

CHAIRMAN'S STATEMENT

For the year ended 31st December 2001, the audited net loss for ING Beijing investment Company Limited ("ING Beijing" or the "Company") and its subsidiaries (the "Group") totaled HKD207,157,136. The net asset value per share of the Group was HKD0.318 as at 31st December 2001. The Group's audited net loss for the year up to 31st December 2000, and net asset value per share as at 31st December 2000 were HKD43,306,021 and HKD0.589 respectively.

The loss for the year was arrived at after providing losses against certain investments as a result of changes in the market environment.

HIGHLIGHTS OF THE YEAR

With China officially entered the World Trade Organization in December 2001, this created new expectation in the country's economic development. The sign of recovery in the United States has also brought new hopes in the revival of the world economy, which will add to the stronger export and more robust growth in China.

The hosting of the 2008 Olympic Games in Beijing has added another vote of confidence in the property sector. The Board of Directors believes that it is the right time for the Group to invest in the property sector. In particular, with the Group's strong network of connections in Beijing administrative and commercial sectors, provided ING Beijing a strong platform and a good opportunity to embark into the Beijing property sector taking advantage of the favorable environment.

It is therefore the Group's policy to realize its investments in the existing portfolio for cash to enable new investments to be committed in the property sector. On 8th March, 2002, the Group received a cash consideration of HKD47,500,000 from Galaxy Time Limited in relation to the sale of the convertible loan granted to Companion-China Limited. On the same date, the Group also received a cash consideration of HKD500,000 from Wellington Equities Inc. in relation to the sale of investment in Skynet Limited. The Group invested USD12 million and USD8 million in Companion-China Limited and Skynet Limited respectively.

The Group has entered into two separate agreements in March 2002 for two investments in property projects in Beijing. The agreements are subject to approval by the local authority. The first project is to invest RMB42.68 million for a 30% equity interest in the West Mountain Badachu project, a high-end residential development project located in western suburb of Beijing. The Company has an option to invest a further RMB34.68 million by way of shareholders loan within the next 12 months, and to increase proportionately the profit sharing entitlement of the Company from 16.55% up to 30%. The second project is to invest RMB40 million for a 30% equity interest in Taiyonggong F Zone Community project, a high-end residential development project located in the northeastern part of Beijing. The Company has an option to invest a further RMB97 million by way of shareholders loan within the next 12 months, and to increase proportionately the profit sharing entitlement of the Company from 8.75% up to 30%.

It is the Group's strategy to make further investment in the Beijing property sector with a focus in the high-end residential sector. The Group's intention is to bring in strategic investors to co-invest in the above property projects whereby reducing the Group's exposure to specific projects. The Group also seeks strategic investment partners to co-invest in all future projects in the property sector to achieve a diversified portfolio. The Group will aim to utilize its advantage of local knowledge and local network in the Beijing market, coupled with the financial strength from a pool of overseas co-investors to seize the opportunities arising from the Beijing property development sector.



Taiyonggong F Zone Project

Taiyonggong F Zone is a high-end residential community close to Shun Jing Golf course, the only 9-hole golf course (will further upgrade to 18 holes) within the fourth ring road in Beijing. Located in the northeastern part of the city, next to the northern fourth ring road, the community is in proximity to Asian Games Village business district and the Third Embassy District. It is also within easy access to the highway to Beijing International airport in 15-minutes ride.

Taiyonggong F Zone covers a site area of 107,500 sq. metres. The total gross floor area to be developed is planned to reach 308,120 sq. metres, including 276,900 sq. metres for residential and 31,220 sq. metres for related services and car park facilities.

West Mountain Badachu Project

Beijing Guan Jing New Town Community is one of the largest sites allocated for residential community development in Beijing with gross floor area over 1.5 million sq. metres. Located in proximity of Beijing's West Mountain District. The Community spreads from the planned fifth ring road (which is planned to complete by the end of year 2002) to the foot of West Mountain.

Located next to the West Fifth Ring Road, the Community is well connected by Beijing's road infrastructure and within easy access to Beijing Financial Street District and Zhongguangcun High-tech Business District, and West Mountain scenery spots.

First phase of the project will focus in high-end residential development covering two sites with total land area of 168,600 sq. meters, and gross floor area of 440,900 sq. meters.

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SHARE ISSUE OF THE GROUP

On 28 January 2002, the Company has entered into an agreement with Choice Orient Investments Limited in relation to the issue and allotment of 107,768,000 new shares in the Company at the cash price of HK\$0.22 per share. As referred to in the Company's announcement on 9 April 2002, at the request of the Subscriber, the Company has agreed to postpone completion to 4 July 2002.

FUTURE PROSPECTS

As the hosting city of 2008 Olympic Games, Beijing municipal government will assume large-scale infrastructure construction. The improvement of communication and transportation will stimulate the property market in Beijing. With the government's continuing effort to improve living space and living standards, residential housing development will be a major contributor to economic growth over the next five years.

As China promised to gradually open up new sectors to foreign investors after WTO accession, multinationals that already have presence in Beijing are expected to expand their businesses. And those currently not represented in Beijing will have to conduct research on the China market. More foreign companies and expatriates will locate to Beijing, adding new demand to the property market.

All these led to our belief that the property market will further improve in the years ahead. Together with our years of knowledge in the Beijing market and our relationship with local companies, we will continue to look for opportunities to further expand our property portfolio and bring satisfactory return to our shareholders. The Directors are both confident and optimistic on the prospects of the Group.

