

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, 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company and of its subsidiaries (collectively "Group") is the holding of equity investments and convertible loan primarily in companies or entities with significant business interests or involvement in the People's Republic of China or Hong Kong.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries and jointly controlled entities at 31st December, 2000 are set out on pages 35 and 36.

RESULTS

The results of the Group for the financial year ended 31st December, 2000 are set out in the consolidated profit and loss account as set out on page 25.

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 pages 45 and 46.

DIVIDENDS

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31st December, 2000.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 13 on the accounts on page 40.

RESERVES

Movements in the reserves during the financial year are set out in note 14 on the accounts on pages 41 and 42.

DIRECTORS

The Directors of the Company during the financial year were:

Mr. Liu Xiao Guang
 Mr. Cheng Bing Ren
 Mr. Lawrence H. Wood (also known as Wu Yuk Shing or Hu Xu Cheng)
 Mr. Gao Ji Lu
 Mr. Yu Sek Kee
 Ms. Wu Suk Ching Annie
 Mr. Liu Xue Min
 Mr. Li Kai Cheong Samson
 Mr. Tong Ng Siu Yee
 Mr. Suyanto Gondokusumo
 Mr. How Peck Huat
 Mr. John Ashton Dare
 Mr. Jan Bosma

Mr. Suyanto Gondokusumo resigned as Director on 31st August, 2000.

Mr. Gao Ji Lu, Mr. Liu Xiao Guang, Mr. Li Kai Cheong Samson, and Mr. Tong Ng Siu Yee 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. Mr. Gao, Mr. Liu, Mr. Li, and Mr. Tong, all being eligible, offer themselves for re-election.

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.

DIRECTORS' INTERESTS IN SHARES

None of the Directors of the Company or their respective associates had any interest in the share capital of the Company or any of its associated corporations as at 31st December, 2000, and there was no right granted to or exercised by any Directors of the Company or any of their spouses or children under eighteen years of age during the financial year to subscribe for equity or debt securities of the Company.

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, 2000 as recorded in the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the Securities (Disclosure of Interests) 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.

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.

Under an agreement between the Company, the Investment Adviser and Beijing Guanwei Investment & Management Adviser Corporation (the "PRC Investment Adviser") dated 16th April, 1998, the PRC Investment Adviser agrees 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 parties thereto 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.

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, 2000 are set out on pages 37 to 39.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31st December, 2000.

INTEREST CAPITALISED

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

AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Directors, two of them being independent. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 10th April, 2001 to review the Group's 2000 final results before it was tabled for the Board's approval.

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 Ltd. throughout the financial year except that 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.

On behalf of the Board

Liu Xiao Guang

Chairman

Hong Kong, 19th April, 2001