(Expressed in Hong Kong dollars)

1 Reorganisation and basis of presentation of the proforma financial information

(a) Background

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. 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.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited ("HKSE") and the Company's shares were listed on the HKSE by way of introduction on 13 April 2005.

(b) Basis of presentation of the proforma financial information

As explained in note 2(b) on the financial statements on page 39, since the Scheme became effective on 13 April 2005, in accordance with Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("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 presented on pages 43 to 80.

The proforma combined income statement of the Group for the year ended 31 December 2004 includes the financial results of the companies which now comprise the Group for the year from 1 January 2004 (or the date of incorporation if later) to 31 December 2004 as if the current group structure had been in existence and remained unchanged throughout the year presented. The proforma combined balance sheet of the Group as at 31 December 2004 has been prepared to present the combined assets and liabilities of the companies which now comprise the Group as at that date as if the current group structure was in existence then. The comparative figures as at and for the year ended 31 December 2003 have been presented on the same basis.

2 Significant accounting policies

(a) Statement of compliance

The proforma financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance except that the effect of the Scheme, which became effective on 13 April 2005, has been reflected in the proforma financial information. The proforma financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the proforma financial information

The measurement basis used in the preparation of the proforma financial information is historical cost modified by the marking to market of certain non-trading securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the proforma financial information, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the proforma combined balance sheet at fair value with changes in fair value recognised in the same manner as for non-trading investments.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the proforma combined financial information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the proforma financial information under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's and jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the same manner as for non-trading investments. The proforma combined income statement reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 2(e).

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate and jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the proforma combined income statement.

(e) Goodwill

Positive goodwill arising on combination represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries, positive goodwill is amortised to the proforma combined income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the proforma combined balance sheet at cost less accumulated amortisation and impairment losses (see note 2(g)).

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(e) Goodwill *(continued)*

In respect of acquisitions of associates or jointly controlled entities, positive goodwill is amortised to the proforma combined income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less accumulated amortisation and impairment losses (see note 2(g)) is included in the carrying amount of the interest in associates and jointly controlled entities.

On disposal of a subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the proforma combined income statement is included in the calculation of the profit or loss on disposal.

(f) Other investments

(i) Investments held for trading are stated in the proforma combined balance sheet at fair value. Changes in fair value are recognised in the proforma combined income statement as they arise.

(ii) Non-trading investments are stated in the proforma combined balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the investment is sold, collected or otherwise disposed of or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the proforma combined income statement.

(iii) Transfers from the investment revaluation reserve to the proforma combined income statement as a result of impairments are reversed when the circumstances and events that led to the impairments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profits or losses on disposal of investments are accounted for in the proforma combined income statement as they arise. In the case of non-trading investments, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that investment.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that investments in subsidiaries, associates, jointly controlled entities and goodwill may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the proforma combined income statement in the year in which the reversals are recognised.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 Significant accounting policies *(continued)*

(i) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the proforma combined income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(i) Income tax *(continued)*

(iii) *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(j) Revenue recognition

Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the applicable rates of interest.

Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the proforma combined income statement.

The results of subsidiaries, associates and jointly controlled entities are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a subsidiary, an associate or a jointly controlled entity, the cumulative amount of the exchange differences which relate to that subsidiary, associate or jointly controlled entity is included in the calculation of the profit or loss on disposal.

(l) Related parties

For the purposes of the proforma financial information, parties are considered to be related to the Group if the Group 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 Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(Expressed in Hong Kong dollars)

2 Significant accounting policies *(continued)*

(m) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment and are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Unallocated items mainly comprise financial and corporate assets, corporate and financing expenses.

3 Turnover

The principal activity of the Group is the holding of equity investments primarily in companies or entities with significant business interests or involvement in the PRC. In particular, the Group focuses on investing in Sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC.

Share of jointly controlled entities' turnover represents the Group's share of jointly controlled entities' invoiced value of goods sold.

Group turnover represents interest income and dividend income from listed investments. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004	2003
Interest income from deposits with banks	**$ 89,522**	$ 291,901
Dividend income from listed investments	**1,006,380**	2,140,950
	$ 1,095,902	$ 2,432,851

(Expressed in Hong Kong dollars)

4 Segmental information

Segmental information is presented in respect of the Group's business segments which are based on the nature of business of its associates, jointly controlled entities and other investee companies. No geographical segment information is presented as the revenue of the Group, its associates and jointly controlled entities and the Group's results were substantially derived from the PRC.

The Group's associates, jointly controlled entities and other investee companies comprise the following main business segments:

Manufacture of industrial products: Electronic and electrical instruments, plywood and timber products.

Manufacture of consumer products: Audio-visual products.

Communications: Provision of paging, internet content, software and solutions and paid e-mail services and offline magazine publishing.

Real estate: Development of residential and commercial properties for sale.

Segment revenue includes the Group's share of jointly controlled entities' turnover. Segment results, assets and liabilities include only those relating to the Group.

	Segment revenue		**Segment results**	
	Group and share of jointly controlled entities' turnover		**Contribution to profit from ordinary activities before taxation**	
	2004	2003	**2004**	2003
Manufacture of industrial products	**$ 46,167,527**	$ 46,860,690	**$ (3,776,217)**	$ 4,204,259
Manufacture of consumer products	**1,006,380**	2,140,950	**17,377,399**	23,699,981
Communications	**–**	–	**–**	(403,009)
Real estate	**–**	–	**(5,016,627)**	(14,235,609)
Unallocated	**89,522**	291,901	**(7,214,188)**	(4,890,361)
	$ 47,263,429	$ 49,293,541	**$ 1,370,367**	$ 8,375,261

(Expressed in Hong Kong dollars)

4 Segmental information *(continued)*

	Segment assets		Segment liabilities	
	2004	2003	**2004**	2003
Manufacture of industrial products	**$ 23,452,360**	$ 29,234,376	**$ –**	$ –
Manufacture of consumer products	**13,600,000**	44,497,050	**–**	–
Communications	**–**	–	**–**	–
Real estate	**100,114,939**	98,617,196	**–**	–
Unallocated	**50,129,925**	15,995,602	**(3,483,557)**	(6,617,495)
	$187,297,224	$ 188,344,224	**$ (3,483,557)**	$ (6,617,495)

	Reversal of impairment		Capital expenditure incurred	
	2004	2003	**2004**	2003
Manufacture of consumer products	**$ –**	$ 16,240,360	**$ –**	$ –
Real estate	**–**	–	**–**	35,000,000
	$ –	$ 16,240,360	**$ –**	$ 35,000,000

(Expressed in Hong Kong dollars)

5 Profit from operations

Profit from operations is arrived at after charging/(crediting):

		2004	2003
(a)	Other net loss		
	Net exchange loss	**$ 13,539**	$ 2,882
(b)	Operating expenses		
	Administrative fees *(Note)*	**$ 690,000**	$ 690,000
	Audit fee	**800,000**	610,000
	Consultancy fee	**–**	89,661
	Custodian fee	**60,000**	150,000
	Legal and secretarial fees	**3,068,964**	885,912
	Management fees *(Note)*	**3,559,617**	2,414,581
	Project fee	**–**	267,798
	Other operating expenses	**2,597,066**	2,738,492
		$ 10,775,647	$ 7,846,444

Note: Administrative fees are paid to ING Management (Hong Kong) Limited, a wholly owned subsidiary of ING Groep N.V., pursuant to the agreement as disclosed in the directors' report. ING Groep N.V. is a substantial shareholder of the Company.

Management fees are paid to Baring Capital (China) Management Limited ("BCCM") pursuant to the terms of the agreements as disclosed in the directors' report. BCCM is also a wholly owned subsidiary of ING Groep N.V.

		2004	2003
(c)	Gain on disposal of non-trading listed investments		
	Skyworth Digital Holdings Limited		
	Sales proceeds, net of expenses	**$ (28,475,729)**	$ (21,413,708)
	Original cost less impairment losses	**11,537,100**	15,400,000
		$ (16,938,629)	$ (6,013,708)

The gain on disposal for the year ended 31 December 2004 includes a revaluation surplus of $13,459,950 transferred from the investment revaluation reserve.

(Expressed in Hong Kong dollars)

5 Profit from operations *(continued)*

Profit from operations is arrived at after charging/(crediting): *(continued)*

		2004		2003
(d) Gain on disposal of interest in jointly controlled entity				
Everbright Timber Industry (Shenzhen) Company Limited				
Sale proceeds, net of expenses	**$**	**–**	$	(2,064,532)
Carrying value of investment		**–**		–
	$	**–**	$	(2,064,532)
(e) Reversal of impairment of non-trading listed investments				
Skyworth Digital Holdings Limited	**$**	**–**	$	(16,240,360)

6 Income tax

(a) Taxation in the proforma combined income statement represents:

		2004		2003
Over-provision of Hong Kong Profits Tax in respect of prior years	**$**	**(417,558)**	$	–
Share of associates' taxation		**(4,463,362)**		–
Share of jointly controlled entities' taxation		**–**		193,962
Income tax (credit)/expense	**$**	**(4,880,920)**	$	193,962

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2004 as the Group earned no profits assessable to Hong Kong Profits Tax for the year.

(Expressed in Hong Kong dollars)

6 Income tax *(continued)*

(b) Reconciliation between actual tax (credit)/expense and accounting profit at applicable tax rates:

		2004		2003
Profit before tax	$	1,370,367	$	8,375,261
Notional tax on profit before tax calculated at the rates applicable to profits in the countries concerned	$	(1,696,284)	$	1,233,296
Tax effect of non-deductible expenses		3,094,408		3,459,534
Tax effect of non-taxable revenue		(4,360,420)		(5,235,916)
Unrecognised deferred tax assets recognised in current year		(1,501,066)		–
Tax effect of unused tax losses not recognised		–		737,048
Over-provision in respect of prior years		(417,558)		–
Actual tax (credit)/expense	$	(4,880,920)	$	193,962

(c) Taxation in the proforma combined balance sheet as at 31 December 2003 represents the balance of provision for Hong Kong Profits Tax relating to the prior years.

(d) The Group has not recognised deferred tax assets in respect of the Group's share of tax losses of $Nil (2003: $4,548,684) sustained by its associates.

(Expressed in Hong Kong dollars)

7 Directors' remuneration

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

		2004		2003
Fees	$	**120,000**	$	131,671
Salaries and other emoluments		**660,000**		660,000
	$	**780,000**	$	791,671

No remuneration was paid to the non-executive directors of the Company.

The remuneration of each of the directors is within the band of $Nil – $1,000,000.

(b) Individuals with highest emoluments

The five highest paid individuals are all directors of the Group whose emoluments have been disclosed in note (a) above.

8 Profit attributable to shareholders

The combined profit attributable to shareholders includes a profit of $Nil (2003: $Nil) which has been dealt with in the financial statements of the Company.

9 Proforma earnings per share

(a) Basic

The calculation of the proforma basic earnings per share is based on the proforma combined profit attributable to shareholders of $6,251,287 (2003: $8,181,299) and the proforma weighted average of 540,395,967 ordinary shares (2003: proforma weighted average of 539,512,583 ordinary shares) in issue during the year, being the shares that would have been in issue throughout the year on the assumption that the Scheme as set out in note 1 to the proforma financial information had become effective on 1 January 2003.

(b) Diluted

Diluted earnings per share is not shown for the years ended 31 December 2004 and 2003 as the potential ordinary shares were anti-dilutive.

(Expressed in Hong Kong dollars)

10 Subsidiaries

The following wholly owned subsidiaries are intermediate investment holding companies. The class of shares held is ordinary. All of these are subsidiaries as defined under note 2(c) and have been included in the Group's proforma financial information for the year ended 31 December 2004 in accordance with the basis of presentation set out in note 1(b).

Name of subsidiary	**Place of incorporation and operation**	**Issued and paid up capital held by the Company**	**Issued and paid up capital held by the subsidiary**
ING Beijing Investment Company Limited	Hong Kong	647,114,000 shares of HK$0.10 each	–
Ever Talent Investments Ltd.	British Virgin Islands ("BVI")	–	1 share of US$1
Kencheers Investments Ltd.	BVI	–	1 share of US$1
Pacific Investment Project Inc.	BVI	–	1 share of HK$1
Pacific Equity Venture Inc.	BVI	–	1 share of HK$1
Motion Technology Ltd.	BVI	–	1 share of US$1
Mobile Office Investments Ltd.	BVI	–	1 share of US$1
Success Journey Ltd.	BVI	–	1 share of US$1
Great Progress Ltd.	Mauritius	–	2 shares of US$1 each

(Expressed in Hong Kong dollars)

11 Interest in associates

	2004	2003
Share of net assets	$ 65,122,881	$ 63,625,224
Amount due to an associate	(7,942)	(8,028)
	$ 65,114,939	$ 63,617,196

Amount due to an associate is unsecured, interest free and has no fixed terms of repayment.

Additional information in respect of the Group's associates is given as follows:

	2004 *$'000*	2003 *$'000*
Non-current assets	22,508	12,889
Current assets	696,531	250,928
Current liabilities	(544,776)	(23,857)
Non-current liabilities	–	(118,491)
Total turnover	–	–
Total losses before taxation	(28,659)	(26,367)
Group's share of losses before taxation	(14,169)	(13,811)
Group's share of taxation	4,463	–
Group's share of associates' capital commitments *(note 20)*	307,183	590,913
Group's share of associates' guarantees *(note 21(a))*	25,700	–

Details of other contingent liabilities of the associates are disclosed in notes 21 (b), (c) and (d).

(Expressed in Hong Kong dollars)

11 Interest in associates *(continued)*

The following list contains only the particulars of associates, all of which are unlisted companies, which principally affected the results or assets of the Group.

Name of the associate	Place of incorporation/ establishment and operation	Particulars of issued capital	Proportion of ownership interest held by the Company *(note (i))*	Proportion of ownership interest held by the Group *(note (i))*	Principal activity
China Property Development (Holdings) Limited	Cayman Islands	2,778 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares; all shares are at US$0.01 each	22.88%	–	Investment holding
Sound Advantage Limited	BVI	1 ordinary share of US$1	–	22.88%	Investment holding
Choice Capital Limited	BVI	1 ordinary share of US$1	–	22.88%	Investment holding
World Lexus Pacific Limited	Hong Kong	1,000,000 ordinary shares of $1 each	–	22.88%	Investment holding
Beijing Pacific Palace Real Estate Development Co Ltd	PRC	Registered and paid-up capital of US$12,000,000	–	22.88%	Property develop-ment

(Expressed in Hong Kong dollars)

11 Interest in associates *(continued)*

Notes:

(i) On 30 June 2004, the Group's associate, China Property Development (Holdings) Limited ("CPDH"), completed a reorganisation pursuant to which, the Group's holding of 1,100 ordinary shares of US$0.01 each were redesignated as 460 non-voting ordinary shares of US$0.01 each and 640 ordinary shares of US$0.01 each. Upon completion of the reorganisation, the Group's profit sharing ratio and proportion of voting rights held remained at 52.38% and 30% respectively.

On 1 November 2004, a convertible loan holder of CPDH, through its subsidiary, converted a portion of the convertible loan and accrued interest into 928 new ordinary shares of US$0.01 each of CPDH at a conversion price of US$10,000 each. On the same date, 110 and 100 new ordinary shares of US$0.01 each of CPDH were allotted at par to the Group and another shareholder respectively. Upon the loan conversion and allotment, the Group's profit sharing ratio and proportion of voting rights held were diluted from 52.38% to 37.37% and from 30% to 22.88% respectively, resulting in a gain on deemed disposal of $11,202,890 which has been recognised in the proforma combined income statement for the year.

Subsequent to the year end date, 383 new ordinary shares of US$0.01 each of CPDH were allotted to certain related companies of a shareholder of CPDH at a price of US$10,000 each. Upon the allotment, the Group's profit sharing ratio and proportion of voting rights held were further diluted to 33.42% and 20.49% respectively.

(ii) Sound Advantage Limited ("Sound Advantage") and Choice Capital Limited ("Choice Capital") are wholly owned subsidiaries of CPDH. They hold equity interests of 30% and 50% in World Lexus Pacific Limited ("World Lexus") respectively. World Lexus's sole asset is a wholly owned PRC subsidiary, Beijing Pacific Palace Real Estate Development Co Ltd ("Beijing Pacific Palace"), which is engaged in a property development project at the Lido area of Jiangtai Town, Chaoyang District, Beijing, the PRC ("Pacific Town project").

The Pacific Town project is a medium density residential area with a mixed development of high rise apartments and villas. The development of the project will be carried out in several phases. During the year, Beijing Pacific Palace obtained the pre-sale permit from the relevant government authorities for Phase I of the Pacific Town project. Pre-sale of the properties of Phase I commenced in late August 2004. Resettlement work of Phase II and Phase III commenced in October 2004 and February 2005 respectively.

(iii) In November 2004, CPDH acquired the remaining 20% equity interest in World Lexus from the minority shareholders for a consideration of RMB40 million (equivalent to $37.3 million). Pursuant to the equity transfer agreement, CPDH is also required to reimburse the preliminary costs amounting to RMB45 million (equivalent to $42.4 million) of the Pacific Town project incurred by the minority shareholders prior to acquisition of the 80% equity interest in World Lexus by Sound Advantage and Choice Capital in 2002. The settlement of the consideration is secured by the 20% equity interest in World Lexus.

At 31 December 2004, the consideration and reimbursement have been partly paid. The remaining balance has not been paid by the Group as there were disputes between the minority shareholders as to the proportion which should be received by each shareholder. The Group subsequently filed an application for interpleader relief with the Hong Kong High Court whereby CPDH has confirmed that it will pay the remaining balance after deducting certain items (note 21(b), (c) and (d)) to the Court or settle the issue as the Court may direct. The hearing is scheduled to take place in May 2005.

(Expressed in Hong Kong dollars)

11 Interest in associates *(continued)*

Notes: (continued)

(iv) During the year, CPDH paid total fees of US$995,000 (equivalent to $7.8 million) (2003: US$2,654,247, equivalent to $20.7 million) to certain related parties of the Group who act as fund manager, administrator and project manager pursuant to the private placement memorandum of CPDH dated 13 September 2003. These related parties are either companies wholly owned by ING Groep N.V. or companies in which a director of the Company is a member of the senior management.

12 Interest in jointly controlled entities

	2004	2003
Share of net assets	**$ 22,487,925**	$ 26,484,133
Amounts due from jointly controlled entities	**964,435**	2,750,243
	$ 23,452,360	$ 29,234,376

Amounts due from jointly controlled entities ("JCE") are unsecured, interest free and have no fixed terms of repayment.

Additional information in respect of the Group's JCE, excluding that relating to Beijing North Star Hyundai Pipe Company Limited, the carrying value of which has been fully provided for in prior years, is given as follows:

	2004	2003
	$'000	*$'000*
Non-current assets	**$ 42,566**	$ 40,710
Current assets	**93,942**	88,269
Current liabilities	**(53,410)**	(53,310)
Non-current liabilities	**(18,847)**	–
Total turnover	**131,907**	101,680
Total (losses)/profits before taxation	**(8,311)**	5,014
Group's share of (losses)/profits before taxation	**(2,909)**	1,755
Group's share of JCE's contingent liabilities	**–**	–
Group's share of JCE's capital commitments	**–**	–

(Expressed in Hong Kong dollars)

12 Interest in jointly controlled entities *(continued)*

Details of the indirectly held JCEs as at 31 December 2004, all of which are Sino-foreign joint venture companies incorporated and operating in the PRC, are as follows:

Name of joint venture	Proportion of ownership interest attributable to the Group	Registered capital	Principal activities
Beijing Far East Instrument Company Limited	26% *(note (i))*	RMB151,926,184	Electronic and electrical instrument manufacturing
Beijing North Star Hyundai Pipe Company Limited	28%	US$11,300,000	Pipe manufacturing

Notes:

(i) In March 2002, the Group entered into a conditional agreement with Beijing Capital Group pursuant to which, the Group agreed to sell an equity interest of 9% in Beijing Far East Instrument Company Limited ("Far East") for a consideration of approximately RMB14 million (equivalent to $13 million), subject to the fulfilment of certain conditions. The consideration is payable over a period of 5 years. Up to 31 December 2004, the disposal has not been accounted for as the conditions have not been satisfied including the settlement of the consideration. According to the agreement between the Group and Beijing Capital Group, Beijing Capital Group is required to transfer back the equity interest in Far East in relation to the unpaid portion of the consideration to the Group upon the expiry of the 5-year period ending 31 December 2006. The Group will continue to share the profit or loss attributable to the portion of equity interest for which consideration has not been settled. As such, although the legal interest in Far East held by the Group was 26% at 31 December 2004, the Group shared 35% of the loss of Far East for the year. A director of the Company is also a member of the senior management of Beijing Capital Group.

(ii) During 2003, the Group disposed of its entire 22.87% equity interest in Everbright Timber Industry (Shenzhen) Company Limited ("SETI") for a cash consideration of $2,170,000. As the carrying value of SETI was fully written off in 2001, the disposal resulted in a gain of $2,064,532 (net of related expenses of $105,468) which was included in the proforma combined income statement for the year ended 31 December 2003. In addition, the Group received an amount of $1,528,897 representing a portion of the dividends declared by SETI in prior years. This was also recognised as income in the proforma combined income statement for the year ended 31 December 2003 as the dividends receivable from SETI were fully provided for in 2001.

(Expressed in Hong Kong dollars)

13 Non-trading investments

	Note	2004	2003
Investment in unlisted joint venture	*(a)*	**$ 61,495,650**	$ 61,495,650
Less: Impairment losses		**(61,495,650)**	(61,495,650)
		$ –	$ –
Investment in unlisted company	*(b)*	**$ 23,557,891**	$ 23,557,891
Less: Impairment losses		**(23,557,891)**	(23,557,891)
		$ –	$ –
Listed investments, at cost	*(c)*	**$ 9,000,000**	$ 20,537,100
Revaluation surplus		**4,600,000**	23,959,950
		$ 13,600,000	$ 44,497,050
		$ 13,600,000	$ 44,497,050

(Expressed in Hong Kong dollars)

13 Non-trading investments *(continued)*

Details of the Group's non-trading investments are as follows:

Name of the company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest attributable to the Group	Principal activity
Beijing Asia Pacific First Star Communications Technology Co. Ltd.	PRC	PRC	Registered capital of US$29,800,000	18%	Provision of paging services
ChinaGo Limited	Cayman Islands	PRC	5,611,110 ordinary shares of US$0.01 each	10.44%	Offline magazine publishing, software and solutions, and paid email-services
Skyworth Digital Holdings Limited	Hong Kong	PRC	2,262,572,391 ordinary shares of $0.10 each	0.44%	Manufacture and sale of audio-visual products

Notes:

(a) The Group invested $61,495,650 for an 18% equity interest in Beijing Asia Pacific First Star Communications Technology Co. Ltd. The cost of investment is fully provided for.

(b) The Group invested $23,557,891 for a 10.44% equity interest in ChinaGo Limited. The cost of investment is fully provided for.

(Expressed in Hong Kong dollars)

13 Non-trading investments *(continued)*

Notes: (continued)

(c) At 31 December 2003, the Group held 22,819,000 ordinary shares of Skyworth Digital Holdings Limited ("Skyworth Digital"), a company listed on the HKSE. During the year, the Group disposed of 12,819,000 shares for a total consideration, net of expenses, of $28,475,729, resulting in a gain on disposal of $16,938,629.

Trading in the shares of Skyworth Digital on the HKSE has been suspended since 30 November 2004 due to alleged misappropriation of the company's assets by senior management. Skyworth Digital has also delayed announcement of its interim results for the six-month period ended 30 September 2004. Based on announcements made by Skyworth Digital, it has continued normal operations. At 31 December 2004, the Group's remaining investment in Skyworth Digital which comprised 10,000,000 shares was stated at a fair value of $1.36 per share as estimated by the Company's directors. In arriving at this fair value, the Company's directors have taken into account the share price of Skyworth Digital of $2.725 prior to the suspension of its shares, the net asset value of $1.16 per share based on its latest audited financial statements for the year ended 31 March 2004 and other currently available information. A revaluation deficit of $5,900,000 has been charged to the investment revaluation reserve at 31 December 2004.

14 Investment deposit

The amount represents a purchase consideration paid to acquire a 15% equity interest in a joint venture entity in the PRC in 2003 pursuant to a purchase agreement dated 10 November 2003. The PRC joint venture entity is engaged in the development of residential properties at the Taiyanggong Zone F in Beijing, the PRC.

The purchase agreement has expired as the equity transfer was not effected by 31 October 2004 due to a delay. The Company is in the process of negotiating with the vendor and its guarantor for the refund of the deposit in full or transferring the deposit to another property project and no decision has yet been reached. The Company's directors are of the opinion that the deposit is fully recoverable and no provision is required at 31 December 2004.

15 Cash and cash equivalents

	2004	2003
Deposits with banks	**$ 33,828,693**	$ 13,890,347
Cash at bank and in hand	**15,559,090**	580,162
	$ 49,387,783	$ 14,470,509

(Expressed in Hong Kong dollars)

16 Share capital

	Note	Number of ordinary shares of $0.01 each		Amount
Authorised:				
On incorporation, at 31 December 2003 and at 31 December 2004	*(a)*	10,000,000	$	100,000
Increase in authorised share capital	*(c)*	11,990,000,000		119,900,000
Authorised share capital as at the date of approval of the proforma financial information		12,000,000,000	$	120,000,000
Issued:				
Proforma share capital at 31 December 2003 *(note (i))*		539,514,000	$	5,395,140
Issue of shares by ING Beijing in December 2004	*17(c)*	107,600,000		1,076,000
Proforma share capital at 31 December 2004 *(note (i))* and issued share capital as at the date of approval of the proforma financial information	*(d)*	647,114,000	$	6,471,140

Note:

(i) Proforma share capital at 31 December 2004 and 31 December 2003 is based on the number of shares that would have been issued by the Company as consideration for the acquisition of the shares of ING Beijing if the Scheme had been effective on 31 December 2004 and 31 December 2003 respectively.

(Expressed in Hong Kong dollars)

16 Share capital *(continued)*

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

(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.

(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) Pursuant to the Scheme described in note 1 to the proforma financial information, 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 on 13 April 2005.

(Expressed in Hong Kong dollars)

17 Reserves

	Share premium	Special reserve	Exchange reserves	Investment revaluation reserve	Accumulated losses	Total
At 1 January 2004	$ 177,342,527	$ 369,311,397	$ 2,990,183	$ 23,959,950	$(397,272,468)	$ 176,331,589
Profit for the year	–	–	–	–	6,251,287	6,251,287
Exchange differences on translation of financial statements of PRC jointly controlled entities	–	–	131,601	–	–	131,601
Deficit on revaluation of non-trading listed investments	–	–	–	(5,900,000)	–	(5,900,000)
Shares issued by ING Beijing *(note c)*	–	13,988,000	–	–	–	13,988,000
Transfer to proforma combined income statement on disposal of non-trading listed investments	–	–	–	(13,459,950)	–	(13,459,950)
At 31 December 2004	$ 177,342,527	$ 383,299,397	$ 3,121,784	$ 4,600,000	$(391,021,181)	$ 177,342,527

(Expressed in Hong Kong dollars)

17 Reserves *(continued)*

	Share premium	Special reserve	Exchange reserves	Investment revaluation reserve	Accumulated losses	Total
At 1 January 2003	$ 177,342,527	$ 369,310,948	$ 3,098,294	$ 15,414,840	$ (403,936,214)	$ 161,230,395
Profit for the year	–	–	–	–	8,181,299	8,181,299
Exchange differences on translation of financial statements of PRC jointly controlled entities	–	–	(106,693)	–	–	(106,693)
Share of exchange and other reserves of associates	–	–	(1,418)	–	(1,517,553)	(1,518,971)
Surplus on revaluation of non-trading listed investments	–	–	–	24,785,470	–	24,785,470
Shares issued by ING Beijing	–	449	–	–	–	449
Transfer from proforma combined income statement on reversal of impairment of non-trading listed investments	–	–	–	(16,240,360)	–	(16,240,360)
At 31 December 2003	$ 177,342,527	$ 369,311,397	$ 2,990,183	$ 23,959,950	$ (397,272,468)	$ 176,331,589

(Expressed in Hong Kong dollars)

17 Reserves *(continued)*

(a) The Group's accumulated losses include $24,479,761 (2003: $14,774,528) and $46,268,142 (2003: $40,354,525), being the accumulated losses attributable to associates and jointly controlled entities respectively.

(b) The excess of the value of the shares of ING Beijing acquired pursuant to the Scheme over the nominal value of the shares of the Company issued in exchange is credited to share premium. The difference between the amount recorded as share capital issued by the Company pursuant to the Scheme and the amount recorded for the share capital of ING Beijing acquired is included in special reserve.

(c) On 29 December 2004, ING Beijing allotted and issued 107,600,000 new ordinary shares of $0.10 each to Sense Control International Limited at a price of $0.14 per share.

(d) The exchange reserves and investment revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the translation of foreign currencies and revaluation of investments respectively.

(e) The Company became the holding company of the subsidiaries now comprising the Group pursuant to the Scheme which became effective on 13 April 2005 and hence the Company did not have any reserve available for distribution on 31 December 2004.

18 Equity compensation benefits

Prior to the Company's acquisition, ING Beijing operated a share option scheme under which the Board of Directors of ING Beijing may grant options to employees of ING Beijing and its subsidiaries, including directors, to subscribe for shares of ING Beijing. Each option gives the holder the right to subscribe for one share. The subscription price will be the higher of:

(i) the closing price of the shares of ING Beijing as stated in the HKSE's daily quotation sheet on the date of grant (being a business day), and

(ii) the average closing price of the shares of ING Beijing as stated in the HKSE's daily quotations sheets for the five business days immediately preceding the date of grant.

(Expressed in Hong Kong dollars)

18 Equity compensation benefits *(continued)*

At 31 December 2004, the number of outstanding options granted or outstanding is as follows:

Date options granted	Period during which the options are exercisable	Exercise price	Number of options granted and outstanding at 31 December 2003	Lapsed during the year	Number of options granted and outstanding at 31 December 2004
27 November 2001	28 May 2002 to 27 November 2004	0.298	18,861,150	(18,861,150)	–
11 December 2001	28 May 2002 to 27 November 2004	0.3	2,694,450	(2,694,450)	–
			21,555,600	(21,555,600)	–

There were no options granted or exercised during the years ended 31 December 2004 and 2003.

The share option scheme of ING Beijing was terminated and a new share option scheme was adopted by the Company effective 13 April 2005. Terms of the new share option scheme are similar to those of ING Beijing and are set out in the directors' report and the document dated 13 January 2005 issued in connection with the Scheme. During the period from 13 April 2005 to the date of approval of the proforma financial information, there were no options granted.

19 Net asset value per share

The proforma net asset value per share is computed based on the proforma combined net assets of \$183,813,667 (2003: \$181,726,729) and proforma 647,114,000 ordinary shares (2003: proforma 539,514,000 ordinary shares) in issue as at 31 December 2004.

(Expressed in Hong Kong dollars)

20 Capital commitments

At 31 December 2004, the Group's share of the capital commitments of an associate, Beijing Pacific Palace, outstanding not provided for in the proforma financial information was as follows:

		2004		2003
Authorised and contracted for	**$**	**45,570,000**	$	74,331,000
Authorised but not contracted for		**261,613,000**		516,582,000
	$	**307,183,000**	$	590,913,000

21 Contingent liabilities

At 31 December 2004, the Group's associates, Beijing Pacific Palace and World Lexus, had the following contingent liabilities. The Group's interest in these associates are disclosed in note 11.

		2004		2003
(a) The Group's share of the guarantees given by Beijing Pacific Palace to financial institutions in respect of financing provided to the buyers of the properties of the Pacific Town project	**$**	**25,700,000**	$	–

(Expressed in Hong Kong dollars)

21 Contingent liabilities *(continued)*

(b) In July 2004, Beijing Pacific Palace commenced legal proceedings against a consultancy company to recover a deposit paid of RMB14 million (equivalent to $13 million) in relation to the Pacific Town project plus compensation of RMB34 million (equivalent to $32 million) for the delay in resettlement work of Phase I. The consultancy company has made a counter claim of RMB20 million (equivalent to $19 million) against Beijing Pacific Palace for breach of contract.

Beijing Pacific Palace has made a provision of RMB4 million (equivalent to $3.8 million) against the deposit. No provision is required against the remaining balance of RMB10 million (equivalent to $9 million) as under the terms of the equity transfer agreement disclosed in note 11(iii), any irrecoverable amount will be borne by the former minority shareholders of World Lexus and, therefore, will be deductible from the consideration payable to them for the acquisition of the 20% interest in World Lexus by CPDH. According to a legal opinion obtained by Beijing Pacific Palace, it is unlikely that the consultancy company will succeed in its counter claim of RMB20 million (equivalent to $19 million). However, under clause 3.6 of the equity transfer agreement, the minority shareholders shall bear any losses incurred by Beijing Pacific Palace in relation to certain specific agreements entered into by Beijing Pacific Palace. As the counter claim of RMB20 million (equivalent to $19 million) is connected with these agreements, it is also deductible from the consideration payable to the minority shareholders. Therefore, no provision has been made in the proforma financial information in this regard.

(c) In April 2005, a third party made a claim of RMB5.34 million (equivalent to $5.03 million) plus interest and damages against World Lexus for services rendered pursuant to certain agreements. As these agreements were not disclosed in the equity transfer agreement for the acquisition of 20% interest in World Lexus, this constitutes a breach of warranties in the equity transfer agreement and CPDH is entitled to deduct the amount claimed by the third party from the consideration payable to the minority shareholders. As such, no provision has been made in the proforma financial information in this regard.

(d) In April 2005, CPDH commenced arbitration proceedings against the minority shareholders in respect of the deductions involving the matters referred to in (b) and (c) above.

22 Post balance sheet events

(a) Details of the subsequent movements on the authorised and issued share capital of the Company are disclosed in note 16 on the proforma financial information.

(b) The Scheme became effective on 13 April 2005 and the shares of the Company were listed on the HKSE on the same date.

23 Related party transactions

During the year, the Group and its associates paid management fees and other expenses to certain related companies, the details of which are set out in note 5(b) and note 11(iv) on the proforma financial information.

24 Recently issued accounting standards

The HKICPA has issued a number of new and revised HKFRSs and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the proforma financial information. The Group has already commenced an assessment of the impact of these new HKFRSs but is not in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.