equity interest in World Lexus from the minority shareholders for a consideration of RMB40 million (equivalent to $37.3 million). Pursuant to the equity transfer agreement, CPDH is also required to reimburse the preliminary costs amounting to RMB45 million (equivalent to $42.4 million) of the Pacific Town project incurred by the minority shareholders prior to acquisition of the 80% equity interest in World Lexus by Sound Advantage and Choice Capital in 2002. The settlement of the consideration is secured by the 20% equity interest in World Lexus.

At 31 December 2004, the consideration and reimbursement have been partly paid. The remaining balance has not been paid by the Group as there were disputes between the minority shareholders as to the proportion which should be received by each shareholder. The Group subsequently filed an application for interpleader relief with the Hong Kong High Court whereby CPDH has confirmed that it will pay the remaining balance after deducting certain items (note 21(b), (c) and (d)) to the Court or settle the issue as the Court may direct. The hearing is scheduled to take place in May 2005.

(Expressed in Hong Kong dollars)

11 Interest in associates *(continued)*

Notes: (continued)

(iv) During the year, CPDH paid total fees of US$995,000 (equivalent to $7.8 million) (2003: US$2,654,247, equivalent to $20.7 million) to certain related parties of the Group who act as fund manager, administrator and project manager pursuant to the private placement memorandum of CPDH dated 13 September 2003. These related parties are either companies wholly owned by ING Groep N.V. or companies in which a director of the Company is a member of the senior management.

12 Interest in jointly controlled entities

		2004		2003
Share of net assets	**$**	**22,487,925**	$	26,484,133
Amounts due from jointly controlled entities		**964,435**		2,750,243
	$	**23,452,360**	$	29,234,376

Amounts due from jointly controlled entities ("JCE") are unsecured, interest free and have no fixed terms of repayment.

Additional information in respect of the Group's JCE, excluding that relating to Beijing North Star Hyundai Pipe Company Limited, the carrying value of which has been fully provided for in prior years, is given as follows:

		2004		2003
		$'000		*$'000*
Non-current assets	**$**	**42,566**	$	40,710
Current assets		**93,942**		88,269
Current liabilities		**(53,410)**		(53,310)
Non-current liabilities		**(18,847)**		–
Total turnover		**131,907**		101,680
Total (losses)/profits before taxation		**(8,311)**		5,014
Group's share of (losses)/profits before taxation		**(2,909)**		1,755
Group's share of JCE's contingent liabilities		**–**		–
Group's share of JCE's capital commitments		**–**		–

(Expressed in Hong Kong dollars)

12 Interest in jointly controlled entities *(continued)*

Details of the indirectly held JCEs as at 31 December 2004, all of which are Sino-foreign joint venture companies incorporated and operating in the PRC, are as follows:

Name of joint venture	Proportion of ownership interest attributable to the Group	Registered capital	Principal activities
Beijing Far East Instrument Company Limited	26% *(note (i))*	RMB151,926,184	Electronic and electrical instrument manufacturing
Beijing North Star Hyundai Pipe Company Limited	28%	US$11,300,000	Pipe manufacturing

Notes:

(i) In March 2002, the Group entered into a conditional agreement with Beijing Capital Group pursuant to which, the Group agreed to sell an equity interest of 9% in Beijing Far East Instrument Company Limited ("Far East") for a consideration of approximately RMB14 million (equivalent to $13 million), subject to the fulfilment of certain conditions. The consideration is payable over a period of 5 years. Up to 31 December 2004, the disposal has not been accounted for as the conditions have not been satisfied including the settlement of the consideration. According to the agreement between the Group and Beijing Capital Group, Beijing Capital Group is required to transfer back the equity interest in Far East in relation to the unpaid portion of the consideration to the Group upon the expiry of the 5-year period ending 31 December 2006. The Group will continue to share the profit or loss attributable to the portion of equity interest for which consideration has not been settled. As such, although the legal interest in Far East held by the Group was 26% at 31 December 2004, the Group shared 35% of the loss of Far East for the year. A director of the Company is also a member of the senior management of Beijing Capital Group.

(ii) During 2003, the Group disposed of its entire 22.87% equity interest in Everbright Timber Industry (Shenzhen) Company Limited ("SETI") for a cash consideration of $2,170,000. As the carrying value of SETI was fully written off in 2001, the disposal resulted in a gain of $2,064,532 (net of related expenses of $105,468) which was included in the proforma combined income statement for the year ended 31 December 2003. In addition, the Group received an amount of $1,528,897 representing a portion of the dividends declared by SETI in prior years. This was also recognised as income in the proforma combined income statement for the year ended 31 December 2003 as the dividends receivable from SETI were fully provided for in 2001.

(Expressed in Hong Kong dollars)

13 Non-trading investments

	Note		2004		2003
Investment in unlisted joint venture	(a)	$	**61,495,650**	$	61,495,650
Less: Impairment losses			**(61,495,650)**		(61,495,650)
		$	**–**	$	–
Investment in unlisted company	(b)	$	**23,557,891**	$	23,557,891
Less: Impairment losses			**(23,557,891)**		(23,557,891)
		$	**–**	$	–
Listed investments, at cost	(c)	$	**9,000,000**	$	20,537,100
Revaluation surplus			**4,600,000**		23,959,950
		$	**13,600,000**	$	44,497,050
		$	**13,600,000**	$	44,497,050

(Expressed in Hong Kong dollars)

13 Non-trading investments *(continued)*

Details of the Group's non-trading investments are as follows:

Name of the company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest attributable to the Group	Principal activity
Beijing Asia Pacific First Star Communications Technology Co. Ltd.	PRC	PRC	Registered capital of US$29,800,000	18%	Provision of paging services
ChinaGo Limited	Cayman Islands	PRC	5,611,110 ordinary shares of US$0.01 each	10.44%	Offline magazine publishing, software and solutions, and paid email-services
Skyworth Digital Holdings Limited	Hong Kong	PRC	2,262,572,391 ordinary shares of $0.10 each	0.44%	Manufacture and sale of audio-visual products

Notes:

(a) The Group invested $61,495,650 for an 18% equity interest in Beijing Asia Pacific First Star Communications Technology Co. Ltd. The cost of investment is fully provided for.

(b) The Group invested $23,557,891 for a 10.44% equity interest in ChinaGo Limited. The cost of investment is fully provided for.

(Expressed in Hong Kong dollars)

13 Non-trading investments *(continued)*

Notes: (continued)

(c) At 31 December 2003, the Group held 22,819,000 ordinary shares of Skyworth Digital Holdings Limited ("Skyworth Digital"), a company listed on the HKSE. During the year, the Group disposed of 12,819,000 shares for a total consideration, net of expenses, of $28,475,729, resulting in a gain on disposal of $16,938,629.

Trading in the shares of Skyworth Digital on the HKSE has been suspended since 30 November 2004 due to alleged misappropriation of the company's assets by senior management. Skyworth Digital has also delayed announcement of its interim results for the six-month period ended 30 September 2004. Based on announcements made by Skyworth Digital, it has continued normal operations. At 31 December 2004, the Group's remaining investment in Skyworth Digital which comprised 10,000,000 shares was stated at a fair value of $1.36 per share as estimated by the Company's directors. In arriving at this fair value, the Company's directors have taken into account the share price of Skyworth Digital of $2.725 prior to the suspension of its shares, the net asset value of $1.16 per share based on its latest audited financial statements for the year ended 31 March 2004 and other currently available information. A revaluation deficit of $5,900,000 has been charged to the investment revaluation reserve at 31 December 2004.

14 Investment deposit

The amount represents a purchase consideration paid to acquire a 15% equity interest in a joint venture entity in the PRC in 2003 pursuant to a purchase agreement dated 10 November 2003. The PRC joint venture entity is engaged in the development of residential properties at the Taiyanggong Zone F in Beijing, the PRC.

The purchase agreement has expired as the equity transfer was not effected by 31 October 2004 due to a delay. The Company is in the process of negotiating with the vendor and its guarantor for the refund of the deposit in full or transferring the deposit to another property project and no decision has yet been reached. The Company's directors are of the opinion that the deposit is fully recoverable and no provision is required at 31 December 2004.

15 Cash and cash equivalents

	2004	2003
Deposits with banks	**$ 33,828,693**	$ 13,890,347
Cash at bank and in hand	**15,559,090**	580,162
	$ 49,387,783	$ 14,470,509

(Expressed in Hong Kong dollars)

16 Share capital

	Note	Number of ordinary shares of $0.01 each		Amount
Authorised:				
On incorporation, at 31 December 2003 and at 31 December 2004	*(a)*	10,000,000	$	100,000
Increase in authorised share capital	*(c)*	11,990,000,000		119,900,000
Authorised share capital as at the date of approval of the proforma financial information		12,000,000,000	$	120,000,000
Issued:				
Proforma share capital at 31 December 2003 *(note (i))*		539,514,000	$	5,395,140
Issue of shares by ING Beijing in December 2004	17(c)	107,600,000		1,076,000
Proforma share capital at 31 December 2004 *(note (i))* and issued share capital as at the date of approval of the proforma financial information	*(d)*	647,114,000	$	6,471,140

Note:

(i) Proforma share capital at 31 December 2004 and 31 December 2003 is based on the number of shares that would have been issued by the Company as consideration for the acquisition of the shares of ING Beijing if the Scheme had been effective on 31 December 2004 and 31 December 2003 respectively.

(Expressed in Hong Kong dollars)

16 Share capital *(continued)*

During the period from 1 August 2003 (date of incorporation) to the date of approval of the proforma financial information, the following changes in the Company's authorised and issued share capital were recorded:

(a) On 1 August 2003, the Company was incorporated with an authorised share capital of \$100,000 divided into 10,000,000 ordinary shares of \$0.01 each.

(b) On 25 August 2003, 10,000,000 ordinary shares were allotted and issued nil paid to a sole shareholder, ING Beijing.

(c) Pursuant to a written resolution of the sole shareholder of the Company dated 4 November 2004, the authorised share capital of the Company was increased from \$100,000 to \$120,000,000 by the creation of 11,990,000,000 additional ordinary shares of \$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company conditional upon the Scheme becoming effective.

(d) Pursuant to the Scheme described in note 1 to the proforma financial information, the Company allotted and issued 637,114,000 ordinary shares of \$0.01 each, credited as fully paid, and also credited as fully paid the 10,000,000 nil paid ordinary shares of \$0.01 each as set out in (b) above, in consideration for the acquisition of the entire issued share capital of ING Beijing on 13 April 2005.

(Expressed in Hong Kong dollars)

17 Reserves

	Share premium	Special reserve	Exchange reserves	Investment revaluation reserve	Accumulated losses	Total
At 1 January 2004	$ 177,342,527	$ 369,311,397	$ 2,990,183	$ 23,959,950	$(397,272,468)	$ 176,331,589
Profit for the year	–	–	–	–	6,251,287	6,251,287
Exchange differences on translation of financial statements of PRC jointly controlled entities	–	–	131,601	–	–	131,601
Deficit on revaluation of non-trading listed investments	–	–	–	(5,900,000)	–	(5,900,000)
Shares issued by ING Beijing *(note c)*	–	13,988,000	–	–	–	13,988,000
Transfer to proforma combined income statement on disposal of non-trading listed investments	–	–	–	(13,459,950)	–	(13,459,950)
At 31 December 2004	$ 177,342,527	$ 383,299,397	$ 3,121,784	$ 4,600,000	$(391,021,181)	$ 177,342,527

(Expressed in Hong Kong dollars)

17 Reserves *(continued)*

	Share premium	Special reserve	Exchange reserves	Investment revaluation reserve	Accumulated losses	Total
At 1 January 2003	$ 177,342,527	$ 369,310,948	$ 3,098,294	$ 15,414,840	$ (403,936,214)	$ 161,230,395
Profit for the year	–	–	–	–	8,181,299	8,181,299
Exchange differences on translation of financial statements of PRC jointly controlled entities	–	–	(106,693)	–	–	(106,693)
Share of exchange and other reserves of associates	–	–	(1,418)	–	(1,517,553)	(1,518,971)
Surplus on revaluation of non-trading listed investments	–	–	–	24,785,470	–	24,785,470
Shares issued by ING Beijing	–	449	–	–	–	449
Transfer from proforma combined income statement on reversal of impairment of non-trading listed investments	–	–	–	(16,240,360)	–	(16,240,360)
At 31 December 2003	$ 177,342,527	$ 369,311,397	$ 2,990,183	$ 23,959,950	$ (397,272,468)	$ 176,331,589

(Expressed in Hong Kong dollars)

17 Reserves *(continued)*

(a) The Group's accumulated losses include $24,479,761 (2003: $14,774,528) and $46,268,142 (2003: $40,354,525), being the accumulated losses attributable to associates and jointly controlled entities respectively.

(b) The excess of the value of the shares of ING Beijing acquired pursuant to the Scheme over the nominal value of the shares of the Company issued in exchange is credited to share premium. The difference between the amount recorded as share capital issued by the Company pursuant to the Scheme and the amount recorded for the share capital of ING Beijing acquired is included in special reserve.

(c) On 29 December 2004, ING Beijing allotted and issued 107,600,000 new ordinary shares of $0.10 each to Sense Control International Limited at a price of $0.14 per share.

(d) The exchange reserves and investment revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the translation of foreign currencies and revaluation of investments respectively.

(e) The Company became the holding company of the subsidiaries now comprising the Group pursuant to the Scheme which became effective on 13 April 2005 and hence the Company did not have any reserve available for distribution on 31 December 2004.

18 Equity compensation benefits

Prior to the Company's acquisition, ING Beijing operated a share option scheme under which the Board of Directors of ING Beijing may grant options to employees of ING Beijing and its subsidiaries, including directors, to subscribe for shares of ING Beijing. Each option gives the holder the right to subscribe for one share. The subscription price will be the higher of:

(i) the closing price of the shares of ING Beijing as stated in the HKSE's daily quotation sheet on the date of grant (being a business day), and

(ii) the average closing price of the shares of ING Beijing as stated in the HKSE's daily quotations sheets for the five business days immediately preceding the date of grant.

(Expressed in Hong Kong dollars)

18 Equity compensation benefits *(continued)*

At 31 December 2004, the number of outstanding options granted or outstanding is as follows:

Date options granted	**Period during which the options are exercisable**	**Exercise price**	**Number of options granted and outstanding at 31 December 2003**	**Lapsed during the year**	**Number of options granted and outstanding at 31 December 2004**
27 November 2001	28 May 2002 to 27 November 2004	0.298	18,861,150	(18,861,150)	–
11 December 2001	28 May 2002 to 27 November 2004	0.3	2,694,450	(2,694,450)	–
			21,555,600	(21,555,600)	–

There were no options granted or exercised during the years ended 31 December 2004 and 2003.

The share option scheme of ING Beijing was terminated and a new share option scheme was adopted by the Company effective 13 April 2005. Terms of the new share option scheme are similar to those of ING Beijing and are set out in the directors' report and the document dated 13 January 2005 issued in connection with the Scheme. During the period from 13 April 2005 to the date of approval of the proforma financial information, there were no options granted.

19 Net asset value per share

The proforma net asset value per share is computed based on the proforma combined net assets of $183,813,667 (2003: $181,726,729) and proforma 647,114,000 ordinary shares (2003: proforma 539,514,000 ordinary shares) in issue as at 31 December 2004.

(Expressed in Hong Kong dollars)

20 Capital commitments

At 31 December 2004, the Group's share of the capital commitments of an associate, Beijing Pacific Palace, outstanding not provided for in the proforma financial information was as follows:

		2004		2003
Authorised and contracted for	**$**	**45,570,000**	$	74,331,000
Authorised but not contracted for		**261,613,000**		516,582,000
	$	**307,183,000**	$	590,913,000

21 Contingent liabilities

At 31 December 2004, the Group's associates, Beijing Pacific Palace and World Lexus, had the following contingent liabilities. The Group's interest in these associates are disclosed in note 11.

		2004		2003
(a) The Group's share of the guarantees given by Beijing Pacific Palace to financial institutions in respect of financing provided to the buyers of the properties of the Pacific Town project	**$**	**25,700,000**	$	–

(Expressed in Hong Kong dollars)

21 Contingent liabilities *(continued)*

(b) In July 2004, Beijing Pacific Palace commenced legal proceedings against a consultancy company to recover a deposit paid of RMB14 million (equivalent to $13 million) in relation to the Pacific Town project plus compensation of RMB34 million (equivalent to $32 million) for the delay in resettlement work of Phase I. The consultancy company has made a counter claim of RMB20 million (equivalent to $19 million) against Beijing Pacific Palace for breach of contract.

Beijing Pacific Palace has made a provision of RMB4 million (equivalent to $3.8 million) against the deposit. No provision is required against the remaining balance of RMB10 million (equivalent to $9 million) as under the terms of the equity transfer agreement disclosed in note 11(iii), any irrecoverable amount will be borne by the former minority shareholders of World Lexus and, therefore, will be deductible from the consideration payable to them for the acquisition of the 20% interest in World Lexus by CPDH. According to a legal opinion obtained by Beijing Pacific Palace, it is unlikely that the consultancy company will succeed in its counter claim of RMB20 million (equivalent to $19 million). However, under clause 3.6 of the equity transfer agreement, the minority shareholders shall bear any losses incurred by Beijing Pacific Palace in relation to certain specific agreements entered into by Beijing Pacific Palace. As the counter claim of RMB20 million (equivalent to $19 million) is connected with these agreements, it is also deductible from the consideration payable to the minority shareholders. Therefore, no provision has been made in the proforma financial information in this regard.

(c) In April 2005, a third party made a claim of RMB5.34 million (equivalent to $5.03 million) plus interest and damages against World Lexus for services rendered pursuant to certain agreements. As these agreements were not disclosed in the equity transfer agreement for the acquisition of 20% interest in World Lexus, this constitutes a breach of warranties in the equity transfer agreement and CPDH is entitled to deduct the amount claimed by the third party from the consideration payable to the minority shareholders. As such, no provision has been made in the proforma financial information in this regard.

(d) In April 2005, CPDH commenced arbitration proceedings against the minority shareholders in respect of the deductions involving the matters referred to in (b) and (c) above.

(Expressed in Hong Kong dollars)

22 Post balance sheet events

(a) Details of the subsequent movements on the authorised and issued share capital of the Company are disclosed in note 16 on the proforma financial information.

(b) The Scheme became effective on 13 April 2005 and the shares of the Company were listed on the HKSE on the same date.

23 Related party transactions

During the year, the Group and its associates paid management fees and other expenses to certain related companies, the details of which are set out in note 5(b) and note 11(iv) on the proforma financial information.

24 Recently issued accounting standards

The HKICPA has issued a number of new and revised HKFRSs and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the proforma financial information. The Group has already commenced an assessment of the impact of these new HKFRSs but is not in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Proforma Five Year Group Financial Summary

(Expressed in Hong Kong dollars)

Results

	2004	2003	2002	2001	2000
Group turnover	**$ 47,263,429**	$ 49,293,541	$ 93,910,913	$ 1,073,971	$ 12,416,700
Profit/(loss) attributable to shareholders	**$ 6,251,287**	$ 8,181,299	$ (19,990,416)	$ (207,157,136)	$ (43,306,021)

Assets and liabilities

	2004	2003	2002	2001	2000
Non-current assets					
Interest in associates	**$ 65,114,939**	$ 63,617,196	$ 78,923,038	$ –	$ –
Interest in jointly controlled entities	**$ 23,452,360**	$ 29,234,376	$ 27,780,064	$ 27,008,268	$ 45,081,132
Non-trading investments	**$ 13,600,000**	$ 44,497,050	$ 35,111,580	$ 83,653,761	$ 148,888,948
Investment deposit	**$ 35,000,000**	$ 35,000,000	$ –	$ –	$ –
Convertible loan	**$ –**	$ –	$ –	$ –	$ 42,870,471
Current assets					
Current portion of convertible loan	**$ –**	$ –	$ –	$ 47,500,000	$ 54,011,776
Prepayments and other receivables	**742,142**	1,525,093	197,119	93,997	335,737
Cash and cash equivalents	**49,387,783**	14,470,509	31,629,055	20,381,864	33,701,145
	$ 50,129,925	$ 15,995,602	$ 31,826,174	$ 67,975,861	$ 88,048,658

(Expressed in Hong Kong dollars)

Assets and liabilities

(continued)

	2004	2003	2002	2001	2000
Current liabilities					
Bank overdrafts	**$ –**	$ –	$ –	$ –	$ 243,215
Accounts payables and accruals	**3,483,557**	1,617,495	2,015,321	2,298,788	1,810,523
Current tax payable	**–**	5,000,000	5,000,000	5,000,000	5,216,137
	$ 3,483,557	$ 6,617,495	$ 7,015,321	$ 7,298,788	$ 7,269,875
Net current assets	**$ 46,646,368**	$ 9,378,107	$ 24,810,853	$ 60,677,073	$ 80,778,783
Net assets	**$ 183,813,667**	$ 181,726,729	$ 166,625,535	$ 171,339,102	$ 317,619,334
Share capital	**$ 6,471,140**	$ 5,395,140	$ 5,395,140	$ 5,395,140	$ 5,395,140
Reserves	**177,342,527**	176,331,589	161,230,395	165,943,962	312,224,194
	$ 183,813,667	$ 181,726,729	$ 166,625,535	$ 171,339,102	$ 317,619,334

The proforma financial information in relation to each of the five years ended 31 December 2000, 2001, 2002, 2003 and 2004 was prepared on the basis as set out in note 1(b) "Basis of presentation of the proforma financial information" on page 48.