SKYWORTH DIGITAL HOLDINGS LIMITED ("SKYWORTH")

Skyworth manufactures and sells colour television sets, digital audio-visual and internet related products in the PRC. Skyworth is also the largest TV exporter and one of the leaders in the consumer electronics markets.

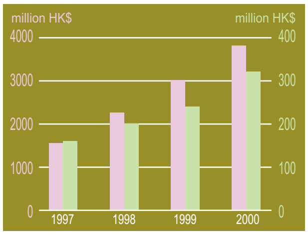
Over the past year, Skyworth has been putting much effort on development of digital audio-visual and Internet related products. Apart from TV sets, principal products also include Internet TV set-top box, Home Theatre system, DVD player, Digital Recordable Disk Player, "Soft Station" educational software system.

ING Beijing invested HKD92 million in Skyworth in June 1999. Skyworth was listed on the Main Board of the Stock Exchange of Hong Kong Limited in April 2000.

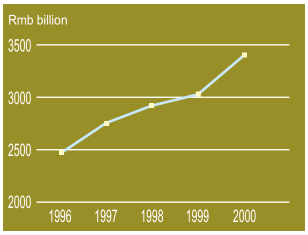
Skyworth earned a profit HKD318.34 million for the year ended 31 March 2000, compared with HKD240.75 million in the same period a year earlier. Revenue was HKD3.82 billion, representing a 27% growth.

TV manufacturers experienced a difficult year in year 2000. The price war initiated by massive discounts offered by leading competitors led to a significant drop in Skyworth's profit margins.

For the six months ended 30 September 2000, Skyworth dipped into red with a net loss of HKD126 million, against a net profit of HKD153 million a year earlier while turnover fell 11% to HKD1.537 billion. Also due to the poor market sentiment, Skyworth's average share price plunged 45% to HKD1.15 by the end of 2000, compared with the IPO price of HKD2.07.



Turnover   Net Profit



Retail Sale of Consumer Goods in China

WHAT ARE THE NEW STRATEGIES?

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 will soon launch its 52" LCD TV sets. Skyworth is one of the few LCD TV makers in the mainland at present. Skyworth will not cut the prices of its new products to boost sales. Its LCD TV sets are priced at RMB28,000 each and the first batch of 350 sets has been scheduled for production.

Skyworth is also 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 profit 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.

NEW PRESIDENT

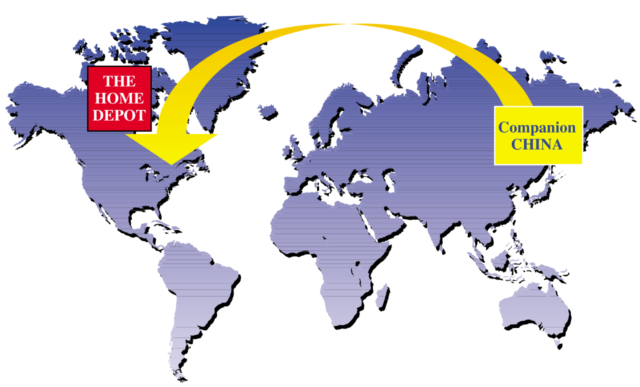
A new President, Mr. Jimmy Chan, joined Skyworth in October 2000. He was previously an Executive Director of Giordano and is well experienced in defining corporate strategy. His responsibility in Skyworth is to oversee Skyworth's operations and to enhance corporate profile within the international financial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

EXPORT SUCCESS

COMPANION-CHINA LIMITED ("COMPANION CHINA")

Companion China is the largest building materials distributor in Hong Kong. It runs a group of 5 ceramic tile factories in Hong Kong and China mainly targeting the PRC market.

Companion China had good results for 99/00. The profit after tax for the period ended 31 March 2000 was HKD32.87 million, significantly higher than HKD 13.97 million for the previous period.



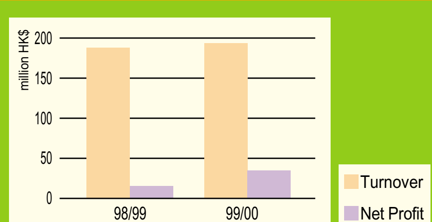
OVERSEAS MARKET

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.

Competition in the domestic market has been intense. It was due to over development of building material retail markets in major cities. It was estimated that the number of ceramic tile retailers grew by 90% over the last year. This has diluted the distribution capability of Companion China's existing sale network. To tackle the problem, Companion China plans to further expand its sales network to re-capture market share.

EXIT OPTIONS

ING Beijing invested USD12 million in Companion China in April 1997, in the form of a convertible loan carrying a 9.8% coupon. ING Beijing has received from Companion China a sum of USD4 million for the complete discharge of interest accumulated on the convertible loan up to 5 July 2000. ING Beijing has now demanded Companion China to repay 50% of the outstanding loan approximately in the amount of USD6 million on or before 1st May 2001. Companion China has been profitable for the past three years and with sound financial position. The convertible loan is further guaranteed by its immediate holding company, Companion Building Material International Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited.



** For the years ended 31 March*

For the remaining 50% of the loan, ING Beijing has an option to demand repayment or to convert into shares of Companion China or to convert into shares of Companion Building Material International Holdings Limited. The conversion price for the shares in Companion Building Material International Holdings Limited is calculated as 90% of the average closing price of the shares quoted on the Stock Exchange of Hong Kong Limited for the twenty trading days immediately preceding the date of the conversion notice. Any outstanding balance of the convertible loan not converted into shares of Companion Building Material International Holdings Limited will be repaid within 90 days of demand.

ChinaGo

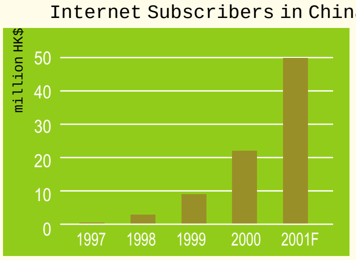
ING Beijing together with other institutional and strategic investors, jointly invested USD13 million into ChinaGo in April 2000, with ING Beijing sharing USD3 million of the deal.

VALUATION COMPENSATED

In view of an adverse market condition, technology stocks listed on stock markets around the world did not perform well. In April 2001, ING Beijing exercised its option to double its equity share in ChinaGo at nominal cost, to bring valuation of ChinaGo in line with market situation. As a result, ING Beijing's holding in ChinaGo is now increased from 5.94% to 10.44% of the enlarged issued share capital.

According to an industry survey, the use of e-mail was cited as the most important reason to maintain an Internet connection, followed by the availability of news, chatting with friends and downloading software. ChinaGo Limited ("ChinaGo") offers email services (email.com.cn) to subscribers and is the only one who could provide multi-domain name email services in the PRC. ChinaGo has registered over 300 domain names covering all popular Chinese family names, professions and hobbies. The number of subscribers increased steadily since establishment. There were over 3.7 million registered members by the end of January 2001.

Internet Subscribers in China



Source¡GChina Internet netwo
Information Centre

* 2001 Forecast figure from Telecom Market dated 14 March 2001

REORGANIZATION

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.

ACQUISITION OF AN OFFLINE MEDIA

ChinaGo has allied with the number three ranking fashion magazine in China. Through a 20 year cooperation agreement, ChinaGo secured a 70% profit share with the Fashion Magazine. Besides, ChinaGo is also licensed to use the contents of the magazine for its fashion.com.cn portal. The Fashion magazine has been established over 20 years and has a monthly circulation of around 100,000. It ranks number three among fashion magazines in the PRC in terms of advertising revenue and circulation. The addition of an offline magazine publishing business to ChinaGo will aid the production of Internet contents and helps bring in additional advertising revenue.

PAID E-MAIL MODEL

email 百家 邮箱
www.email.com.cn

China is the world largest market for email and web hosting services. A tremendous number of traditional companies switching onto Internet to communicate with their world trading partners cannot do business without an email account. Majority of the companies in China chose to contract the service to hosting agents. ChinaGo has been providing hosting services for the past 3 months. It has achieved some initial success with a client base of over twenty corporate customers. ChinaGo has set this potential market as one major area for development in 2001.

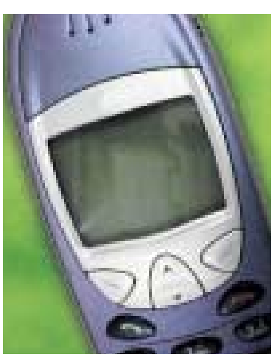
CREATION OF BLUESOFT

ChinaGo has acquired Bluesoft, a software development and system integration company, and reorganized its technical resources to strengthen this line of business. ChinaGo now offers a full range of software products and services to external clients. The technical team of Bluesoft has proven track records in handling large projects involving software development, system integration and web solution since 1995. Recently Bluesoft has formed a strategic alliance with BEA Software to establish technical support centre in China. Bluesoft is also appointed as service provider and product distributor of Hewlett Packard.

SKYNET LIMITED ("SKYNET")

ING Beijing invested USD8 million in Skynet Limited in July 2000. Skynet is an established Internet company with diverse e-commerce businesses. It currently operates three popular sites covering online stock trading (Hkstock.com.hk), online games (Gameplayers.com.hk) and online news and entertainment (Hkcyber.com).

WAP SERVICES AGREEMENT



Skynet has formed a partnership with Orange on WAP services. The partnership provides interactive and comprehensive financial news from Skynet's websites. It enables Orange WAP phone users to enjoy Skynet's rich contents and advanced computing features on its three portals. Skynet will receive from subscribers a monthly fee of HKD10 for the services provided.

ALLIANCE WITH SHOW8.COM

HKCyber has formed a joint venture with a Chinese entertainment portal, show8.com to merge the entertainment contents of show8 and HKCyber. The merger will help save costs and bolster the company's market position.

SKYNET IN VOICE-TRADE DEAL

Skynet has also teamed up with speech recognition technology developer Nuance 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.

The voice portal is expected to be suitable for Hong Kong given the high penetration of mobile phones and difficulties faced by some local Chinese inputting English orders into computers. It is believed that Hkstock.com has a competitive edge over potential competitors due to the exclusivity of its agreement with Nuance.

GENERATE REVENUES THROUGH LOGISTICS SERVICES

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 is expected to generate half a million profit for Skynet each month. Skynet has also negotiated cooperation with China Youth Communist Industrial Development and Management Centre for supplying non-news related contents to the online newspaper, and HKCyber would share the advertising revenue so derived.

GAMEPLAYERS PARTNERSHIP WITH PINE COM EYES CHINA

Skynet has formed a strategic partnership with Sunevision 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. The partnership will see Skynet's 50 per cent-owned Gameplayer.com localise Japanese games supplied by Pine Com and translate into Chinese language. Sunevision will provide an online platform to allow its Superhome.net members to access the games. It plans to expand into Greater China. Gameplayers managing director John Wong said Gameplayers planned to translate 30 to 40 titles into Chinese in the first year of cooperation.

OPTIONS AVAILABLE

ING Beijing has a number of options to swap its equity interest in Skynet, namely (a) for shares in its subsidiaries and the shares of the three portals, ie HK Stock Limited, Gameplayers.com Limited and Hkcyber Limited, or (b) for shares in its immediate listed holding company, Skynet (International Group) Holdings Limited ("Skynet International"), or (c) for part cash and part shares in Skynet International. For the last option, this is to be achieved by way of exercising two options requiring each of Skynet International and Companion Building Material International Holdings Limited (stock code: 0432) ("Companion International") to purchase ING Beijing's shareholding in Skynet for an aggregate consideration of USD8 million, USD4 million of which to be payable by way of allotment of listed shares in Skynet International to ING Beijing, and the remaining USD4 million of which to be payable in cash (as to USD1 million payable by Skynet International, and as to USD3 million payable by Companion International).

BEIJING FAR EAST INSTRUMENT CO. LTD. ("FAR EAST")

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Far East produces scientific measuring and industrial control equipment. It is one of the three major industrial control instrument manufacturers in China. ING Beijing invested USD5.32 million in Far East in July 1994. 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 its reliance on the sale of third party products, Far East has strengthened its own research team by cooperating with Rosemont for technology transfer.

The market for industrial control instrument is becoming difficult. Domestic manufacturers are facing severe competition from foreign manufacturers with more advanced products. Far East is actively reviewing its position and looking for business diversification. Relocation of its operations to the suburb is being considered. This will significantly reduce cost of production and free the existing land, which is in a prime location close to the International Exhibition Centre in Beijing, for property development.

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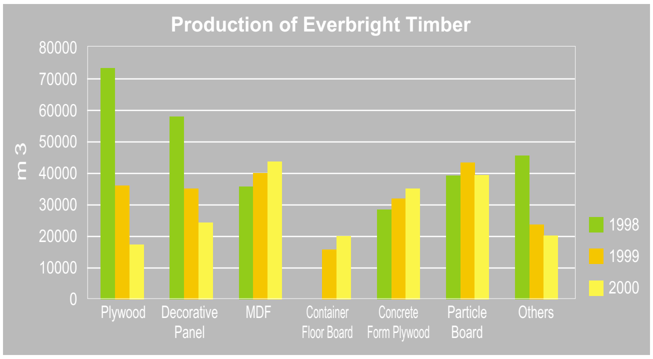
EVERBRIGHT TIMBER INDUSTRY (SHENZHEN) CO., LTD. ("EVERBRIGHT TIMBER")

Everbright Timber is the largest timber processing company in China, producing plywood, medium density fibre-board and other value added timber board products. Through its ultimate holding company, China Everbright Holdings Co. Ltd., which controls a timber forest concession in Cambodia, Everbright Timber enjoys priority supply of veneer products from the Cambodia forest concession. ING Beijing invested Rmb126.56 million in Everbright Timber in November 1996.



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 in more profitable products with high entry barrier.

Artificial veneer, container floor board and concrete moulding board are the new products developed by Everbright Timber and fall within this category.

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. Everbright Timber is also upgrading the technology used in production process in order to improve quality of products.

BEIJING APFS COMMUNICATIONS TECHNOLOGY CO. LTD. (APFS)

APFS is a joint venture amongst ING Beijing, Singapore Telecom, Beijing Asia Pacific Group and Beijing Jingfang Group. ING Beijing invested USD7.8 million in May 1995 in the joint venture.

APFS is a leader in providing nationwide paging services in China to cover 22 coastal cities, untilizing the latest FLEX technology developed by Motorola. The number of subscribers reached 465,000 in December 2000. After reaching critical mass, APFS started recording profit in June 2000.

MERGERS WITH LOCAL PAGING OPERATORS

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.

GLOBAL POSITIONING SYSTEM

Beijing Asia Pacific Group, one of the joint venture partner of APFS, is transforming itself from a radio paging network operator to a comprehensive information-related services company through cooperating with technology partners. APFS has signed a cooperation memorandum with a U.S. technology company in mid-2000 to jointly develop a nationwide global positioning ("GPS") network in China. The U.S. company has completed its development of a GPS working system tailored for the China market using two-way paging technology. A trial test has been successfully demonstrated in Silicon Valley during the year. A Taiwan based manufacturer for the GPS units has been identified and supply arrangement is being negotiated. APFS targets to have the GPS network in service before the end of the year.

LOGISTICS NETWORK

In cooperation with the Beijing Asia Pacific Group, APFS has developed a logistics control network utilizing its nationwide radio paging infrastructure. Trial operation is being run in Nanjing with 12,000 truck drivers having subscribed to 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. The new system also allows truck drivers and customers to establish direct contact, cutting out the middleman involved. The group is planning to gradually extend the logistics control operation to cover across the country. Logistics control service will be marketed as a high value added service to paging customers

VALUE OF THE NETWORK

The telecommunication market in China has developed rapidly during the past year. The popularity of mobile phones has started to present competition for paging operators in more developed cities. The value of paging networks in China now ties with its capability to adopt new technology and to serve new customer needs. In view of the worldwide decline in valuation of telecommunication stocks and potential difficulties anticipated in the China paging market, ING Beijing has set aside a 50% provision on the value of its investment in APFS.