

Report of the Directors

The directors present their report to the shareholders together with the audited financial statements for the financial year ended 31st December 2002.

PRINCIPAL ACTIVITIES The principal activity of the Company and of its subsidiaries is the holding of equity investments primarily in companies or other entities with business interests or involvement in the People's Republic of China or Hong Kong.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES Particulars of the Company's principal subsidiaries, associates and jointly controlled entities at 31st December 2002 are set out on pages 51 to 56 of this report.

RESULTS The results of the Group for the financial year ended 31st December 2002 are set out in the consolidated income statement as set out on page 34 of this report.

FINANCIAL SUMMARY A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on page 66 of this report.

DIVIDENDS The directors do not recommend the payment of a final dividend in respect of the financial year ended 31st December 2002.

SHARE CAPITAL Details of the Company's authorised and issued share capital during the financial year are set out in note 15 to the financial statements on pages 60 and 61 of this report.

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RESERVES Movements in the reserves during the financial year are set out in note 16 to the financial statements on pages 61 to 63 of this report.

DIRECTORS The directors of the Company during the financial year were:

- Mr. Liu Xiao Guang
- Mr. Cheng Bing Ren
- Mr. John Ashton Dare
- Mr. Gao Ji Lu
- Mr. Lawrence H. Wood (*also known as Wu Yuk Shing or Hu Xu Cheng*)
- Mr. Yu Sek Kee
- Mr. Liu Xue Min
- Mr. Poon Kai Leung
- Mr. Kelvin Tan Wee Peng
- Mr. Tong Ng Siu Yee
- Mr. Li Kai Cheong Samson
- Ms. Wu Suk Ching Annie

Mr. Gao Ji Lu resigned as director on 10th October 2002. Mr. Kelvin Tan Wee Peng resigned as director on 28th March 2003. Ms. Wu Suk Ching Annie, Mr. John Ashton Dare and Mr. Li Kai Cheong Samson will retire by rotation from the board in accordance with Article 97 of the Company's articles of association at the forthcoming annual general meeting. Ms. Wu Suk Ching Annie, Mr. John Ashton Dare and Mr. Li Kai Cheong Samson do not seek re-appointment at the forthcoming annual general meeting.

None of the retiring directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

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DIRECTORS' INTERESTS IN SHARES As at 31st December 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company were as follows:

Interest in options to subscribe for ordinary shares of the Company:

A share option scheme was approved by the Company in an extraordinary general meeting held on 16th August 2001 under which the board of directors of the Company may, at its discretion, grant to any executive director or senior employee of the Company, or any director or senior employee of any subsidiaries from time to time of the Company, to subscribe for the Company's shares. Details of the share option scheme are set out in note 15 to the financial statements on page 61. Details of the movements of directors' interests in options during the year are as follows:

Name	Date of grant	Exercise price per share	Exercise period	Number of shares to be issued upon exercise of options at 01.01.02	Option granted during the year (01.01.02 – 31.12.02)	Number of shares to be issued upon exercise of options at 31.12.02
Director						
Mr. Liu Xiao Guang	27.11.01	HK\$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900
Mr. Cheng Bing Ren	27.11.01	HK\$0.298	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Mr. John Ashton Dare	12.12.01	HK\$0.300	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Mr. Gao Ji Lu	27.11.01	HK\$0.298	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Mr. Lawrence H. Wood	27.11.01	HK\$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900
Mr. Yu Sek Kee	11.12.01	HK\$0.300	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Other Participant	27.11.01	HK\$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900

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Save as disclosed above, as at 31st December 2002, none of the directors nor the chief executive nor their respective associates had any beneficial or non-beneficial interests in shares or debt securities of the Company or its associated corporations as defined in the SDI Ordinance. Furthermore, apart from the options referred to above, none of the directors nor the chief executive nor their respective associates were granted any rights or options to subscribe for shares or debt securities of the Company or of its associated corporations.

SUBSTANTIAL SHAREHOLDERS Shown below are the names of all parties which were, directly or indirectly, interested in 10 per cent. or more of the issued share capital of the Company and the corresponding entries of the number of shares in which they were, and/or were deemed to be, interested as at 31st December 2002 as recorded in the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance:

Names	No. of Ordinary Shares
ING Groep N.V.	85,140,000
B.V. Algemene Beleggingsmaatschappij Kievitsdaal	85,140,000

Note:

For the avoidance of double counting, it should be noted that in accordance with sections 8(2), (3) and (4) of the SDI Ordinance, ING Groep N.V. is deemed to be interested in the same parcel of shares of 85,140,000 held by B.V. Algemene Beleggingsmaatschappij Kievitsdaal by virtue of its interest in that company.

DIRECTORS' INTERESTS IN CONTRACTS No contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

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SHARE OPTION SCHEME As at 31st December 2002, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

(a) Share option scheme of the Company

Since the adoption of the share option scheme of the Company on 16th August 2001, other than the options detailed below, no options to subscribe for ordinary shares in the Company have been granted to any eligible participants under the share option scheme; and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

Name	Date of grant	Exercise price per share	Exercise period	Number of shares to be issued upon exercise of options at 01.01.02	Option granted during the year (01.01.02 – 31.12.02)	Number of shares to be issued upon exercise of options at 31.12.02
Director						
Mr. Liu Xiao Guang	27.11.01	HK\$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900
Mr. Cheng Bing Ren	27.11.01	HK\$0.298	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Mr. John Ashton Dare	12.12.01	HK\$0.300	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Mr. Gao Ji Lu	27.11.01	HK\$0.298	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Mr. Lawrence H. Wood	27.11.01	HK\$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900
Mr. Yu Sek Kee	11.12.01	HK\$0.300	28.05.02 – 27.11.04	2,694,450	–	2,694,450
Other Participant	27.11.01	HK\$0.298	28.05.02 – 27.11.04	5,388,900	–	5,388,900

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(b) Summary of the share option scheme of the Company is set out as follows:

- Purpose: To give incentive to any executive director or senior employee of the Company, or any director or senior employee of any subsidiaries from time to time of the Company
- Participants: any executive director or senior employee of the Company, or any director or senior employee of any subsidiaries from time to time of the Company
- Total number of ordinary shares available for issue and percentage of the issued share capital that it represents as at the date of the annual report: 53,884,000 ordinary shares and approximately 9.99% of the issued share capital
- Maximum entitlement of each participant: Not to exceed 1% of the issued share capital in any 12 month period
- Period within which the securities must be taken up under an option: 30 calendar months commencing from the expiration of the first 6 calendar months after the offer date of the relevant option
- Minimum period for which an option must be held before it can be exercised: 6 calendar months after the offer date of the relevant option

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- Amount payable on acceptance of an option: HK\$10
- Period within which payments/calls/loans must be made/repaid: Not applicable
- Basis of determining the exercise price: The closing price of the share on the date of acceptance of the relevant option or the average closing price of the 5 trading days preceding the date of acceptance of the relevant option, whichever is higher
- The remaining life of the share option scheme: Valid until 16th August 2006 unless otherwise terminated under the terms of the option scheme

MANAGEMENT CONTRACTS Under an investment management agreement made between the Company and Baring Capital (China) Management Limited (then known as ING Luxfund Management (Hong Kong) Limited) (the "Investment Manager") dated 25th April 1994, the Investment Manager agreed to provide investment management services in relation to the investment portfolio of the Group for a period of three years from the date of the agreement. The Investment Manager, in accordance with the terms of the agreement as revised by a supplemental agreement dated 22nd May 1998 and a second supplemental agreement dated 7th January 1999, is entitled to a fee calculated at the rate of 2.00 per cent. per annum of the net asset value of the Company, payable quarterly in advance. The Investment Manager is also entitled, with effect from the financial year ended 31st December 1999, to receive an incentive fee calculated at (i) 10 per cent. of the realised profit of the Company for a financial year if the realised profit per issued share does not exceed 10 per cent.; (ii) 15 per cent. of the realised profit if the realised profit per issued share exceeds 10 per cent. but is below 15 per cent.; or (iii) 20 per cent. of the realised profit if the realised profit per share equals or exceeds 15 per cent. The agreement is determinable by either the Investment Manager or the Company giving to the other party not less than 6 months' prior notice of termination.

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Under an agreement between the Company, the Investment Manager and Beijing Guanwei Investment & Management Adviser Corporation (the "PRC Investment Adviser") dated 16th April 1998, the PRC Investment Adviser agreed to provide consultancy and advisory services in relation to the Company's investments in the PRC. The PRC Investment Adviser is entitled to receive a consultancy fee payable quarterly in advance at the rate of 0.10 per cent. per annum on the net asset value of the Company, and a fee for sourcing and monitoring investment projects calculated at the rate of 0.65 per cent. per annum of that portion of the Company's net asset value at each quarter day which is attributable to the investment projects entered into by the Company and which were introduced by the PRC Investment Adviser. The agreement with the PRC Investment Adviser is determinable by either the PRC Investment Adviser or the Company giving to the other party not less than 6 months' prior notice of termination.

Under an agreement between the Company and Internationale Nederlanden Capital Markets (Hong Kong) Limited ("INGCM") dated 25th April 1994, INGCM agreed to provide administrative services to the Company. The agreement is for an initial term of one year from the date of the agreement, which term may be renewed for a further term of two years subject to the agreement between the parties to the agreement. The agreement was assigned from INGCM to ING Management (Hong Kong) Limited (the "Administrator") with effect from 1st November 1994. Pursuant to the terms of a supplemental agreement entered into between the Company and the Administrator dated 25th July 1995, the term of appointment of the Administrator was renewed for a further term of two years commencing on 25th April 1995, which term may be renewed for a further term of two years subject to agreement between the Company and the Administrator. By a further supplemental agreement dated 22nd May 1998, the appointment of the Administrator was renewed subject to termination by either the Administrator or the Company giving to the other party not less than 6 months' prior notice of termination.

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ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year.

INVESTMENTS Details of the Group's investments as at 31st December 2002 are set out on pages 57 to 59.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS The Group has no bank loan, overdraft or other borrowing outstanding as at 31st December 2002.

INTEREST CAPITALISED There is no interest capitalised by the Group during the financial year.

AUDIT COMMITTEE The audit committee comprises three non-executive directors of the Company, two of them being independent. This committee acts in an advisory capacity and makes recommendations to the board of directors of the Company. It met on 27th March 2003 to review the Group's 2002 final results before it was tabled for the approval of the board of directors of the Company.

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CODE OF BEST PRACTICE The Company has complied with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the financial year except that the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Article 97 of the Company's Articles of Association.

AUDITORS The financial statements have been audited by KPMG, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board of Directors of
ING Beijing Investment Company Limited
Liu Xiao Guang
Chairman

Hong Kong, 9 April 2003