

ING BEIJING INVESTMENT COMPANY LIMITED

ING北京投資有限公司

(Incorporated in Hong Kong with limited liability)

2003 INTERIM RESULTS

REVIEW OF THE PERIOD

The profit of ING Beijing Investment Company Limited (the “Company” or “ING Beijing”) and its subsidiaries (the “Group”) for the first half of 2003 was HK\$12,558,916 compared to the profit of HK\$1,094,135 for the same period in 2002.

BUSINESS DEVELOPMENT

China has a diversified economy with strong domestic demand driven forces, the effect of SARS on China’s economy is only temporary and far less than expected, China’s economy have picked up quickly after SARS and aim to achieve its targeted 9% growth rate this year.

In March 2003, the Group successfully disposed the investment in Everbright Timber Industry (Shenzhen) Company Limited (“Everbright Timber”). Everbright Timber is the biggest timber processing company in China. The Asian financial crisis in 1997 hit the listing plan of Everbright Timber, and subsequently timber prices tumble due to severe imported competition and a contracted market.

Property development is relatively a long-term process, the sector was generally not affected by the outbreak of SARS. The Pacific Town Project invested by the Company through China Property Development (Holdings) Limited (“CPDH”) has made significant progress. The Pacific Town Project received its planning approval on 2 July 2003. Planning approval is a major development stage for any property projects in China.

ING Beijing has also approved the investment in the Sunny Plaza Project. Sunny Plaza Project is a high-end residential development project located in the northeastern corner of Beijing within the Chaoyang District. The project with gross floor area of approximately 150,000 sq. metres will include around 100,000 sq. metres for residential apartments and the remaining area for two serviced apartments. ING Beijing will initially invest USD2.4 million and take up 20% interest of the Project.

REVIEW OF THE EXISTING PORTFOLIO

Beijing Pacific Palace Real Estate Development Co. Ltd. (“Pacific Town Project”)

The Pacific Town Project received its planning approval on 2 July 2003 within 15 days after submission to the Beijing Municipal City Planning Committee. This process normally takes 3-6 months to complete. This illustrated the advantage of the management team with its knowledge and network in the Beijing property development sector. After obtaining the planning approval, the Pacific Town Project will make preparation for resettlement and clearance of the site area. Construction work will start immediately after the site clearance.

The site plan was prepared by Langdon Wilson Architects, one of the leading architects in the United States, together with Sunlight Architects & Engineers Co., Ltd. in Beijing. The site has a total gross floor area of 430,750 sq. metres and above ground gross floor area of 323,250 sq. metres. The Phase 1 of the Pacific Town Project comprises 80,000 sq. metres of around 400 high rise residential apartment units. All apartment units will be fully fitted to a luxury standard and over 80% of which with river view. The apartments are to be priced at an average sale price of Rmb8,800 per sq. metre. The sale of Phase I is expected to begin after the Chinese New Year in 2004.

Skyworth Digital Holdings Limited (“Skyworth”)

From April to June 2003, despite the outbreak of SARS has dampened the consumer sector, Skyworth’s TV sales rose 10% to 1,316,000 units as compared to the same period in 2002. Skyworth is among the first to focus on high-end products. As China is becoming more affluent, together with its proposed launch of digital TV broadcasting, the demand of high-end consumer products is expected to increase significantly. The sales of high-end TV such as Progressive Scan TV, Projection TV and Plasma TV are on the rise, the relatively high gross profit margin from these products contributes to the growth of the profit.

The Group received an interim dividend payment of HKD0.21 million in January 2003 and a final dividend payment of HKD1.9 million from Skyworth in September 2003.

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

In the first half year of 2003, the sale revenue of Far East increased by 16% to Rmb52.71 million. Profit after tax of the first half year was Rmb3.28 million as compared with Rmb4.15 million of that of last period. In this period, the management of Far East puts much effort in improving the quality of its assets. A bad debt provision Rmb0.7 million was made this period, which led to the decrease of profit as compared with that of last period.

In March 2003, the Board of Far East has resolved to enter into environmental protection business. Far East will join hand with an environmental protection engineering company in Shi Jia Zhuang to venture into the new business. Far East will pay Rmb4.5 million for 45% shareholding in the engineering company, and business will start in the second half year of 2003.

FUTURE PROSPECTS

Though experienced a slight setback during the period of SARS, Beijing's property market is recovering to its energetic tendency with both supply and demand outperformed that of last year.

In the past, people evaluate properties from the angles of price, location, floor plan design and appreciation potential. The situation has changed after the outbreak of SARS. Home buyers as well as developers are now focusing their attention to healthy living. High quality properties with healthy living environment are becoming popular.

It is the Group's strategy to make further investment in the Beijing property sector. The Company is confident with the Beijing property market and expect to benefit from the increasing customer preference towards quality property products.

RESULTS

The board of directors of the Company announces the unaudited results of the Group for the period from 1 January 2003 to 30 June 2003 as follows:-

	Note	Six months ended 30 June	
		2003 HK\$	2002 HK\$
Turnover: Group and share of jointly controlled entities' turnover	4	29,045,594	49,158,674
Less: Share of jointly controlled entities' turnover		<u>(28,636,655)</u>	<u>(43,540,058)</u>
Group turnover	3	408,939	5,618,616
Other net loss		(989)	(106,077)
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	–
Gain on disposal of non-trading listed investments	2	–	2,714,000
Loss on disposal of convertible loan and non-trading unlisted investments	2	–	(328,645)
Operating expenses		<u>(4,704,149)</u>	<u>(8,171,055)</u>
Profit/(loss) from operations		12,571,120	(273,161)
Share of losses of associates		(1,092,863)	–
Share of profit of jointly controlled entity		<u>1,136,020</u>	<u>1,412,970</u>
Profit from ordinary activities before taxation		12,614,277	1,139,809
Taxation	5(a)	<u>(55,361)</u>	<u>(45,674)</u>
Profit attributable to shareholders	7	<u>12,558,916</u>	<u>1,094,135</u>
Earnings per share	6		
Basic		<u>2.328 cents</u>	<u>0.203 cent</u>
Diluted		<u>N/A</u>	<u>0.202 cent</u>

Notes:–

1 Significant accounting policies

(a) 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 Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included on page 14 of the interim report.

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

The financial information relating to the financial year ended 31 December 2002 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 2002 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 April 2003.

The same accounting policies adopted in the 2002 annual financial statements have been applied to the interim financial report except for the adoption of a revised accounting standard in Hong Kong as disclosed under note 1(b).

(b) Adoption of a revised accounting standard in Hong Kong

The HKSA issued revised SSAP 12 “Income taxes” in August 2002, which supercedes the previous SSAP 12 “Accounting for deferred taxes”. The revised standard became effective for accounting period beginning on or after 1 January 2003. The Group has therefore adopted the revised standard for preparation of the Group’s interim financial report for the six months ended 30 June 2003.

The revised SSAP 12 requires deferred tax assets and liabilities to be provided in full using the liability method, on temporary differences arising between the tax base of an asset or a liability and its carrying value in the financial statements at the balance sheet date. Deferred tax assets or liabilities arising from temporary differences need to be measured at the tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

The adoption of the revised SSAP 12 had no significant effect on the Group’s results and net assets for the current or prior periods.

2 Gains/(losses) on investments

	Six months ended 30 June	
	2003	2002
	HK\$	HK\$
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	–
Gain on disposal of 60,000,000 shares of Skyworth Digital Holdings Limited	–	2,714,000
Loss on disposal of 5.33% interest in Skynet Limited (note)	–	(143,955)
Loss on disposal of convertible loan (note)	–	(184,690)
	<u> </u>	<u> </u>

Note: The losses represent legal costs incurred as the carrying values of the investment and loan were written down to the disposal proceeds as at 31 December 2001.

3 Turnover

The principal activity of the Company and its subsidiaries 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 focused on investing in Sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC.

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

Group turnover represents interest income and dividend income from listed investments and is analysed as follows:

	Six months ended 30 June	
	2003	2002
	HK\$	HK\$
Interest income from deposits with banks and other financial institutions	194,844	477,666
Dividend income from listed investments	214,095	5,140,950
	<u>408,939</u>	<u>5,618,616</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 solutions and paid e-mail services and offline magazine publishing.

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

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

	Revenue		Segment results	
	Group and		Contribution	
	Group's share of jointly		to profit from ordinary	
	controlled entities' turnover		activities before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Manufacture of industrial products	28,636,655	43,540,058	4,049,549	201,222
Manufacture of consumer products	214,095	5,140,950	13,178,984	6,980,514
Communications	–	–	(65,773)	(1,101,595)
Real estate	–	–	(1,949,609)	(2,331,172)
Unallocated	194,844	477,666	(2,598,874)	(2,609,160)
	<u>29,045,594</u>	<u>49,158,674</u>	<u>12,614,277</u>	<u>1,139,809</u>

5 Taxation

(a) No provision for Hong Kong Profits Tax has been made for the period ended 30 June 2003 as the Group has no assessable profits for the period. Taxation in the consolidated income statement represents share of jointly controlled entities' taxation.

(b) There were no significant unprovided deferred tax liabilities/assets at the balance sheet date.

6 Earnings per share

(a) Basic

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$12,558,916 (2002: HK\$1,094,135) and on 539,512,000 ordinary shares in issue during the period.

(b) Diluted

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

The calculation of diluted earnings per share for the period ended 30 June 2002 is based on the profit attributable to shareholders of HK\$1,094,135 and on 542,238,399 ordinary shares after adjusting for the effects of all potential dilutive ordinary shares.

7 Reserves

	Share premium HK\$	Exchange reserves HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2003	498,097,415	3,098,294	15,414,840	(403,936,214)	112,674,335
Profit for the period	–	–	–	12,558,916	12,558,916
Share of exchange reserve of associates	–	(780)	–	–	(780)
Deficit on revaluation of non-trading Investments	–	–	(2,140,950)	–	(2,140,950)
Transfer to income statement	–	–	(13,273,890)	–	(13,273,890)
At 30 June 2003	498,097,415	3,097,514	–	(391,377,298)	109,817,631

8 Net asset value per share

The net asset value per share is computed based on the consolidated net assets of HK\$163,768,831 (31 December 2002: HK\$166,625,535) and 539,512,000 shares (31 December 2002: 539,512,000 shares) in issue as at 30 June 2003.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 16 August 2001 under which the board of directors of the Company may grant options to employees of the Company and its subsidiaries, including directors 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 30 June 2003 (2002: nil).

PUBLICATION OF DETAILED ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Exchange") will be subsequently published on the Exchange's website in due course.

AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Directors, two of them being independent. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 15 September 2003 to review the Group's 2003 interim results before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the period from 1 January 2003 to 30 June 2003.

CODE OF BEST PRACTICE

The Company has complied with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. throughout the period from 1 January 2003 to 30 June 2003 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
Lawrence H. Wood
Director

Hong Kong, 17 September 2003

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