

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 2005.

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"), the former holding company of the Group, would 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 set out in a document dated 13 January 2005 issued to the shareholders of ING Beijing, the Company became the holding company of 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 the other subsidiaries of the Group, as set out in note 13 to the financial statements.

The listing of the shares of ING Beijing was withdrawn from The Stock Exchange of Hong Kong Limited ("HKSE") and the Company's shares were listed on the HKSE by way of introduction on 13 April 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the holding of equity investments primarily in companies or other 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 AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates at 31st December 2005 are set out on pages 72 to 77 of this report.

RESULTS

The results of the Group for the financial year ended 31st December 2005 are set out in the consolidated income statement as set out on page 38 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 pages 93 and 94 of this report.

Report of the Directors (Cont'd)

DIVIDENDS

The directors do not recommend the payment of a final dividend in respect of the financial year ended 31st December 2005.

FIXED ASSETS

Details of movements in fixed assets are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 20 to the financial statements on pages 81 to 82 of this report.

RESERVES

Movements in the reserves during the financial year are set out in note 21 to the financial statements on pages 83 to 85 of this report.

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. Liu Xue Min
- Mr. Kwong Chun Wai Michael
- Mr. To Chun Kei
- Mr. Fung Tze Wa

Mr. Fung Tze Wa and Mr. Kwong Chun Wai Michael will retire by rotation from the board of directors in accordance with Article 88 of the Company's articles of association at the forthcoming annual general meeting. Mr. Fung Tze Wa and Mr. Kwong Chun Wai Michael, all being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES. UNDERLYING SHARES AND DEBENTURES

As at 31st December 2005, none of the Directors of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company 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 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 and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31st December 2005, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	No. of Shares	Approximate% of shareholding
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 Herverzekering- Maatschappij 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 Herverzekering-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 Herverzekering-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 owned by Mr. Lin Si Yu. Mr. Li Si Yu is therefore deemed to be interested in the same parcel of shares hold be Sense Control International Limited.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles of Association of the Company nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

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 2005, 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:

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Purpose: | <p>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</p> |
|--|---|

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Participants: | <p>any director, employee, executive of the Company, or any subsidiaries from time to time of the Company</p> |
|---|---|

- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ 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: | <p>64,711,400 ordinary shares and 10% of the issued share capital</p> |
|--|---|

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ Maximum entitlement of each participant: | <p>Not to exceed 1% of the issued share capital in any 12 month period</p> |
|--|--|

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ Period within which the securities must be taken up under an option: | <p>30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option</p> |
|--|--|

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Minimum period for which an option must be held before it can be exercised: | <p>6 calendar months after the offer date of the relevant option</p> |
|---|--|

Report of the Directors (Cont'd)

- | | |
|---|--|
| ▪ 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 |

Since the adoption of the share option scheme of the Company, no options to subscribe for ordinary share 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.

MANAGEMENT CONTRACTS

Under an investment agreement made between ING Beijing Investment Company Limited ("ING Beijing") 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, 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 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 giving to the other party not less than 6 months' prior notice of termination. On 29 October 2004, the Company, 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 the Company all its rights and benefits under the investment management agreement.

Under an agreement between the Company and ING Management (Hong Kong) Limited (the "Administrator") dated 29 October 2004, the Administrator agreed to provide administrative services to the Company. The agreement has no fixed term but is subject to termination by either the Administrator or the Company 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.

CONTINUING CONNECTED TRANSACTION

The Investment Manager is regarded as connected person of the Company and accordingly the investment management agreement entered into between the Company and the Investment Manager constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

However, the annual investment management fee payable to the Investment Manager is expected to constitute less than HK\$10 million and each of the percentage ratios under Chapter 14 of the Listing Rules is less than 2.5% on an annual basis.

The independent non-executive directors of the Company have reviewed the continuing connected transaction and confirm that the investment management agreement has been conducted on normal commercial terms and entered into in the ordinary and usual course of business of the Company and their terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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.

During the period from 1st January 2006 to 19th April 2006, 23,830,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.158 to HK\$0.255 per share through The Stock Exchange of Hong Kong Limited. As at the date of this Annual Report, all of the repurchased shares were subsequently cancelled.

INVESTMENTS

Details of the Group's investments as at 31st December 2005 are set out on pages 78 to 80.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31st December 2005.

Report of the Directors (Cont'd)

INTEREST CAPITALISED

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

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, the information related to the matters set out in Paragraph 32 of Appendix 16 of the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited has not changed materially from the information disclosed in the most recent published the annual report for the year ended 31 December 2004.

EMPLOYEE

As at 31 December 2005, the Company 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 Directors, two of them being independent. This Committee acts in an advisory capacity and makes recommendations to the Board. It met on 10th April 2006 to review the Group's 2005 final results before it was tabled for the Board's approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

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
New Capital International Investment Limited

Liu Xiao Guang
Chairman

Hong Kong, 19th April 2006