

# ING BEIJING INVESTMENT COMPANY LIMITED

## RESULTS FOR THE YEAR ENDED 31 DECEMBER 1999

### RESULTS

The Board of Directors of ING Beijing Investment Company Limited ("ING Beijing" or the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 1999 as follows:—

	For the year ended 31st December 1999 HKD	For the year ended 31st December 1998 HKD
Turnover: Group and share of jointly controlled entities	178,916,276	212,059,801
Less: Share of jointly controlled entities' turnover	(163,110,874)	(192,655,740)
Group turnover (Note 1)	15,805,402	19,404,061
Other revenue	—	30,049
Other net income/(loss)	1,865,746	(2,071,787)
Operating expenses	(18,132,440)	(18,898,218)
Operating loss	(461,292)	(1,535,895)
Share of losses of jointly controlled entities	(115,699,434)	(45,011,731)
Profit on disposal of a jointly controlled entity (Note 2)	—	30,506,392
Loss from ordinary activities before taxation	(116,160,726)	(16,041,234)
Taxation (Note 3)	96,441	4,065,884
Loss for the year	(116,257,137)	(20,107,118)
Basic loss per share (Note 4)	(23.25 cents)	(4.02 cents)

#### Notes:

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

	1999 HKD	1998 HKD
Interest income from deposits with banks and other financial institutions	3,732,253	7,700,660
Interest income from listed securities	1,043,974	2,592,220
Interest income from convertible loan	11,029,175	9,111,181
	15,805,402	19,404,061

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

2. Profit on disposal of a jointly controlled entity

The amount in 1998 represented the profit on disposal of a jointly controlled entity in the PRC. Taxation thereon was included in Note 3.

3. Taxation in the consolidated profit and loss account represents:

	1999 HKD	1998 HKD
Provision for income tax in the PRC	—	3,725,887
Share of jointly controlled entities' taxation	96,411	339,997
	96,411	4,065,884

No provision for Hong Kong Profits Tax has been made as the Company does not have any assessable profit for the year.

The provision for income tax in the PRC in 1998 was charged at the appropriate rate of taxation ruling in respect of the profit on disposal of a jointly controlled entity.

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

4. Basic loss per share

The calculation of basic loss per share is based on loss attributable to shareholders of HKD116,257,137 (1998: loss of HKD20,107,118) and 500,000,000 shares in issue throughout 1998 and 1999.

### DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31st December 1999 (1998: nil).

### ADVANCE TO AN ENTITY

The following announcement is made pursuant to Practice Note 19 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Group has an outstanding advance to an entity which exceeded 25% of the Group's net asset value as at 31st December 1999. The advance, in the form of a convertible loan bearing interest at the rate of 9.8% per annum, was made on 26th June 1997 through Simonson International Development Limited ("Simonson"), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, to Companion-China Limited ("Companion-China"). The principal and accrued interest of the advance amounted to HKD118,038,308 as at 31st December 1999. Simonson is entitled, at any time during the period from 26th June 2000 to 25th June 2003 (the "Option Period"), to convert the outstanding principal and interest into shares of Companion-China or shares of Companion Building Material International Holdings Limited ("Companion Building Material"), a company the securities of which are listed on The Stock Exchange of Hong Kong Limited. Each of Companion-China and Companion Building Material is a third party independent of the directors, chief executive or substantial shareholders of the company, any of its subsidiaries or their respective associates (as defined under the Listing Rules). Unless the advance is converted as aforesaid, the outstanding principal and accrued interest thereof is repayable on 25th June 2003. Simonson is also entitled, at any time during the Option Period, to demand repayment of part of the advance in the amount of USD6 million (equivalent to HKD46.5 million) and all outstanding interest on the advance within one year from the date of the demand, and the balance of the advance within two years thereafter. On 15th May 2000, Companion-China gave a notice of repayment of part of the loan in the amount of USD4 million (equivalent to HKD31 million) on 2nd June 2000.

### BUSINESS REVIEW

For the year ended 31st December 1999, the audited net loss for ING Beijing Investment Company Limited and its subsidiaries totaled HKD116,257,137. The net asset value per share of the Group was HKD0.781 as at 31st December 1999. The Group's audited net loss for the year up to, and net asset value per share as at 31st December 1998 were HKD20,107,118 and HKD1.012 respectively. The loss for the year was arrived at after sharing the losses of jointly controlled entities, including write off of certain assets as a result of the aftermath of the Asian financial crisis. This enables our portfolio companies to reposition themselves, and to participate in the recovery of the economy across the region.

### HIGHLIGHTS OF THE YEAR

ING Beijing has actively participated in the "technology era" during 1999 and is now focused to pursue the goal of becoming a leading investment company in hi-tech business.

ING Beijing invested HKD92 million in digital audio and video equipment manufacturer, Skyworth, in June 1999. The public listing of Skyworth on 7th April 2000 marked our first investment success in the technology sector. The investment would generate a return of 232% based on IPO valuation.

A large number of hi-tech deals have been evaluated in 1999 and especially in the first half of 2000. Two investment opportunities have been approved by the Board of Directors: Skynet Limited is an Internet incubator type company composed of three major portals, providing on-line stock trading, on-line computer games, and various news and entertainment; and ChinaGo.com Limited is a specialized multi-domain name email service provider in China, with over 1,000,000 subscribers.

Competition from technology companies is forcing traditional companies to become more aggressive in integrating hi-tech into their mainstream business. ING Beijing's investee companies have been actively pursuing such strategy. Skyworth has developed, among other hi-tech products, DVB set-top box that can be used to gain access to Internet or receive television signals through satellite, cable or other means of communication. It is also strengthening its development of information appliance. APFS is negotiating to team up with a US company to provide Global Positioning System ("GPS"), utilizing its established comprehensive paging infrastructure. Companion China is contemplating to establish building material web sites with business to business (B2B) functions in China.

During the year, ING Beijing has also set up its own corporate web-site "ing-beijing.com". This enables us to establish a direct communication channel with our shareholders and prospective investors. The web-site contains the latest news release, corporate announcements, financial results and portfolio information.

### REVIEW OF MAJOR INVESTMENTS

#### Skyworth Digital Holdings Ltd. ("Skyworth")

Skyworth was listed on the main board of the Stock Exchange of Hong Kong Limited on 7th April 2000. Based on the IPO price of HKD 2.07 per share, ING Beijing's investment in Skyworth would be valued at HKD 213 million, representing a return of 232% within a period of 10 months. The gain was not recognised in the accounts for the year ended 31st December 1999.

Skyworth is one of the technology leaders in the consumer electronics markets. In the past two years, it has launched digital processing color TV series and DVB set-top boxes. Skyworth would continue developing its manufacturing business to roll out innovative electronic appliance and diversify into IT operations (such as broadband multimedia services) to capitalize on the convergence of computers, communications and entertainment.

Given the ownership of home PCs in China is relatively low while TV ownership is higher, the country's cable TV network offers great potential for t-commerce (e-commerce over TV) and t-services. Skyworth's strategy is to rely on its technological know-how to team up with cable TV networks in China to offer platform for t-commerce functions. Services would include on-line stock trading, shopping, datacasting and entertainment.

#### Beijing APFS Communications Technology Co., Ltd. ("APFS")

APFS is China's first nationwide satellite paging network. It covers 22 coastal cities with subscribers in excess of 435,000 at the end of April 2000. Its operation has reached breakeven in year 2000.

During 1999, APFS has upgraded its entire network to enable it to accommodate subscribers from other operators using different paging frequencies. This allows APFS to bring in subscribers from other local paging operators through merger and acquisition. APFS plans to double its subscriber base to one million before the end of 2001.

To cope with changing technology and to utilise the value of its nationwide network, APFS is in serious discussion with a technology company in the United States to jointly develop a nationwide global positioning network utilising a two way paging technology.

#### Companion China Limited ("Companion China")

Under favorable market conditions, Companion China had a good year in 1999. The management projects profit after tax for the period ended March 31, 2000 to be over HKD32 million, being significantly higher than HKD26 million for the same period in 1998/99.

Companion China will take part in a joint venture with the Institution of Technical Information for Building Materials Industry of China which will be engaged in the establishment of a series of websites with business to business trading functions for the building materials manufacturing enterprises in China. The business to business trading function will be built on top of the readily running technical information websites.

#### Beijing Far East Instrument Limited ("Far East")

Far East has been in the market where foreign manufacturers were keen to capture the market share and local producers competed by lowering prices. Despite the keen competition, Far East has put significant efforts on R&D and marketing. Far East has established a special committee headed by the general manager for improving current products and developing new products. Such efforts has already contributed to the increase in revenue in the first quarter of 2000. In addition, Far East had discussions with hi-tech companies in Beijing, exploring the opportunity of co-operation with them and of utilizing its current production capability for hi-tech products.

#### Shenzhen Everbright Timber Industry Co. Ltd. ("SETI")

During 1999, SETI has made significant achievement in transformation of its product range. It has successfully turned itself from China's largest ordinary plywood producer into a high-end processed timber product manufacturer.

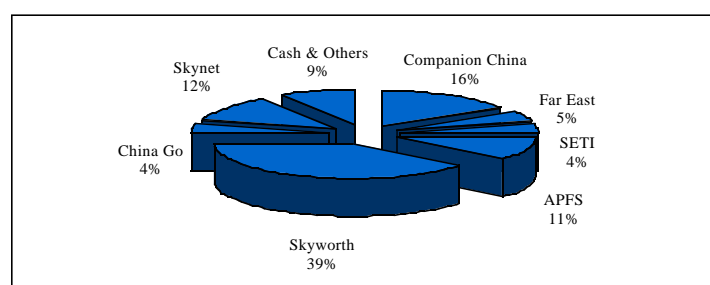
With efforts on marketing and product quality, SETI has developed new customer base for four main lines of products. These products account for approximately 70% of the company's turnover in 1999. The new lines of products carry higher profit margin than the traditional plywood products.

The 1999 financial result of SETI has shown substantial losses. This is due to provisions made on old plywood stock and the closure of certain production factories, as affected by the Asian financial crisis. The management expects profit contributions from the new products to increase under more favorable market conditions, and result in year 2000 will be improved. China's entry to WTO is expected to benefit SETI as its products will be more competitive in the overseas market.

### PROSPECTS

The future global economy is expected to be driven by the growth of the technology sector. In China and Hong Kong, given the government policies to emphasize hi-tech development, we expect to see hi-tech companies will assist overtake traditional companies. We will continue to assist our existing portfolio companies to integrate hi-tech into their mainstream business and to look for investment opportunities within the technology sector with good fundamentals and strong prospect for listing, so as to widen our asset base and to enhance our future earnings.

The following chart illustrates the portfolio composition based on the proforma consolidated accounts as at 31st December 1999, taking into consideration of the capital committed for investment in ChinaGo and Skynet.



### AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Directors, two of them being independent. This Committee acts in an advisory capacity and makes recommendations to the Board. It met in early May 2000 to review the Group's 1999 final results before it was tabled for the Board's approval.

### YEAR 2000 ISSUE

The Year 2000 problem, which is the result of computer programs being written using two digits rather than four to define the applicable year, means that computer operation will be affected when the two digits year value becomes 00 in year 2000. The computer systems are year 2000 compliant if they properly recognise data sensitive information when the year changes to 2000. Systems that do not properly recognise such information could generate erroneous data or cause a system to fail.

Since Mid 1999, the Company has conducted assessment on the major computer system involved in the Company's daily operations and has been confirmed by professional computer institutions that such system does not have Year 2000 problem.

### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year.

### CODE OF BEST PRACTICE

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

By Order of the Board  
Liu Xiao Guang  
Chairman

Hong Kong, 22nd May 2000