

On behalf of the board of directors (the "Board"), I would like to present to the shareholders the annual report of Concepta Investments Limited (the "Company") for the year ended 31st March 2005 (the "Year").

Business review and prospects

During the Year, the Hang Seng China Enterprises Index fluctuated between the range of 3500 to 5200 points. The Company retained the strategy of buying H shares when they overshoot on the downside and selling them in the period of relatively high valuations. The loss for the Year of approximately HKD5.4 million was primarily resulted from an unrealised loss of approximately HKD7.4 million on listed securities investment, a realised gain of approximately HKD4.5 million on listed securities investment and administrative expenses of approximately HKD2.7 million.

The last trough in China's investment cycle was in 1999 after which investment growth started to accelerate. During the aggressive investment cycle from 1999 to 2004, the property and industrial sectors were the major drivers. Within the industrial sector, basic materials, machinery and electronics were the areas have the fastest growth. When investment demand drove company turnover growth, the process was self-fulfilling. Most of the investment-driven companies' turnover and profitability increased during the upswing and led to overcapacity. The peaking of this investment cycle means many of these companies may eventually experience a drop in profitability due to overcapacity. For the near future, the Board foresees downward earning revisions to continue in 2005 and 2006, especially for the cement and steel sectors.

Despite the deteriorating earning outlook, China's stock market is supported by strong liquidity flows on the back of ongoing speculation about the looming Renminbi revaluation. The Board will take into account the potential impact of Renminbi revaluation when evaluating investment opportunities. On the other hand, based on publicly available information, there are 45 announced capital raising issues from China-related companies waiting to come to the market. Total estimated amount to be raised in Hong Kong from these issues is around USD26 billion. Those Initial Public Offerings will absorb part of the liquidity and put the existing market under pressure. In addition, the China stock market (China A and B shares) have weakened so much that it could put pressure on the H share market.

The Board expects that Hong Kong listed China shares at current level is under pressure due to earning uncertainty and coming initial public offerings competing for funds. The Board believes the best trading strategy is to remain defensive and stick with stocks that offer reasonable earning visibility. The Board believes that stocks that are likely to outperform in the event of a market downturn are tollroad and China utility stocks.

Liquidity and financial resources

As at 31st March 2005, the Company had bank balances of HKD29,037,553 (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 HKD44,523,448 (2004: HKD60,477,772) and no borrowings as at 31st March 2005, 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 31st March 2005, was 0.06 (2004: 0.074).

Capital structure

There has been no change in the Company's capital structure during the Year.



Significant investments held

As at 31st March 2005, the Company held investments in listed shares of HKD18,087,200 (2004: HKD22,730,560) and unlisted securities of HKD778,000 (2004: HKD75,000).



Employees

During the Year, the Company had 3 (2004: 3) employees, including executive directors. Total staff costs, including directors' emoluments for the Year amounted to HKD896,370 (2004: HKD583,387). 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 31st March 2005, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

Appreciation

On behalf of the Board, I would like to thank all our shareholders for their continued trust and support and the investment manager for their dedicated efforts.

ZHANG Gaobo
Executive Director

Hong Kong SAR, 21st July 2005