

# REPORT OF THE DIRECTORS

The directors present their report to the shareholders together with the audited financial statements and the proforma financial information for the financial year ended 31st December 2004.

## GROUP REORGANISATION

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The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company’s shares were listed on the Stock Exchange by way of introduction on 13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

To facilitate comparison of the financial results and position of the Group with that of ING Beijing and its subsidiaries prior to the Scheme becoming effective presented in the previous annual report, proforma financial information comprising proforma combined income statement, balance sheet, statement of changes in equity and cash flow statement are presented in the annual report as if the Scheme had become effective on 1st January 2003. The “Basis of presentation of the proforma financial information” is set out in note 1(b) on page 48 of the annual report and the accounting policies set out on pages 49 to 56 have been consistently applied in preparing the proforma financial information of the Group in this report.

# REPORT OF THE DIRECTORS (CONT'D)

## PRINCIPAL ACTIVITIES

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.

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 People's Republic of China ("PRC"). In particular, the Group focuses on investment in Sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC.

## SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities included in the Group's proforma financial information as at 31st December 2004 are set out on pages 63 to 68 of this report.

## RESULTS

The results of the Group for the financial year ended 31st December 2004 are set out in the proforma combined income statement as set out on page 43 of this report.

## FINANCIAL SUMMARY

A summary of the proforma results and of the combined assets and liabilities of the Group for the last five financial years is given on pages 81 to 82 of this report.

## DIVIDENDS

The directors do not recommend the payment of a final dividend in respect of the financial year ended 31st December 2004.

## SHARE CAPITAL

Details of the Company's authorised and issued share capital during 1 August 2003 (date of incorporation) to the date of this report are set out in note 6 to the financial statements on pages 40 to 42 of this report.

## RESERVES

Movements in the reserves during the financial year are set out in note 17 to the proforma financial information on pages 74 to 76 of this report.

## DIRECTORS

The directors of ING Beijing 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. Yu Sek Kee
- Mr. Liu Xue Min
- Mr. Poon Kai Leung
- Mr. Tong Ng Siu Yee
- Mr. Kwong Chun Wai Michael
- Mr. To Chun Kei
- Mr. Fung Tze Wa

The directors of New Capital are:

- Mr. Liu Xiao Guang
- Mr. Cheng Bing Ren
- Mr. Lawrence H Wood (also known as Wu Yuk Shing or Hu Xu Cheng)
- Mr. Liu Xue Min
- Mr. Kwong Chun Wai Michael
- Mr. To Chun Kei
- Mr. Fung Tze Wa

Cheng Bing Ren and Lawrence Wood will retire by rotation from the board of directors in accordance with Article 88 of New Capital's articles of association at the forthcoming annual general meeting. Cheng Bing Ren and Lawrence Wood, all being eligible, offer themselves for re-election.

Each of Messrs. Cheng Bing Ren and Lawrence Wood entered into a service contract on 29 October 2004 with New Capital under which they agreed to act as directors of New Capital for a period of three years and shall continue for a maximum of three years, and unless terminated in accordance with the terms of the service contracts.

# REPORT OF THE DIRECTORS (CONT'D)

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2004, the interests or short positions of the Directors of the Company or ING Beijing in the shares, underlying shares and debentures of the Company, ING Beijing or any of their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company or ING Beijing and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company or ING Beijing and the Stock Exchange, were as follows:

### Rights to acquire ordinary shares of the Company or ING Beijing:

A share option scheme was approved by ING Beijing in an extraordinary general meeting held on 16 August 2001 under which the board of directors of ING Beijing may, at its discretion, grant to any executive director or senior employee of ING Beijing, or any director or senior employee of any subsidiaries from time to time of ING Beijing, to subscribe for its shares. A New Share Option Scheme was adopted by the Company effective 13 April 2005. Details of the movements of directors' interests in options under the Share Option Scheme of ING Beijing 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 01.01.04	Option granted during the period (01.01.04 - 31.12.04)	Option lapsed during the period (01.01.04 - 31.12.04)	Number of shares to be issued upon exercise of options at 31.12.04
<b>Director</b>							
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. 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	27.11.01	HK\$0.300	28.05.02 - 27.11.04	2,694,450	-	2,694,450	-

Save as disclosed herein, as at 31st December 2004, none of the Directors of the Company, ING Beijing or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company, ING Beijing or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or ING Beijing and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company or ING Beijing and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31st December 2004, the persons/ companies who have interests or short positions in the shares or underlying shares of ING Beijing which would fall to be disclosed to ING Beijing under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

<b>Names</b>	<b>No. of Shares</b>	<b>Approximate % of shareholding</b>
ING Groep N.V. <i>(Note 1)</i>	85,140,000	13.16
ING Bank N.V. <i>(Note 1)</i>	85,140,000	13.16
ING Real Estate (B) B.V. <i>(Note 1)</i>	85,140,000	13.16
ING Insurance Investments Holdings B.V. <i>(Note 1)</i>	85,140,000	13.16
ING IM Investment Holdings B.V. <i>(Note 1)</i>	85,140,000	13.16
N.V. Haagsche Hervereking-Maatachappij van 1836 <i>(Note 1)</i>	85,140,000	13.16
Lin Si Yu <i>(Note 2)</i>	107,600,000	16.63
Sense Control International Limited <i>(Note 2)</i>	107,600,000	16.63

# REPORT OF THE DIRECTORS (CONT'D)

## Notes:

1. The 85,140,000 shares were held by N. V. Haagsche Hervereking-Maatschappij van 1836, which is a wholly-owned subsidiary of ING IM Investment Holdings B.V.. ING IM Investment Holdings B.V. is therefore deemed to be interested in the same parcel of shares hold by N.V. Haagsche Hervereking-Maatschappij van 1836.

ING IM Investment Holdings B.V. is a wholly-owned subsidiary of ING Insurance Investments Holdings B.V. and ING Insurance Investments Holdings B.V. is therefore deemed to be interested in the same parcel of shares hold by ING IM Investment Holdings B.V..

ING Insurance Investments Holdings B.V. is a wholly-owned subsidiary of ING Real Estate (B) B.V. and ING Real Estate (B) B.V. is therefore deemed to be interested in the same parcel of shares hold by ING Insurance Investments Holdings B.V..

ING Real Estate (B) B.V. is a wholly-owned subsidiary of ING Bank N.V. and ING Bank N.V. is therefore deemed to be interested in the same parcel of shares hold by ING Real Estate (B) B.V..

ING Bank N.V. is a wholly-owned subsidiary of ING Groep N.V. and ING Groep N.V. is therefore deemed to be interested in the same parcel of shares hold by ING Bank N.V..

2. Sense Control International Limited is beneficially and wholly owned by Mr. Lin Si Yu. Mr. Lin Si Yu is therefore deemed to be interested in the same parcel of shares hold by Sense Control.

## 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.

## SHARE OPTION SCHEME

As at 31 December 2004, the particulars in relation to the share option scheme of ING Beijing and New Capital 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 ING Beijing Investment Company Limited

Since the adoption of the share option scheme of ING Beijing on 16 August 2001, other than the options detailed below, no options to subscribe for ordinary shares in ING Beijing 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 01.01.04	Option granted during the period (01.01.04 – 31.12.04)	Option lapsed during the period (01.01.04 – 31.12.04)	Number of shares to be issued upon exercise of options at 31.12.04
<b>Director</b>							
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. 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	27.11.01	HK\$0.300	28.05.02 – 27.11.04	2,694,450	-	2,694,450	-
<b>Other Participant</b>	27.11.01	HK\$0.298	28.05.02 – 27.11.04	5,388,900	-	5,388,900	-

## REPORT OF THE DIRECTORS (CONT'D)

**(b) Summary of the share option scheme of ING Beijing is set out as follows:**

- Purpose: To give incentive to any executive director or senior employee of ING Beijing, or any director or senior employee of any subsidiaries from time to time of ING Beijing
- Participants: any executive director or senior employee of ING Beijing, or any director or senior employee of any subsidiaries from time to time of ING Beijing
- 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 period 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
- 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 day of acceptance of the relevant option, whichever is higher
- The remaining life of the share option scheme: Valid until 16 August 2006 unless otherwise terminated under the terms of the option scheme

**(c) Summary of the share option scheme of New Capital is set out as follows:**

- Purpose: To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company
- Participants: any director, employee, executive or officer of the Company, or any 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: 64,711,400 ordinary shares and 10% of the issued share capital

## REPORT OF THE DIRECTORS (CONT'D)

- |   |  |
|---|--|
| ▪ 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 period 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  |
| ▪ 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 grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher |
| ▪ The remaining life of the share option scheme:                              | Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme  |

## MANAGEMENT CONTRACTS

Under an investment management agreement made between ING Beijing Investment Company Limited 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 ING Beijing Investment Company Limited, 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 ING Beijing Investment Company Limited 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 ING Beijing Investment Company Limited giving to the other party not less than 6 months' prior notice of termination. On 29th October 2004, New Capital, Investment Manager and ING Beijing Investment Company Limited entered into a novation agreement, pursuant to which the parties agreed that ING Beijing Investment Company Limited assigned to New Capital all its rights and benefits under the investment management agreements.

Under an agreement between New Capital and ING Management (Hong Kong) Limited (the "Administrator") dated 29th October 2004, the Administrator agreed to provide administrative services to New Capital. The agreement has no fixed term but is subject to termination by either the Administrator or New Capital giving to the other party not less than six months' prior notice of termination. The Administrator is entitled to receive a fixed fee of HK\$800,000 per year under the administrative agreement.

# REPORT OF THE DIRECTORS (CONT'D)

## 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 2004 are set out in the proforma financial information on pages 69 to 71.

## BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31st December 2004.

## INTEREST CAPITALISED

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

## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, the information in relation to the matters set out in Paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the most recent published annual report of ING Beijing for the year ended 31st December 2003.

## EMPLOYEE

As at 31st December 2004, the Group employed a qualified accountant and basic salary and mandatory provident fund scheme are provided to this employee.

## AUDIT COMMITTEE

The Audit Committee comprises three Non-executive Independent Directors. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 18th April 2005 to review the Group's 2004 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 Limited which was in force prior to 1st January 2005 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 88 of the Company's Articles of Association.

## AUDITORS

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

By Order of the Board of Directors of  
**New Capital International Investment Limited**

**Liu Xiao Guang**  
*Chairman*

Hong Kong, 22 April 2005