

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Status of the Company

(a) The Company

The Company was incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws of 1961 as consolidated and revised) of the Cayman Islands.

During the period from 1 August 2003 (date of incorporation) to 31 December 2004, the Company did not carry on any business other than the issue of share capital and entering into the reorganisation proposal set out in note 1(b) below.

(b) Reorganisation

Pursuant to a reorganisation proposal whereby ING Beijing Investment Company Limited (“ING Beijing”) will become a wholly owned subsidiary of the Company to be implemented by way of a scheme of arrangement under section 166 of the Hong Kong Companies Ordinance, Chapter 32 of the Laws of Hong Kong (“the Scheme”) as stated in a document dated 13 January 2005 issued to the shareholders of ING Beijing (“the Document”), the Company became the holding company of the companies now comprising the group (“the Group”) on 13 April 2005, the effective date of the Scheme. This was accomplished by the Company acquiring the entire issued share capital of ING Beijing, the then holding company of other subsidiaries, as set out in note 10 on the proforma financial information. Further details of the Scheme and the subsidiaries acquired pursuant thereto are set out in notes 1(a) and 10 on the proforma financial information.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited (“HKSE”) and the Company’s shares were listed on the HKSE by way of introduction on 13 April 2005.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

2 Significant accounting policies *(continued)*

(b) Basis of preparation of the financial statements

As the Scheme became effective on 13 April 2005, in accordance with Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" issued by the HKICPA, the effect of the Scheme is not reflected in the Company's financial statements for the year ended 31 December 2004. However, since all of the entities which took part in the Scheme were owned by the same group of ultimate shareholders before and immediately after the Scheme became effective and, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Scheme becoming effective, additional proforma financial information prepared using the merger basis of accounting, has been prepared as set out on pages 43 to 80, as if the Company had been the holding company of the companies now comprising the Group as at and throughout the year ended 31 December 2004. Further details concerning the basis of presentation of the proforma financial information is set out in note 1(b) on page 48.

The measurement basis used in the preparation of the financial statements is historical cost.

(c) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3 Income statement and statement of changes in equity

No income statement is presented as the Company did not earn any income during the period from the date of its incorporation on 1 August 2003 to 31 December 2004. No statement of changes in equity is prepared as there was no movement during the same period.

Auditors' remuneration of \$10,000 (2003: \$Nil) for the year ended 31 December 2004 has been borne by ING Beijing, a wholly-owned subsidiary of the Company after the Scheme, which has waived its right of recovery thereof.

NOTES ON THE FINANCIAL STATEMENTS (CONT'D)

(Expressed in Hong Kong dollars)

4 Income tax

- (a) No provision for Hong Kong Profits Tax has been made in the financial statements as the Company earned no assessable income from the date of incorporation on 1 August 2003 to 31 December 2004.
- (b) There are no significant deferred tax assets/liabilities not provided for.

5 Directors' remuneration

Directors' remuneration pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2004	Period from 1 August 2003 (date of incorporation) to 31 December 2003
Fees	\$ —	\$ —
Salaries and other emoluments	—	—
	<u>—</u>	<u>—</u>

6 Share capital

	2004	2003
<i>Authorised:</i>		
10,000,000 ordinary shares of \$0.01 each	\$ <u>100,000</u>	\$ <u>100,000</u>
<i>Issued but nil paid:</i>		
10,000,000 ordinary shares of \$0.01 each	\$ <u>—</u>	\$ <u>—</u>

*(Expressed in Hong Kong dollars)*6 Share capital *(continued)*

During the period from 1 August 2003 (date of incorporation) to the date of approval of the financial statements, the following changes in the Company's authorised and issued share capital were recorded:

	<i>Note</i>	Number of ordinary shares of \$0.01 each	Amount
<i>Authorised:</i>			
On incorporation, at 31 December 2003 and at 31 December 2004	<i>(a)</i>	10,000,000	\$ 100,000
Increase in authorised share capital	<i>(c)</i>	<u>11,990,000,000</u>	<u>119,900,000</u>
Authorised share capital as at the date of approval of the financial statements		<u><u>12,000,000,000</u></u>	<u><u>\$ 120,000,000</u></u>
<i>Issued:</i>			
Ordinary shares issued nil paid and subsequently credited as fully paid as part of the consideration for the acquisition of the entire issued share capital of ING Beijing	<i>(b)</i>	10,000,000	\$ 100,000
Ordinary shares issued as the remaining consideration for the acquisition of the entire issued share capital of ING Beijing	<i>(d)</i>	<u>637,114,000</u>	<u>6,371,140</u>
Issued share capital as at the date of approval of the financial statements		<u><u>647,114,000</u></u>	<u><u>\$ 6,471,140</u></u>

Notes:

- (a) On 1 August 2003, the Company was incorporated with an authorised share capital of \$100,000 divided into 10,000,000 ordinary shares of \$0.01 each.
- (b) On 25 August 2003, 10,000,000 ordinary shares were allotted and issued nil paid to a sole shareholder, ING Beijing.

NOTES ON THE FINANCIAL STATEMENTS (CONT'D)

(Expressed in Hong Kong dollars)

6 Share capital (continued)

- (c) Pursuant to a written resolution of the sole shareholder of the Company dated 4 November 2004, the authorised share capital of the Company was increased from \$100,000 to \$120,000,000 by the creation of 11,990,000,000 additional ordinary shares of \$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company conditional upon the Scheme becoming effective.
- (d) On 13 April 2005, pursuant to the Scheme described in note 1(b) on the financial statements, the Company allotted and issued 637,114,000 ordinary shares of \$0.01 each, credited as fully paid, and also credited as fully paid the 10,000,000 nil paid ordinary shares of \$0.01 each as set out in (b) above, in consideration for the acquisition of the entire issued share capital of ING Beijing.

7 Material related party transactions

Pursuant to the Scheme, the Company became the holding company of the subsidiaries now comprising the Group on 13 April 2005.

The Scheme was accomplished by acquiring the entire issued share capital of ING Beijing, the then holding company of other subsidiaries, as set out in note 10 on the proforma financial information. Further details of the Scheme and the subsidiaries acquired pursuant thereto are set out in notes 1(a) and 10 on the proforma financial information.

8 Post balance sheet events

The following events took place subsequent to 31 December 2004:

- (a) Subsequent to 31 December 2004, there were movements in share capital as set out in note 6 on the financial statements.
- (b) The Scheme became effective on 13 April 2005 and the Company became the holding company of the Group.
- (c) A share option scheme was established on 13 April 2005, further details of which were set out in the Document dated 13 January 2005 issued in connection with the Scheme and the directors' report.