

ING BEIJING INVESTMENT COMPANY LIMITED

RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2000

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 2000 as follows:—

	For the year ended 31st December 2000 HK\$	For the year ended 31st December 1999 HK\$
Turnover : Group and share of jointly controlled entities' turnover	141,244,013	178,916,276
Less : Share of jointly controlled entities' turnover	(128,827,313)	(163,110,874)
Group turnover (Note 1)	12,416,700	15,805,402
Other net income (Note 2)	789,841	1,865,746
Provision for non-trading investment	(30,747,825)	—
Operating expenses	(16,181,207)	(18,132,440)
Operating loss	(33,722,491)	(461,292)
Share of losses of jointly controlled entities	(4,519,520)	(115,699,434)
Loss from ordinary activities before taxation	(38,242,011)	(116,160,726)
Taxation (Note 3)	(5,064,010)	(96,411)
Loss for the year	(43,306,021)	(116,257,137)
Basic loss per share (Note 4)	(8.35 cents)	(23.25 cents)

Notes:

- Group turnover represents interest income earned on fixed deposits, debts securities and convertible loan and is analysed as follows:

	2000 HK\$	1999 HK\$
Interest income from deposits with banks and other financial institutions	1,898,488	3,732,253
Interest income from listed securities	397,715	1,043,974
Interest income from convertible loan	10,120,497	11,029,175
	12,416,700	15,805,402

No segmental information is disclosed as all of the Group's turnover and loss was attributable to its principal activity of investment holding primarily in companies or entities in the People's Republic of China including Hong Kong.

- Included in other net income is the net realised and unrealised gains on listed trading securities carried at fair value of HK\$422,010 (1999: HK\$1,659,748).
- Taxation in the consolidated profit and loss account represents:—

	2000 HK\$	1999 HK\$
Provision for Hong Kong profits tax for the year	5,000,000	—
Share of jointly controlled entities' taxation	64,010	96,411
	5,064,010	96,411

The provision for Hong Kong profits tax is calculated at 16% of the estimated assessable profits for the year ended 31st December 2000.

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

- Basic loss per share
The calculation of basic loss per share is based on loss attributable to shareholders of HK\$43,306,021 (1999: loss of HK\$116,257,137) and the weighted average number of 518,834,740 (1999: 500,000,000) ordinary shares in issue during the year.
There were no potential ordinary shares in existence during 1999 and 2000.

MOVEMENTS IN RESERVES

	Share premium HK\$	Exchange reserves HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2000	470,853,006	3,008,558	—	(133,482,641)	340,378,923
Loss for the year	—	—	—	(43,306,021)	(43,306,021)
Exchange differences on translation of accounts of jointly controlled entities in the People's Republic of China ("PRC")	—	40,952	—	—	40,952
Premium arising from issue of shares, net of expenses	27,160,812	—	—	—	27,160,812
Deficit on revaluation of non-trading investment	—	—	(60,539,332)	—	(60,539,332)
At 31 December 2000	498,013,818	3,049,510	(60,539,332)	(176,788,662)	263,735,334
At 1 January 1999	470,853,006	2,594,263	—	(17,225,504)	456,221,765
Loss for the year	—	—	—	(116,257,137)	(116,257,137)
Exchange differences on translation of accounts of PRC jointly controlled entities	—	414,295	—	—	414,295
At 31 December 1999	470,853,006	3,008,558	—	(133,482,641)	340,378,923

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st December 2000 (1999: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 21st May 2001 to 25th May 2001, both days inclusive during which period no transfer of shares will be effected.

REVIEW OF THE PERIOD

The loss attributable to shareholders of ING Beijing for the year ended 31st December 2000 was HK\$43,306,021. The corresponding result for the year ended 31st December 1999 was a loss of HK\$116,257,137. The result for the year shows improvement compared with previous year. Portfolio companies are gradually recovering from the Asian financial crisis and are in position to capture new opportunities arising from China joining the World Trade Organization. The net asset value per share of the Group as at 31st December 2000 was HK\$0.589. The net asset value per share for the previous year end date was HK\$0.781.

HIGHLIGHTS OF THE YEAR

In April 2000, Skyworth Digital Holdings Limited ("Skyworth") was successfully listed on the Stock Exchange of Hong Kong Limited. ING Beijing invested HK\$92 million in Skyworth only 10 months before its listing. Its share price went up to HK\$3.2 per share soon after the listing. With the downturn in the stock market, together with all other technology stocks, Skyworth's share price has been greatly affected and is now trading at below its initial listing price. With ING Beijing's investment in Skyworth marked to market, this has caused a significant effect on ING Beijing's net asset value. However, ING Beijing remains confident with the Skyworth's business and is willing to take a longer term view on this investment.

To cope with changing market conditions, ING Beijing has focused on investment in companies with mature operations and with potential to go public within a period of twelve months. Skyworth was successfully listed last year. New investments along this direction have also started to show result. ING Beijing invested US\$8 million in Skynet Limited ("Skynet") in July 2000. Within a month, Skynet successfully spun off its online news and entertainment business, hkcyber.com (Holdings) Limited, which was listed on the GEM Board of the Stock Exchange of Hong Kong Limited. Skynet operates diversified Internet businesses with three major portals covering online stock trading, online news and entertainment, and online games.

The current downturn in the Internet industry has little impact on ING Beijing's investments. ING Beijing has two Internet related companies within its portfolio, ChinaGo Limited ("ChinaGo") and Skynet. Investment in ChinaGo was made in April 2000. ING Beijing together with a group of local and European institutional investors invested US\$13 million in ChinaGo, with ING Beijing taking up US\$3 million in the transaction. In view of the downward spiral of valuation of Internet companies listed overseas, ING Beijing has exercised the option available to investors to double its equity interest in ChinaGo at nominal cost, thereby achieving valuation adjustment. This has effectively increased the Group's interest in ChinaGo from 5.94% to 10.44%. On the business front, the development at ChinaGo has been encouraging. The number of email subscribers has increased from 1.2 million at the time of investment to 3.7 million within a period of less than 12 months. ChinaGo is currently ranked as the seventh largest email service provider in China. In view of market changes, ChinaGo has diversified itself from an email service provider to new areas covering traditional media, software development and IT solution services.

ING Beijing is granted several options which allow for realization of its investment in Skynet partly in cash and partly in shares of its immediate holding company, Skynet (International Group) Holdings Limited. The cash element of the options in the aggregate amount of US\$4 million is payable as to US\$1 million by Skynet (International Group) Holdings Limited and as to

US\$3 million by Companion Building Material International Holdings Limited, both are companies listed on the Main Board of the Stock Exchange of Hong Kong Limited.

ING Beijing's investment in Companion-China Limited ("Companion China") in the form of a convertible loan is partially exercised for repayment. In accordance with the terms of the convertible loan, Companion China has been notified to repay 50% of the loan principal plus interest on or before 1st May 2001. For the remaining investment, ING Beijing holds an option to either demand for repayment or conversion into the shares of Companion China or conversion of up to 20% listed shares of Companion China's immediate holding company, Companion Building Material International Holdings Limited, a public company listed on the Main Board of the Stock Exchange of Hong Kong Limited, with the remaining unconverted amount to be repayable within 90 days of demand.

ING Beijing's liquid assets comprising its investments in Skyworth and Companion China to the extent of the loan principal and interest due on 1st May 2001, and the amount of cash on hand, now account for over 85% of the portfolio. The cash and liquidity asset per share was HK\$0.21, which represents a significant increase from previous year.

REVIEW OF MAJOR INVESTMENTS

Skyworth Digital Holdings Ltd. ("Skyworth")

The recent price war has prompted Skyworth to be more focused in achieving technological advances in order to stay ahead of their rival competitors. Skyworth is trying out the Internet-related product markets by setting up a new joint venture, Skyworth Computer & Network Company, with Venace Inc. to engage in developing Internet-related television technology and to produce related products in Mainland China. Skyworth is trimming the production of TV products and increasing the weight of non-TV products with a higher margin. The move would lead to the enlargement of Skyworth's revenue base, enhancing the brand's positioning and improving its competitive edge in the market. The new income stream together with the high season for TV sale coming through in the last quarter, Skyworth is expected to have a much better performance in the second half of the year.

A new President, Mr. Jimmy Chan, joined Skyworth in October 2000. He was previously an Executive Director of Giordano and is well experienced in defining corporate strategy. His responsibility in Skyworth is to oversee Skyworth's operations and to enhance corporate performance within the international financial community. With the addition of Jimmy Chan, this has significantly strengthened the senior management structure.

Companion-China Limited ("Companion China")

Companion China had good results for 99/00. The profit after tax for the period ended 31 March 2000 was HK\$32.87 million, significantly higher than HK\$13.97 million for the previous period. Companion China has achieved significant result in exploring the overseas market this year, particularly in opening up the market in the United States. Companion China has secured a contract with the largest building materials group in the United States, "Home Depot", for an order of over 9 million square metres of ceramic tiles. Home Depot operates over 1,000 stores throughout the country and attained a 25% market share of the sales of ceramic tiles in the United States. It is expected the purchases from the United States will increase to 2000 containers in the coming year, representing over 30% of the Companion China group's annual production.

ChinaGo Limited ("ChinaGo")

ChinaGo has registered over 300 domain names covering all popular Chinese family names, professional and hobbies. The number of subscribers increased steadily since establishment. There were over 3.7 million registered members by the end of January 2001.

To cope with changing market conditions, ChinaGo has undergone reorganization of its business to enhance its long-term prospects. ChinaGo is now divided into three divisions: offline magazine publishing, software and solutions, and paid email services. The objective of the reorganization is to turn ChinaGo into a self-sustainable company with tangible revenue streams.

Skynet Limited ("Skynet")

Skynet has formed a partnership with Orange on WAP services. Skynet will receive from subscribers a monthly fee of HK\$10 for the services provided. HKCyber has formed a joint venture with a Chinese entertainment portal, show8.com to merge the entertainment content of show8 and HKCyber. The merger will help save costs and bolster the company's market position.

Skynet has also teamed up with speech recognition technology developer Sunance Communications of the U.S. to roll out voice-controlled online stock trading service for Hkstock.com. The technology allows users to access REAL-TIME STOCK QUOTES and place orders via the site's online trading platform by speaking on the phone in English, Cantonese or Mandarin.

Skynet allies with Superhome (Content) Limited, a subsidiary of SUNEvision Holdings Limited to distribute newspaper and magazines in the estates under the management of Sun Hung Kai Properties Limited. Members can subscribe the distribution service through Skynet's portal. This business will generate HK\$5 million profit for the company each month. Skynet also negotiated cooperation with China Youth Communist Industrial Development and Management Centre for supplying non-news related content to the online newspaper, and HKCyber would share the advertising revenue so derived. Skynet has formed a strategic partnership with Sunvision and Tokyo-based Pine Com International to establish an online gaming platform in March 2001. The alliance is aiming for one million players by next year.

Beijing Far East Instrument Co. Ltd. ("Far East")

Far East generated a sales revenue of Rmb76.58 million in 2000, representing an increase of 20% compared with the previous year. Loss for year 2000 was Rmb3.5 million. The main stream of income comes from the sale of products manufactured at its joint venture plant licensed by Rosemont. The sale of self-developed products has also improved. In order to reduce the company's reliance on the sale of third party products, the company has strengthened its own research team by cooperating with Rosemont for technology transfer.

Everbright Timber Industry (Shenzhen) Co., Ltd. ("Everbright Timber")

The loss of Everbright Timber for the year 2000 has been substantially reduced from that of the previous year. It was partly due to successful cost control as well as reduction of customs duty for importation of timber logs. As a result of production adjustment to cater for market needs, turnover has been reduced as well. Production is now focused on more profitable products with higher entry barrier.

Following a severe windstorm in Europe, dumping of timber occurred and led to an oversupply of decorative veneer in the market. As a result of such dumping, the sale of decorative panel was generally affected. In addition, the poor quality of raw materials imported increased spoilage and production cost and therefore hampered profit margin.

To tackle the situation, Everbright Timber has increased its effort in promoting other products such as medium density board and particle board. The results were satisfactory. The company is also upgrading the technology used in production process in order to improve quality of products.

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

Subsequent to a series of technology upgrade, APFS has completed a platform that is capable to integrate all networks for paging services in China. They have successfully acquired a small local paging operator in Shenyang and will proceed negotiations with other paging operators in southern China. APFS's subscriber base is expected to enlarge significantly through merger and acquisition.

APFS has developed a logistic control network utilizing its nationwide radio paging infrastructure. Trial operation is being run in Nanjing with 12,000 truck drivers joined the network. Truck drivers will be able to identify and tender for haulage assignments through the Internet, substantially reducing the amount of waiting time for new consignments.

FUTURE PROSPECT

The sustained economic growth in China together with revival of public confidence fuelled the recent recovery of the country's consumer sector. Over half of the investments in ING Beijing's portfolio relate to the consumer sector. Increase in demand for electronic goods will directly benefit Skyworth's bottom line, giving optimism on the recovery of Skyworth's share price on the market. A stronger property market is leading to an increase in demand for building materials and home decoration products like timber boards, wooden furniture and ceramic tiles. These will benefit our investee companies Everbright Timber and Companion China.

China has been one of the fastest growing countries in the world with GDP growth over 8% in the past consecutive years. With the country's expected entry to the World Trade Organization, together with the continuing improvement in its investment environment, ING Beijing remains confident that China will maintain its steady growth despite a slow down in the rest of the World.

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 10th April 2001 to review the Group's 2000 final 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 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, 19th day of April 2001

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