

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 2004 (the “Period”). The income statement, cash flow statement and statement of changes in equity for the Company for the six months ended 30th September 2004, and the balance sheet as at 30th September 2004 of the Company, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 9 to 18 of this report.

Business Review and Prospects

For the six months under review, the fluctuations of the H shares ranged from 10% to 15%. The Company bought certain H shares when they overshot on the downside and sold them at a period of relatively strong sentiment and high valuations. In addition, the Company also held retail plays to benefit from the upward retail cycle. The Board are constantly looking for retail plays and investment opportunities that have pricing power especially those that can benefit from the Closer Economic Participation Arrangement (CEPA).

The loss for the Period of approximately HKD6.88 million was mainly attributable to realised loss of approximately HKD3.20 million and an unrealised loss of HKD2.62 million on securities investment. The realised loss was resulted from the closing out of a long position in an equity investment in transportation sector in response to its unfavorable financial results and in turn allowed the Company to continue to seek other investment opportunities. While the unrealised loss was mainly arisen from the Company’s core holding investment in consumer electronic industry. Given the mega trend of transforming from analog to digital in consumer electronic, the Company still maintains its positive view and that the unrealised loss will only be temporary.

For the immediate future period until the first quarter of 2005, the Board foresees downward earning revisions across China that may drag down the stock market. However, the current liquidity remains strong and this buoys up the share price to a relatively high valuation. The liquidity situation looks more favorable in 2005 with the relaxation of credit and a more favorable monetary policies. To cite a point, with effective from 1st December 2004, all Chinese nationals who have immigration visas abroad, including Hong Kong and Macau, will be allowed to convert their China-based Renminbi assets into foreign currencies and take them out of China. The People’s Bank of China estimates that the value may amount to tens of billions US Dollars.

On the policy front, the Chinese government is moving away from reliance on administrative measures to a more market oriented tools to cool down the overheated economy. Looking ahead, more interest rate hikes and a possible exchange rate relaxation regime are well be expected. Furthermore, a gradual relaxation of lending volume is also expected. The Board expects inflation to stay at a level of around 5% throughout 2005 and consumption momentum is likely to be picking up.

The favorable sectors of the Company for investment purpose are some defensive ones like infrastructure and telecom plays. The Board is looking for opportunities to add more positions after the downward earnings pressure is being priced into the market and the valuation becomes reasonably attractive. The Company also look at the Initial Public Offers in the pipeline to see if there are good counters that offer attractive valuations with upside potentials.

Interim Dividend

The Board has resolved not to pay any interim dividend for the Period (2003: Nil).

Liquidity and Financial Resources

As at 30th September 2004, the Company had bank balances of HKD10,541,292 (31st March 2004: HKD41,554,774). 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 HKD43,596,851 (31st March 2004: HKD60,477,772) and no borrowings as at 30th September 2004, 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 2004, was 0.070 (31st March 2004: 0.074).

Capital Structure

There has been no change in the Company's capital structure since 31st March 2004.

Significant Investments Held

As at 30th September 2004, the Company held investment in listed shares of HKD35,467,000 and unlisted securities of HKD853,000.

Employees

As at 30th September 2004, the Company had 3 (31st March 2004: 3) employees, including executive directors. Total staff costs for the Period amounted to HKD417,570 (2003: 294,887). 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.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Company's assets and liabilities are denominated in Hong Kong Dollars and, therefore, the Company had no significant exposure to foreign exchange fluctuation.

Charges on The Company's Assets and Contingent Liabilities.

As at 30th September 2004, 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 Period, the Company has not purchased, sold or redeemed any of its shares.

Directors' and Chief Executives' Interests in Shares

As at 30th September 2004, 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 of the Company Corporate interests (note)	Percentage of share holding
Mr. ZHANG Zhi Ping	29,800,000	29.80%
Mr. ZHANG Gaobo	29,800,000	29.80%

Note:

These shares are held by Oriental Patron Financial Services Group Limited (“OPFSG”), 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 interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

Directors’ Rights To Acquire Shares Or Debentures

Save as disclosed in the paragraph headed “Share Options”, at no time during the Period was the Company or its associated companies a party to any arrangements to enable the directors or chief executives of the Company to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

Share Options

The Company has a share option 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 Period.

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 Period.

Substantial Shareholders

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th September 2004, 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.

Name of shareholder	Number of ordinary shares of the Company	Percentage of share holding
OPFSGL (<i>note</i>)	29,800,000	29.80%
Oriental Patron Holdings Limited (<i>note</i>)	29,800,000	29.80%
Best Future International Limited (<i>note</i>)	29,800,000	29.80%
Million West Limited (<i>note</i>)	29,800,000	29.80%
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. 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 29,800,000 shares held by OPFSGL.

Compliance With The Code Of Best Practice

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the Period, 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 of Hong Kong Limited except that the independent non-executive directors are not appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Audit Committee

The Company's audit committee, comprising three 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 2004 with directors.

By order of the Board

ZHANG Gaobo

Executive Director

Hong Kong SAR, 17th December 2004