

## REVIEW OF THE PERIOD

The Board of Directors of ING Beijing Investment Company Limited (the "Company" or "ING Beijing") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2004. The interim report for the six months ended 30th June 2004 has been reviewed by the audit committee and auditors of the Company.

The profit of the Group for the first half of 2004 was HKD7,006,369 compared to the profit of HKD12,558,916 for the same period in 2003. The consolidated results, consolidated balance sheet and condensed consolidated cash flow statement of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 8 to 26 of this report.

## BUSINESS DEVELOPMENT

Hong Kong's economy is enjoying a strong recovery in the beginning of 2004. The growth was mainly driven by consumption, contributed by the increase of mainland tourists to Hong Kong, which has boosted retail sales, hotel and restaurant receipts in the territory. The recent turnaround in investment has also been helped by the improving stock and property prices.

In China, the major challenge in 2004 is to address its over-heated investment while sustaining the momentum of the economy and to maintain stability. China's gross domestic product rose by 9.7% in the first half of 2004. For the same period, retail sales increased by 12.8% to RMB2,525 billion. Inflation has emerged with the Consumer Price Index having increased by 3.6% in the first half of 2004. China's value-added industrial output rose by 11.9% to RMB2,982 billion.

Some problems in China's economy still exist. They include the excessive large scale of fixed assets investment, the shortages of coal, electricity, petroleum and means of transportation and the sharp increase in the prices of raw materials.

Statistics indicated that austerity measures have started to work. Investment in construction and factory equipment, contributing greatly to the country's overheating economy, slowed its pace in the second quarter of 2004. The increase of investment in property was declining in tandem with the slower growth of bank lending and tightened land supply, while construction of new projects was initially reined in.

The Company invested in China Property Development (Holdings) Limited ("CPDH") in February 2002 and successfully made shares allotment of CPDH to a strategic investor in October 2002. CPDH invested in the development of the Pacific Town Project, which had made prominent and great achievement. Within a twenty-month time, the Pacific Town Project had completed the necessary applications and efficiently obtained relevant government approvals. In the first half year of 2004, it had completed the resettlement work of the Phase I, obtained the Construction Work Permit and Pre-sale Permit for its Phase I development. The Pacific Town Project opened for soft sale in July 2004, and has registered over 100 bookings within a month. With the overwhelming response from the customers, the Project launched pre-sale on 28 August 2004 and increased the average sale price by more than 10%. The Project affirmed Richmond Park as the project title for marketing purpose.

ING Beijing has invested HKD35 million in Taiyanggong Zone F Project in November 2003. Taiyanggong Zone F Project is also known as Sun Star City, it is a 413,000 square meters residential development project targeting the middle sector. It is located between northeast Third and Fourth Ring Road in Beijing, It is only 2 km from the Yansa Business District, 5 km from the Central Business District, and 15 minutes drive to the Beijing International Airport. At the hub of the two business centers above, Taiyanggong Zone F Project benefits from a convenient and multi-dimensional hub of transportation system. After the pre-sale

launch in August 2003, more than 90% of the units in its 110,000 square meters Phase I project have been sold. Phase I is expected to complete and ready for occupation by the end of 2004. The construction work for Phase II has been started in March 2004 and is expected to complete by August 2005. Pre-sale of Phase II has started in June 2004. Out of the 684 units launched for pre-sale, 180 units were sold within the first month.

## **REDOMICILE SCHEME**

The Board approved the redomicile scheme of the Company in August 2003 through incorporation of a new holding company in the Cayman Islands with the name of "First International Investment Company Limited". The first scheme was submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9th October 2003 and an announcement was put out on newspapers immediately afterwards.

In February 2004, the Board resolved to change the name of the new holding company to "New Capital International Investment Limited". The 11th proof of the scheme document has been submitted to the Stock Exchange for approval in September 2004. Once the approval is obtained from the Stock Exchange, the Company can arrange for shareholders meeting and proceed with the completion of the redomicile scheme.

## **FUTURE PROSPECTS**

Since 2002, the Beijing municipal government has issued a series of directives intended to curtail an overly rapid growth of investment in real estate development by limiting credit availability and tightening the supply of land. These measures will tend to eliminate the smaller, financially weaker developers from the market while leaving the larger developers with a better and more transparent environment to operate. It will also stimulate developers to put more