

Investment Portfolio

FAIR VALUE OF THE PORTFOLIO The fair value of the portfolio as at 31st December 2002 was as follow:

Investee Companies	Date of Investment	31 Dec 2002 Valuation
Far East	Jul 1994	HKD47.8 million
Skyworth	Jun 1999	HKD35.1 million
CPDH	April 2002	HKD78 million

CHINA PROPERTY DEVELOPMENT (HOLDINGS) LIMITED (“CPDH”) In February 2002, ING Beijing established China Property Development (Holdings) Limited (“CPDH”). It is intended to be a platform for bringing in strategic co-investors to invest in a number of property development projects focusing on middle to high-end residential sectors in Beijing. Investment agreements for the two projects, West Mountain Badachu Project and Taiyanggong F Zone Project, have been entered into by CPDH in March 2002 and are awaiting approval by relevant authorities.

CPDH is to invest within 3 months from the issuance of the business licence a sum of Rmb 42.68 million for a 30% interest in the registered capital of the West Mountain Badachu Project, a high-end residential development project located in western suburb of Beijing. CPDH has an option to invest a further sum of Rmb 34.68 million by way of a shareholders' loan within 12 months from the issuance of the business licence, and to increase proportionately the profit sharing entitlement of the project from 16.55% up to 30%. CPDH is also to invest within 3 months from the issuance of the business licence a sum of Rmb 40 million for a 30% interest in the registered capital of Taiyanggong F Zone Project, a high-end residential development project located in the northeastern part of Beijing. CPDH has an option to invest a further sum of Rmb 97 million by way of a shareholders' loan within 12 months from the issuance of the business licence, and to increase proportionately the profit sharing entitlement of the project from 8.75% up to 30%.

During the year, CPDH has undergone share placement to a strategic investor and reducing ING Beijing's equity interest in CPDH to approximately 30%. In addition, CPDH acquired an 80% interest in its third residential development project, Pacific Town Project.

Investment Portfolio

Chaoyang International Business Festival



CPDH made its first public appearance in the Chaoyang International Business Festival in September 2002. CPDH exhibited its planned Pacific Town Project in a 80 square meters area with site plan and video presentation. Chairman of ING Beijing, Mr. Liu Xiao Guang and senior officials of the Chaoyang District Government of Beijing visited the exhibition site and gave positive opinion on the project. The exhibition also attracted great media attention. The festival is organized annually by the Chaoyang District Government.

Pacific Town Project Progress

The Pacific Town Project site is classified under the “Green Belt” city redevelopment programme, and is not affected by recently announced Directive No. 33 regarding public auction for transfer of land.

The Pacific Town Project is located in the Lido area of Jiangtai Town, Chaoyang District. Lido area is a popular community area for foreign expatriates and upper middle class local families. It has a number of international schools situated in the area and has convenient access to the Airport Expressway, and the 4th Ring Road System. Access to the Central Business District (CBD) of Beijing is only 15 minutes by car during morning hour traffic.

The Pacific Town Project is a unique high-end residential development project planned for mixed development with residential apartments and town houses. The total site area is around 129,800 square meters with planned gross floor area of around 240,000 square meters.

The project has been formally approved and registered by the local government in July 2002. The project is currently finalizing its design and planning approval procedures.



First stage of ground clearance was started in September 2002. A 20-meter wide land belt along the river has been cleared for renovation of the River Ba embankment. Next stage of land clearance of around 30,000 square meters of land for the first phase development of around 80,000 square meters of residential apartments is expected to start soon after planning approval. Pre-sale of the property is targetting to commence in early 2004.

Investment Portfolio

SKYWORTH DIGITAL HOLDINGS LIMITED (“SKYWORTH”) For the six months ended 30th September 2002, Skyworth’s turnover jumped a year-on-year 68% to HKD 2.95 billion as compared with that of the same period of the previous financial year in 2001. Net profit for the period was HKD 22.33 million, against a net loss of HKD 65.76 million for the same period in 2001.

The growth of Skyworth was driven by increased sales in higher end televisions in both China and the overseas markets and lower cost due to the enhancement in production by its R&D force. For the six months from April to September 2002, Skyworth’s total TV sales volume reached 2.65 million units, in which China accounted for 79%. With the launch of a wide selection of well-received Progressive Scan TVs and big-screen TVs, and the peak lunar new year shopping season, it is expected the sales for the full 12 months period up to 31st March 2003 would be encouraging.

Skyworth has been venturing into digital television business. Its wholly-owned subsidiary, Skyworth Broadband Technology Ltd. will focus in the manufacturing and distributing of DVB-S and ADSL modem. As all analogue cable subscribers will be required to switch to digital not later than 2015, the number of digital users is expected to grow. To grasp this opportunity, Skyworth has signed agreements with 4 city’s cable network operators to supply digital set-top boxes and with 5 telecommunication operators to supply ADSL modems.

The Group has received an interim dividend of HKD 0.05 per share totally around HKD 5.14 million in February 2002 and a final dividend of HKD 0.03 per share totaling around HKD 1.28 million from Skyworth in September 2002.

(HKD' m)	6 months ended 30 Sept 02	6 months ended 30 Sept 01
Revenue	2,951	1,760
Pre-tax Profit	30.8	(66.9)
Post-tax Profit	22.3	(65.7)

Investment Portfolio

BEIJING FAR EAST INSTRUMENT CO., LTD. (“FAR EAST”) Far East had a successful year in 2002. Revenue increased by 4.6% and reached the historical high of Rmb 96.73 million. Profit after tax was Rmb 2.75 million in 2002. The outstanding performance of its joint venture and the successful restructuring of Far East’s business have contributed to the greatly improved result.

In March 2002, ING Beijing entered into a conditional agreement to sell 9% out of its 35% equity interest in Far East to a strategic partner for a consideration of Rmb 14 million. The consideration is payable over a period of 5 years. The strategic partner has also acquired a further 16% equity interest in Far East from its holding company. The introduction of the strategic partner is intended to help Far East to move into the business of large system integration and supply of electrical systems to the property sector. The strategic partner is one of the biggest property developers in Beijing, which develops over 1.9 million square meters of property area in 2001.

(RMB' m)	2002	2001
Revenue	96.73	92.43
Pre-tax Profit	3.12	3.00
Post-tax Profit	2.75	2.83