

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of Concepta Investments Limited (the "Company") for the period from 26th July 2002 (date of incorporation) to 31st March 2003 (the "Period").

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated with limited liability as an exempted company in the Cayman Islands on 26th July 2002. The Company had not commenced operation or business since its incorporation. The investment objective of the Company is to achieve earnings in the form of medium- to long-term capital appreciation mainly through investments in listed and unlisted companies in the Greater China.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20th March 2003. Details of the placing and new issue of the Company's shares are set out in the Company's Prospectus dated 7th March 2003 (the "Prospectus").

SEGMENT INFORMATION

No segment information is provided as the Company had no investment activities during the Period.

RESULTS AND APPROPRIATIONS

The results of the Company for the Period are set out in the income statement on page 17.

The directors do not recommend the payment of a dividend.

RESERVES

Details of the movements in the reserves of the Company during the Period are set out in the statement of changes in equity on page 19 of this report and other details are set out in note 13 to the financial statements.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Company during the Period are set out in note 10 to the financial statements.

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SHARE CAPITAL

Details of the movements in share capital of the Company during the Period are set out in note 11 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and there is no restriction against such rights under the laws of Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company since the date of incorporation is set out on page 32.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased, sold or redeemed any of its shares during the Period.

SHARE OPTIONS

Information about the share options of the Company during the Period are set out in note 12 to the financial statements.

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DIRECTORS

The directors during the Period and up to the date of this report were:

Executive Directors

Mr. ZHANG Zhi Ping	(appointed on 26th July 2002)
Mr. ZHANG Gaobo	(appointed on 26th July 2002)

Non-executive Director

Mr. LIU Hongru	(appointed on 12th February 2003)
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Independent Non-executive Directors

Mr. KWONG Che Keung, Gordon	(appointed on 12th February 2003)
Prof. HE Jia	(appointed on 12th February 2003)

In accordance with Articles 106 and 113 of the Company's Articles of Association, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo will retire by rotation from office and, being eligible, offer themselves for re-election.

The term of office of the non-executive director and each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

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DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for an initial fixed term of three years commencing on 1st February 2003 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term. Each of these executive directors is entitled to the respective basic salary (subject to an annual increment at the discretion of the directors of not more than 10% of the annual salary at the time of the relevant review). In addition, in respect of the financial year ending 31st March 2004 and each of the financial years thereafter of the Company, each of the executive directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive directors in respect of any financial year of the Company may not exceed 5% of the audited net profit of the Company (or as the case may be, combined or consolidated audited net profit of the Company and its subsidiaries (if any)) (after taxation and minority interests but before extraordinary or exceptional items) in respect of that financial year of the Company. An executive director shall not vote on any resolution of the Board regarding the amount of the discretionary bonus payable to him.

Saved as disclosed above, no other directors have entered into service agreements with the Company which are not determined by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" in this report and in note 16 to the financial statements, no other contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st March 2003, the interests of the directors and chief executives in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of director	Number of ordinary shares of the Company Corporate interests	Percentage of share holding
Mr. ZHANG Zhi Ping	25,000,000(<i>note</i>)	25%
Mr. ZHANG Gaobo	25,000,000(<i>note</i>)	25%

Note: These shares are held by Oriental Patron Financial Services Group Limited ("OPFSG"). The entire issued share capital of OPFSG is beneficially owned as to 95% by Oriental Patron Holdings Limited and 5% by Eldridge International Limited. The entire issued share capital of Oriental Patron Holdings Limited is beneficially owned by Million West Limited and Best Future International Limited in equal share. The entire issued share capital of Million West Limited is beneficially owned as to 90% by Mr. ZHANG Gaobo and 10% by Mr. ZHANG Zhi Ping. The entire issued share capital of Best Future International Limited is beneficially owned as to 89% by Mr. ZHANG Zhi Ping and 11% by an independent party.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

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SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st March 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name of shareholder	Number of ordinary shares of the Company	Percentage of share holding
OPFSGL (<i>note</i>)	25,000,000	25%
Oriental Patron Holdings Limited (<i>note</i>)	25,000,000	25%
Best Future International Limited (<i>note</i>)	25,000,000	25%
Million West Limited (<i>note</i>)	25,000,000	25%
Mr. XIAO Wei	10,532,000	10.53%
Mr. WANG Wencang	11,288,000	11.29%

Note: OPFSGL is a company incorporated in the Cayman Islands, the entire issued share capital of which is beneficially owned as to 95% by Oriental Patron Holdings Limited and 5% by Eldridge International Limited. The entire issued share capital of Oriental Patron Holdings Limited is beneficially owned by Million West Limited and Best Future International Limited in equal share. The entire issued share capital of Million West Limited is beneficially owned as to 90% by Mr. ZHANG Gaobo and 10% by Mr. ZHANG Zhi Ping. The entire issued share capital of Best Future International Limited is beneficially owned as to 89% by Mr. ZHANG Zhi Ping and 11% by an independent party.

By virtue of the SDI Ordinance, Oriental Patron Holdings Limited, Best Future International Limited and Million West Limited are deemed to be interested in the same 25,000,000 shares held by OPFSGL.

MANAGEMENT CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" and note 16(c) to the financial statements, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

(a) Investment management agreement

Pursuant to the Investment Management Agreement (the "Agreement") dated 4th March 2003, the Company has appointed Oriental Patron Asia Limited ("Oriental Patron Fund Management", the trade name adopted by Oriental Patron Asia Limited in fund management activities) as its investment manager to provide investment management services for an initial fixed term of three years commencing on 20th March 2003. Pursuant to the Agreement, the Company will pay Oriental Patron Fund Management a monthly management fee at 1.5% per annum of the Net Asset Value ("NAV") as at the immediately preceding Valuation Date as defined in the Agreement on the basis of the actual number of days in arrears in the relevant calendar month over a year of 360 days and a performance fee calculated by reference to the increase in the NAV per share as at the Performance Fee Valuation Day as defined in the Agreement. During the Period, the Company paid a management fee amounting to HKD23,150 to Oriental Patron Fund Management.

OPAL is regarded as a connected person of the Company under Rule 21.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In addition, Oriental Patron Fund Management is a wholly-owned subsidiary of OPFSG, which is a substantial shareholder of the Company. Accordingly, the Agreement constitutes a connected transaction of the Company.

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.25(1) of the Listing Rules and the waiver has been granted by the Stock Exchange. Details of such waiver are set out in the Prospectus.

(b) Custodian agreement

Pursuant to the Custodian Agreement dated 26th February 2003, the Company appointed Standard Chartered Bank as its custodian with effect from 20th March 2003. The custodian has agreed to provide securities services to the Company including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The Custodian Agreement will continue in force until terminated by either the Company or the custodian giving to the other not less than 60 days' notice in writing expiring at any time. Pursuant to the Custodian Agreement, custody fee of 0.05% to 0.08% per annum in respect of listed securities, a flat fee per counter per month in respect of unlisted securities, subject to certain minimum charge per month, and transaction fee of about USD40 to USD80 per receipt or delivery of securities will be paid to the custodian. The custodian fee paid during the Period amounted to HKD7,800.

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CONNECTED TRANSACTIONS (Continued)

(b) Custodian agreement (Continued)

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly the Custodian Agreement constitutes a connected transaction of the Company. The custodian fee fell below the de-minimis threshold under Rule 14.24(5) of the Listing Rules, and would be exempted from the reporting, announcement and/or shareholders' approval requirements under the Listing Rules.

(c) Licence agreement

Pursuant to the Licence Agreement entered between OPFSGL and the Company dated 26th February 2003, OPFSGL granted a licence ("Licence") in favour of the Company to use a portion of the property ("Property") currently leased by OPFSGL as tenant from an independent third party at a monthly fee of HKD9,000 for a term of one year commencing from 20th March 2003. The Property is used by the Company as its principal place of business in Hong Kong. The fee paid and prepaid during the Period amounted to HKD3,484 and HKD5,516 respectively.

Since the aggregate amount of fee payable under the Licence is less than HKD1,000,000, the transaction is not, under Rule 14.24(5) of the Listing Rules, subject to any disclosure or shareholders' approval requirements.

In the opinion of the independent non-executive directors of the Company, the above connected transactions have been entered into on normal commercial terms and after arm's length negotiation and in the ordinary and usual course of business of the Company, and that the terms of the above connected transactions are fair and reasonable so far as the shareholders and the Company are concerned.

The directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo are interested to the above transactions (a) and (c) as they both have beneficial interests in OPFSGL as disclosed in the paragraph headed "Directors' and Chief Executives' Interests in Shares".

Significant related party transactions entered by the Company during the period ended 31st March 2003, which also constitute connected transactions under the Listing Rules, are disclosed in note 16(a), 16(b) and 16(c) to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Throughout the Period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

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RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Company are set out in note 17 to the financial statements.

AUDIT COMMITTEE

The Company established an audit committee on 26th February 2003 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. Amongst other duties, the principal duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company.

The Company's audit committee comprised two independent non-executive directors, namely, Mr. KWONG Che Keung, Gordon and Prof. HE Jia.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. ZHANG Gaobo, an executive director of the Company, is also a director of AVANTA Investment (International) Limited ("AVANTA"). AVANTA is the investment manager of Everest International Investments Limited, an investment company listed on the Main Board of the Stock Exchange.

Conflicts may arise in the allocation of investment opportunities identified by Mr. ZHANG between the Company and funds administered by AVANTA. If such conflicts arise, Mr. ZHANG shall present all identified investment opportunities to the Company and the funds administered by AVANTA on an equitable basis and abstain from voting on transactions where such conflicts arise.

AUDITORS

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

ZHANG Gaobo

Executive Director

Hong Kong SAR, 17th July 2003