

ING BEIJING INVESTMENT COMPANY LIMITED

ING北京投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1062)

2004 INTERIM RESULTS

REVIEW OF THE PERIOD

The profit of ING Beijing Investment Company Limited (the “Company” or “ING Beijing”) and its subsidiaries for the first half of 2004 was HK\$7,006,369 compared to the profit of HK\$12,558,916 for the same period in 2003.

BUSINESS DEVELOPMENT

Hong Kong’s economy is enjoying a strong recovery in the beginning of 2004. The growth was mainly driven by consumption, contributed by the increase of mainland tourists to Hong Kong, which has boosted retail sales, hotel and restaurant receipts in the territory. The recent turnaround in investment has also been helped by the improving stock and property prices.

In China, the major challenge in 2004 is to address its over-heated investment while sustaining the momentum of the economy and to maintain stability. China’s gross domestic product rose by 9.7% in the first half of 2004. For the same period, retail sales increased by 12.8% to RMB2,525 billion. Inflation has emerged with the Consumer Price Index having increased by 3.6% in the first half of 2004. China’s value-added industrial output rose by 11.9% to RMB2,982 billion.

Some problems in China’s economy still exist. They include the excessive large scale of fixed assets investment, the shortages of coal, electricity, petroleum and means of transportation and the sharp increase in the prices of raw materials.

Statistics indicated that austerity measures have started to work. Investment in construction and factory equipment, contributing greatly to the country’s overheating economy, slowed its pace in the second quarter of 2004. The increase of investment in property was declining in tandem with the slower growth of bank lending and tightened land supply, while construction of new projects was initially reined in.

REVIEW OF THE EXISTING PORTFOLIO

China Property Development (Holdings) Limited (“CPDH”) – the Pacific Town Project

The Company invested in China Property Development (Holdings) Limited in February 2002 and successfully made shares allotment of CPDH to a strategic investor in October 2002. CPDH invested in the development of the Pacific Town Project, which had made prominent and great achievement. Within a twenty-month time, the Pacific Town Project had completed the necessary applications and efficiently obtained relevant government approvals. In the first half year of 2004, it had completed the resettlement work of the Phase I, obtained the Construction Work Permit and Pre-sale Permit for its Phase I development. The entire engineering work of Phase I is expected to be completed by the end of 2005.

The Phase 1 of the Pacific Town Project comprises 80,000 square metres of 410 high-end residential apartment units. All apartment units will be fully fitted to a luxury standard, over 90% of the apartments are south facing and with river view. The Project affirmed Richmond Park as the project title for marketing purpose.

The Pacific Town Project opened for soft sale in July 2004, and has registered over 100 bookings within a month. Official pre-sale was launched on 28th August 2004, over 5% of the units were sold within the first day. The average price of the apartments was RMB9,300 per square metre during the soft sale period. The price was increased more than 10% when the property officially opened for pre-sale. The Project received overwhelming response from the public and gained popularity among the local media.

With the construction work of Phase I in progress, the management of the Project has started preparation for the Phase II project of another 80,000 square metres of residential apartments. The resettlement work on the Phase II land is scheduled to start in early September 2004.

Sun Star City (Taiyanggong Zone F Project)

ING Beijing has invested HKD35 million in Taiyanggong Zone F Project in November 2003. Taiyanggong Zone F Project is also known as Sun Star City, it 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. It is only 2 km from the Yansa Business District, 5 km from the Central Business District, and 15 minutes drive to the Beijing International Airport. After the pre-sales launch in August 2003, more than 90% of the units in its 110,000 square meters Phase I project have been sold. Phase I is expected to complete and ready for occupation by the end of 2004. The construction work for Phase II has been started in March 2004 and is expected to complete by August 2005. Pre-sale of Phase II has started in June 2004. Out of the 684 units launched for pre-sale, 180 units were sold within the first month.

Beijing Far East Instrument Co., Ltd. (“Far East”)

Turnover of Far East in the first half year of 2004 has increased by 19% as compared to same period of last year. However, Beijing Rosemount Far East Instrument Co. Ltd. (“Beijing Rosemount”), Far East’s joint venture with Rosemount Inc. suffered a loss in the first half of 2004, which had an impact on the results of Far East. Due to the change of products produced by Far East, the Product 1751 and FSSS have become obsolete inventories. As a result, a provision of inventories over 2 years has been made which largely reduces the net assets of Far East. The Investment Manager will discuss with the management of Far East, to work out the future business plan of Far East, and to make improvement on future inventory control.

REDOMICILE SCHEME

The Board approved the redomicile scheme of the Company in August 2003 through incorporation of a new holding company in the Cayman Islands with the name of “First International Investment Company Limited”. The first scheme was submitted to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9th October 2003 and announcement was put out on newspapers immediately afterwards.

In February 2004, the Board resolved to change the name of the new holding company to “New Capital International Investment Limited”. The 11th proof of the scheme document has been submitted to the Stock Exchange for approval in September 2004. Once the approval is obtained from the Stock Exchange, the Company can arrange for shareholders meeting and proceed with the completion of the redomicile scheme.

FUTURE PROSPECTS

Since 2002, the Beijing municipal government has issued a series of directives intended to curtail an overly rapid growth of investment in real estate development by limiting credit availability and tightening the supply of land. These measures will tend to eliminate the smaller, financially weaker developers from the market while leaving the larger developers with a better and more transparent environment to operate. It will also stimulate developers to put more emphasis on market research and producing better quality products. The Company's investment in the Pacific Town Project is in a favorable position to enjoy the new conditions.

Spurred by the infrastructure investment in preparation for the 2008 Olympic Games and by China's accession to the WTO, Beijing's economy is experiencing rapid growth. As new investment projects and multinational companies continue to flow into the Beijing market, more expatriates are being relocated to Beijing for both short and long-term assignments. Local Chinese were also active in purchasing units for owner occupation purpose. This indicates a stable demand for high-end residential units in the short to mid-term.

It is the Group's strategy to make further investment in the Beijing property sector with a focus on high quality development projects. With years of experience and knowledge in the Beijing market, the Directors of the Company are confident with the prospects of the Group.

SHARE ISSUE OF THE COMPANY

On 19th April 2004, the Company entered into an agreement with Sense Control International Limited in relation to the issue and allotment of 107,600,000 new shares in the Company at the cash price of HK\$0.14 per share. As referred to in the Company's announcement on 20th July 2004, at the request of the subscriber, the Company has agreed to postpone the completion to October 2004.

RESULTS

The board of directors of the Company announces the unaudited results of the Group for the period from 1st January 2004 to 30th June 2004 as follows:–

		Six months ended 30 June	
		2004	2003
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover: Group and share of jointly controlled entities' turnover	4	21,151,840	29,045,594
Less: Share of jointly controlled entities' turnover		(20,684,741)	(28,636,655)
Group turnover	3	467,099	408,939
Other net loss		(407)	(989)
Gain on disposal of non-trading listed investments	2	16,938,629	–
Gain on disposal of interest in jointly controlled entity	2	–	2,064,532
Write-back of amount due from jointly controlled entity	2	–	1,528,897
Write-back of impairment loss on non-trading investments	2	–	13,273,890
Operating expenses		(4,912,891)	(4,704,149)
Profit from operations		12,492,430	12,571,120
Share of losses of associates		(3,159,414)	(1,092,863)
Share of (loss)/profit of jointly controlled entity		(2,326,647)	1,136,020
Profit from ordinary activities before taxation	4	7,006,369	12,614,277
Income tax	5(a)	–	(55,361)
Profit attributable to shareholders	7	7,006,369	12,558,916
Earnings per share			
Basic	6	1.299 cents	2.328 cents

1. Significant accounting policies

Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s independent review report to the board of directors is set out in the interim report of the Company. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

This interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2003 included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2003 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 April 2004.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the issue of the 2003 annual financial statements.

2. Gains on investments

	Six months ended 30 June	
	2004	2003
	HK\$	HK\$
Gain on disposal of 12,819,000 shares of Skyworth Digital Holdings Limited (<i>Note</i>)	16,938,629	–
Gain on disposal of 22.87% interest in Everbright Timber Industry (Shenzhen) Company Limited	–	2,064,532
Write-back of amount due from jointly controlled entity	–	1,528,897
Write-back of impairment loss on Skyworth Digital Holdings Limited	–	13,273,890
	<u>16,938,629</u>	<u>14,806,319</u>

Note: At 31 December 2003, the Group held 22,819,000 ordinary shares of Skyworth Digital Holdings Limited, a company listed on the Stock Exchange. During the period, the Group disposed of 12,819,000 shares for a total consideration of HK\$28,580,450, resulting in a gain on disposal, net of expenses, of HK\$16,938,629.

3. Turnover

The principal activity of the Company and of its subsidiaries 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 and is analysed as follows:

	Six months ended 30 June	
	2004	2003
	HK\$	HK\$
Interest income from deposits with banks and other financial institutions	10,719	194,844
Dividend income from listed investments	456,380	214,095
	<u>467,099</u>	<u>408,939</u>

4. Segment reporting

Segment 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 solution, paid e-mail services and offline magazine publishing.

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

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

	Revenue		Segment results	
	Group and Group's share of jointly controlled entities' turnover		Contribution to profit from ordinary activities before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Manufacture of industrial products	20,684,741	28,636,655	(2,794,355)	4,049,549
Manufacture of consumer products	456,380	214,095	17,089,473	13,178,984
Communications	–	–	–	(65,773)
Real estate	–	–	(4,286,113)	(1,949,609)
Unallocated	10,719	194,844	(3,002,636)	(2,598,874)
	<u>21,151,840</u>	<u>29,045,594</u>	<u>7,006,369</u>	<u>12,614,277</u>

5. Income tax

No provision for Hong Kong Profits Tax has been made for the period ended 30 June 2004 as the Group has no assessable profits for the period. Income tax in the consolidated income statement for the period ended 30 June 2003 represents share of jointly controlled entities' taxation for the prior period. Taxation in the consolidated balance sheet represents provision for Hong Kong Profits Tax relating to the prior periods.

6. Earnings per share

(a) Basic

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$7,006,369 (30 June 2003: HK\$12,558,916) and on 539,514,000 (30 June 2003: 539,512,000) ordinary shares in issue during the period.

(b) Diluted

Diluted earnings per share is not shown for the periods ended 30 June 2004 and 2003 as the potential ordinary shares are anti-dilutive.

7. Reserves

	Share premium HK\$	Exchange reserves HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2004	498,097,664	2,990,183	23,959,950	(397,272,468)	127,775,329
Profit for the period	–	–	–	7,006,369	7,006,369
Exchange differences on translation of financial statements of PRC jointly controlled entities	–	131,601	–	–	131,601
Surplus on revaluation of non-trading investments	–	–	1,000,000	–	1,000,000
Transfer to income statement	–	–	(13,459,950)	–	(13,459,950)
At 30 June 2004	<u>498,097,664</u>	<u>3,121,784</u>	<u>11,500,000</u>	<u>(390,266,099)</u>	<u>122,453,349</u>

8. Net asset value per share

The net asset value per share is computed based on the consolidated net assets of HK\$176,404,749 (31 December 2003: HK\$181,726,729) and 539,514,000 shares in issue as at 30 June 2004 and 31 December 2003.

RESULTS

Financial review

Save as disclosed above, the information in relation to those matters set out in paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) has not changed materially from the information disclosed in the most recent published annual report.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 16th August 2001 under which the board of directors of the Company may grant options to any executive director or senior employee of the Company, or any director or senior employee of any of its subsidiaries, to subscribe for shares in the Company. There were no options granted or exercised during the period.

INTERIM DIVIDEND

The Board of Directors does not recommend payment of interim dividend for the period ended 30th June 2004 (2003: nil).

PUBLICATION OF DETAILED ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of interim results for the six months ended 30th June 2004 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be subsequently published on the Stock Exchange's website in due course.

AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Directors, two of them being independent. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 14th September 2004 to review the Group's 2004 interim results before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the period from 1st January 2004 to 30th June 2004.

CODE OF BEST PRACTICE

The Company has complied with Appendix 14 of the Listing Rules throughout the period from 1st January 2004 to 30th June 2004 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, 17th September 2004

As at the date of this announcement, the members of the Board are Mr. Liu Xiao Guang, Mr. Cheng Bing Ren, Mr. Lawrence H. Wood, Mr. Yu Sek Kee, Mr. Poon Kai Leung, Mr. Tong Ng Siu Yee, Mr. Liu Xue Min and Mr. Kwong Chun Wai Michael.

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