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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive Directors**

Mr. ZHANG Zhi Ping

Mr. ZHANG Gaobo

#### **Non-executive Director**

Mr. LIU Hongru

#### **Independent Non-executive Directors**

Mr. KWONG Che Keung, Gordon

Prof. HE Jia

### COMPANY SECRETARY

Ms. WONG Hiu Ling

### INVESTMENT MANAGER

Oriental Patron Fund Management  
(a business unit of Oriental Patron  
Asia Limited)

### LEGAL ADVISERS

*Hong Kong Law*

Chiu & Partners

*Cayman Islands Law*

Maples and Calder Asia

### AUDITORS

RSM Nelson Wheeler

### CUSTODIAN

Standard Chartered Bank

### PRINCIPAL REGISTRARS

Bank of Butterfield International  
(Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

George Town, Grand Cayman

Cayman Islands

### BRANCH REGISTRARS

Abacus Share Registrars Limited

G/F., Bank of East Asia Harbour View Centre

56 Gloucester Road Wanchai

Hong Kong

### REGISTERED OFFICE

P.O. Box 309GT

Ugland House South Church Street

George Town

Grand Cayman

Cayman Islands

### PRINCIPAL PLACE OF BUSINESS

Units 4201-7

42nd Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking

Corporation Limited

Standard Chartered Bank

## MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Concepta Investments Limited (the "Company") is pleased to present to the shareholders the interim report and condensed financial statements of the Company for the six months ended 30th September 2003. The income statement, cash flow statement and statement of changes in equity for the Company for the six months ended 30th September 2003, and the balance sheet as at 30th September 2003 of the Company, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 10 to 22 of this report.

### Business Review and Prospects

During the six months ended 30th September 2003, the net asset value of the Company has increased by 28.5%. The stocks that benefited from outsourcing trend and low cost in China offered tremendous opportunities. The Company invested in, among others, Lee and Man Holding Limited ("Lee & Man") and Suncorp Technologies Limited ("Suncorp") for low valuation and growth prospects. Lee and Man is a company with global market share, sound customer profile, strong financials and the platform to develop its own brands while Suncorp is a key player (number one in United Kingdom and number three in Europe) in Europe producing DECT phone. The Company are constantly looking for stocks with reasonable mix of yield and growth that protect the downside risks and offer potential upsides, especially those of leading position in the market segments concerned.

Besides, the Company invested in potential future stars. China Data Broadcasting Holdings Limited ("China Data") is one of them. China Data, back up by its major shareholder Apex Digital, Inc., possesses the comparative advantages: (1) low production cost in China; (2) strong logistics and distribution networks in USA and Europe; (3) research & development from top-tier companies in Silicon Valley. It could be the future winner as we are stepping from an analog world to digital one.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Business Review and Prospects (cont'd)

Another major segment the Company invested in is H shares. The growth in China drives commodity price up. This is particularly true for steel, copper and aluminium. The Company have invested in the related stocks including Aluminum Corporation of China Limited, Maanshan Iron & Steel Company Limited, Chongqing Iron & Steel Company Limited and Angang New Steel Company Limited. The Company will continue monitoring the supply and demand situation and China's government policy that may affect the growth of stocks concerned.

The Company believe that H shares will still offer opportunities. H shares have already gone through PE expansion stage in the previous year. Looking forward, the stocks that deliver earning growth should continue their out-performances in 2004. In the coming months, the second semi-annual results of 2003 for most of the H shares should be good given the favourable macro-environment in China. In addition, the first six months results of 2004 should also be a fruitful horizon because earning growth is boosted by the low base of the SARS affected period in 2003.

### Interim Dividend

The Board has resolved not to pay any interim dividend for the six months ended 30th September 2003.

### Liquidity and Financial Resources

As at 30th September 2003, the Company had bank balances of HKD34,832,048 (31st March 2003: HKD46,288,698). As all the cash was placed in Hong Kong Dollars short-term deposits with major banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The Board believes that the Company has sufficient financial resources to satisfy its immediate investments and working capital requirements.

The Company had net current assets of HKD61,169,955 (31st March 2003: HKD46,201,564) and no borrowings as at 30th September 2003, which positions the Company advantageously to pursue its investment strategies and new investment opportunities.

The gearing ratio, which was calculated on the basis of total liabilities over total shareholders' funds as at 30th September 2003, was 0.126 (31st March 2003: 0.003).

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

### **Capital Structure**

There has been no change in the Company's capital structure since 31st March 2003.

### **Employees**

As at 30th September 2003, the Company had 6 (31st March 2003: 5) employees, including executive and non-executive directors of the Company. Total staff costs for the interim period amounted to HKD294,887. The Company's remuneration policies are in line with the market practice and are determined on the basis of the performance and experience of individual employees.

### **Charges on the Company's Assets and Contingent Liabilities**

As at 30th September 2003, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

### **Purchase, Sale or Redemption of Securities**

During the six months ended 30th September 2003, the Company has not purchased, sold or redeemed any of its shares.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Directors' and Chief Executives' Interests in Shares

As at 30th September 2003, the interests of the directors and chief executives in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of director	Number of ordinary shares	Percentage of share holding
	of the Company Corporate interests (Note)	
Mr. ZHANG Zhi Ping	25,000,000	25.00%
Mr. ZHANG Gaobo	25,000,000	25.00%

Note:

These shares are held by Oriental Patron Financial Services Group Limited ("OPFSGL"), 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.

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 SFO.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Substantial Shareholders

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th September 2003, the Company had been notified of the following substantial shareholders' interests, being 5% 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.

<b>Name of shareholder</b>	<b>Number of ordinary shares of the Company</b>	<b>Percentage of share holding</b>
OPFSGL ( <i>Note</i> )	25,000,000	25.00%
Oriental Patron Holdings Limited ( <i>Note</i> )	25,000,000	25.00%
Best Future International Limited ( <i>Note</i> )	25,000,000	25.00%
Million West Limited ( <i>Note</i> )	25,000,000	25.00%
Mr. WANG Wencang	14,096,000	14.10%
Mr. XIAO Wei	11,796,000	11.80%
Ms. LI Luo Dan	9,000,000	9.00%
Mr. POON Tak Chun, Paul	9,000,000	9.00%
Mr. SHUM Ka Sang	6,000,000	6.00%
Mr. XU Yedong	5,000,000	5.00%

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 SFO, 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 DISCUSSION AND ANALYSIS (CONT'D)**

### **Share Options**

The Company has a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to certain selected classes participants (including, among others, full-time employees) of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions. No options has been granted or agreed to be granted during the six months ended 30th September 2003.

Save as disclosed above, none of the Company's directors and chief executives, or their spouse or children under the age of 18, have any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30th September 2003.

Further details of the Scheme were disclosed in the Company's 2003 Annual Report.

### **Compliance with the Code of Best Practice**

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange at any time during the six months ended 30th September 2003.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Audit Committee

The Company's audit committee, comprising two independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the six months ended 30th September 2003.

By order of the Board

**ZHANG Gaobo**

*Executive Director*

Hong Kong SAR, 18th December 2003

## CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

		Six months ended 30th September 2003 (Unaudited) HKD
	Note	
Turnover	3	527,577
Net gain on disposal of listed investment in securities		7,757,611
Net unrealised holding gain on listed investment in securities		10,336,999
Interest income		140,042
Administrative expenses		(2,962,988)
<hr/>		
Profit from operations	4	15,799,241
Finance cost		(57)
<hr/>		
<b>Profit before taxation</b>		<b>15,799,184</b>
Taxation	5	(2,585,527)
<hr/>		
<b>Net profit attributable to shareholders</b>		<b>13,213,657</b>
<hr/>		
<b>Earnings per share – Basic</b>	6	<b>13.21cents</b>
<hr/>		
<b>Interim dividend</b>		<b>–</b>
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The notes on pages 14 to 22 form part of this condensed interim financial statements.

## CONDENSED BALANCE SHEET

AT 30TH SEPTEMBER 2003

	Note	30th September 2003 (Unaudited) HKD	31st March 2003 (Audited) HKD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in securities	7	75,000	–
Plant and equipment		51,001	71,760
		<b>126,001</b>	71,760
<b>Current assets</b>			
Investment in securities	7	32,010,450	–
Prepayments and other receivables		44,658	30,615
Bank balances		34,832,048	46,288,698
		<b>66,887,156</b>	46,319,313
Less:			
<b>Current liabilities</b>			
Amount due to a broker	12(e)	2,912,694	–
Provision and accrued charges		2,027,955	117,749
Tax payable		776,552	–
		<b>5,717,201</b>	117,749
<b>Net current assets</b>		<b>61,169,955</b>	46,201,564
<b>Total assets less current liabilities</b>		<b>61,295,956</b>	46,273,324
<b>Non-current liabilities</b>			
Deferred taxation		1,808,975	–
<b>NET ASSETS</b>		<b>59,486,981</b>	46,273,324
<b>CAPITAL AND RESERVES</b>			
Share capital	8	10,000,000	10,000,000
Reserves	9	49,486,981	36,273,324
<b>SHAREHOLDERS' FUNDS</b>		<b>59,486,981</b>	46,273,324
<b>NET ASSET VALUE PER SHARE</b>	10	<b>0.59</b>	0.46

The notes on pages 14 to 22 form part of this condensed interim financial statements.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	(Unaudited)			
	Reserves			
	Share capital HKD	Share premium HKD	(Accumulated losses)/ Retained profits HKD	Total HKD
At 1st April 2003	10,000,000	36,593,108	(319,784)	46,273,324
Net profit attributable to shareholders	–	–	13,213,657	13,213,657
<b>At 30th September 2003</b>	<b>10,000,000</b>	<b>36,593,108</b>	<b>12,893,873</b>	<b>59,486,981</b>

The notes on pages 14 to 22 form part of this condensed interim financial statements.

## CONDENSED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

Six months ended  
30th September 2003  
(Unaudited)  
HKD

Net cash generated from operating activities	2,394,205
Net cash used in investing activities	(13,850,855)
<hr/>	
Net decrease in cash and cash equivalents	(11,456,650)
Cash and cash equivalents at 1st April 2003	46,288,698
<hr/>	
Cash and cash equivalents at 30th September 2003	34,832,048
<hr/> <hr/>	
Analysis of the balances of cash and cash equivalents	
Bank balances	34,832,048
<hr/> <hr/>	

The notes on pages 14 to 22 form part of this condensed interim financial statements.

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003*

### **1 Basis of preparation of financial statements**

The Company is an investment company incorporated with limited liability as an exempted company in the Cayman Islands on 26th July 2002. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20th March 2003.

The condensed unaudited interim financial statements have been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and compliance with Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The Company had not commenced operation or business for the period from 26th July 2002 (date of incorporation) to 30th September 2002 (the corresponding interim period of the Company in 2002), the provision of comparative figures will not be meaningful. Therefore, no comparative figures have been presented for the condensed income statement, condensed statement of changes in equity and condensed cash flow statement.

### **2 Principal accounting policies**

The condensed unaudited interim financial statements have been prepared under the historical cost convention, except that, as disclosed below, certain investment in securities are stated at fair value.

The principal accounting policies adopted are consistent with those in the Company's most recent published audited financial statements for the period from 26th July 2002 (date of incorporation) to 31st March 2003, except the accounting policies stated below:

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### 2 Principal accounting policies (cont'd)

#### *Investment in securities*

Investment in securities are recognised on a trade date basis and are initially measured at cost.

Investment securities which represent securities held for strategic purpose, are stated at cost less impairment losses, if any. The carrying amount of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such investment securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-down or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are carried at fair value. At each balance sheet date the net unrealised gains and losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts are recognised in the income statement as they arise.

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### **2 Principal accounting policies (cont'd)**

#### *Taxation*

In the current period, the Company has adopted, for the first time, the revised SSAP 12. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous period, partial provision was made for deferred tax using the income statement liability method in which liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### **3 Turnover, revenue and segment information**

The Company is principally engaged in investment in listed and unlisted companies in the Greater China. Turnover represented dividend received during the period.

No business or geographical analysis of the Company's performance for the period is provided as all of the turnover and contribution to operating results of the Company are attributable to investment in equity securities listed in Hong Kong.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### 4 Profit from operations

Profit from operations is stated after charging the following:

	<b>Six months ended 30th September 2003 (Unaudited) HKD</b>
Contributions to retirement benefits scheme (already included in staff costs)	<b>6,500</b>
Depreciation	<b>20,760</b>
Operating lease payments in respect of office premises	<b>54,000</b>
Staff costs (including directors' emoluments)	<b>294,887</b>

### 5 Taxation

The amount of taxation charged to the condensed income statement represents:

	<b>Six months ended 30th September 2003 (Unaudited) HKD</b>
Hong Kong profits tax	
– current	<b>776,552</b>
– deferred taxation relating to origination of temporary differences	<b>1,808,975</b>
Taxation charge	<b>2,585,527</b>

Hong Kong profits tax is provided at 17.5% based on the estimated assessable profit for the period.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### 5 Taxation (cont'd)

Deferred tax is provided for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profits.

### 6 Earnings per share

The calculation of earning per share is based on the Company's net profit attributable to the shareholders of HKD13,213,657 divided by the weighted average number of ordinary share outstanding during the period, being 100,000,000.

There were no dilutive potential shares during the period ended, therefore, no diluted earnings per share has been presented.

### 7 Investment in securities

	<b>30th September 2003 (Unaudited) HKD</b>	31st March 2003 (Audited) HKD
<b>Non-current</b>		
<b>Investment securities</b>		
Unlisted equity securities in Hong Kong, at cost	<b>75,000</b>	–
<b>Current</b>		
<b>Other investments</b>		
Equity securities listed in Hong Kong, at market value	<b>32,010,450</b>	–
	<b>32,085,450</b>	–

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### 8 Share capital

	<b>30th September 2003 (Unaudited) HKD</b>	31st March 2003 (Audited) HKD
<i>Authorised:</i>		
200,000,000 ordinary shares of HKD0.10 each	<b>20,000,000</b>	20,000,000
<i>Issued and fully paid:</i>		
100,000,000 ordinary shares of HKD0.10 each	<b>10,000,000</b>	10,000,000

### 9 Reserves

	<b>Share premium (Unaudited) HKD</b>	<b>(Accumulated losses)/ Retained profits (Unaudited) HKD</b>	<b>Total (Unaudited) HKD</b>
At 1st April 2003	36,593,108	(319,784)	36,273,324
Net profit attributable to shareholders	–	13,213,657	13,213,657
<b>At 30th September 2003</b>	<b>36,593,108</b>	<b>12,893,873</b>	<b>49,486,981</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### 10 Net Asset Value Per Share

The calculation of net asset value per share is based on the following data:

	<b>30th September 2003 (Unaudited) HKD</b>	31st March 2003 (Audited) HKD
Net Asset Value	<b>59,486,981</b>	46,273,324
Number of ordinary shares outstanding	<b>100,000,000</b>	100,000,000

### 11 Lease commitments

At 30th September 2003 the total future minimum lease payments under non-cancellable operating leases for the premises are payable as follows:

	<b>30th September 2003 (Unaudited) HKD</b>	31st March 2003 (Audited) HKD
Within one year	<b>50,516</b>	104,516

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

### 12 Related party transactions

During the six months ended 30th September 2003, The Company had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in ordinary course of the Company's business:

- (a) the Company paid rental expense totalling HKD54,000 for office premises to Oriental Patron Financial Group Limited ("OPFSGL"). OPFSGL is a substantial shareholder of the Company which had an interest of 25% in the share capital of the Company as at 30th September 2003. The directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo have beneficial interests in OPFSGL.
- (b) performance fee totalling HKD1,756,397 and investment management fee totalling HKD420,597 were paid or payable to Oriental Patron Asia Limited ("OPAL"). OPAL is the investment manager of the Company and is a wholly owned subsidiary of OPFSGL.
- (c) the performance fee and the investment management fee were charged in accordance with the agreement with OPAL for investment management services. The performance fee represented 10% of the net increase in the Net Asset Value per share as at the Performance Fee Valuation Day as defined in the agreement. The investment management fee is calculated at 1.5% per annum on the net asset value of the Company at each preceding month end as defined in the agreement.
- (d) the Company paid brokerage commission totalling HKD309,396 to Oriental Patron Securities Limited ("OPSL"), a wholly owned subsidiary of OPFSGL, for securities broking service provided. The brokerage commission was charged at 0.25% on transaction value.

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)**

*FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003*

### **12 Related party transactions (cont'd)**

- (e) the amount due to a broker of HKD2,912,694 represented net payable arising from security trading transactions pending settlement at 30th September 2003 to OPSL as the Company's agent. The payable was due within two trade days.

### **13 Approval of Interim Report**

The interim report was approved by the Board of Directors on 18th December 2003.