

The directors ("Directors") of Concepta Investments Limited (the "Company") submit their report together with the audited financial statements for the year ended 31st March 2005 (the "Year").

### 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 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.

### Segment information

No segment information is provided as all of the turnover and contribution to the operating results of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong.

### Results and appropriations

The results of the Company for the Year are set out in the income statement on page 15.

The Directors do not recommend the payment of a dividend for the Year.

### Reserves

Details of the movements in the reserves of the Company during the Year are set out in the statement of changes in equity on page 17 and other details are set out in note 17 to the financial statements.

### Plant and equipment

Details of the movements in the plant and equipment of the Company during the Year are set out in note 11 to the financial statements.

### Share capital

Details of the movements in the share capital of the Company during the Year are set out in note 15 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 38.

### Purchase, sale or redemption of securities

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



### Share options

Information about the share options of the Company during the Year is set out in note 16 to the financial statements.



### Directors

The Directors during the Year and up to the date of this report were:

#### *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

Mr. WANG Xiaojun (appointed on 20th August 2004)



In accordance with Articles 113 of the Company's Articles of Association, Mr. LIU Hongru and Mr. WANG Xiaojun will retire by rotation from office and, being eligible, offer themselves for re-election.

During the Year, the non-executive Director and each of the independent non-executive Directors are not appointed for a specific term but they are subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers the independent non-executive Directors are independent.

### 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 ended 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. No discretionary bonus has been paid to the executive Directors for the Year.

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 20 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 any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

### Directors' and chief executive's interests in shares

As at 31st March 2005, the interests of the Directors and chief executive of the Company 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:

#### Long position in shares of the Company

Name of director	Number of ordinary shares of the Company	Percentage of share holding
	<b>Corporate interests</b>	
	<i>(Note)</i>	
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 executive 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.

### Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st March 2005, the Company had been notified of the following substantial shareholders' interests or short positions, 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 executive.

### Long position in shares of the Company

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.

Save as disclosed above, at 31st March 2005, the Company had not been notified by any other person, not being a Director or chief executive of the Company, who has interests or short positions in the shares of the Company representing 5% or more of the Company's issued share capital.

### Management contracts

Save as disclosed in the paragraph headed "Connected transactions" and note 20(f) 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 Year.

## Connected transactions

### (A) INVESTMENT MANAGEMENT AGREEMENT

Pursuant to the Investment Management Agreement (the "Investment Agreement") dated 4th March 2003, the Company has appointed Oriental Patron Fund Management (the trade name adopted by Oriental Patron Asia Limited ("OPAL") 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 Investment 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 Investment 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 at 10% of the increase in the NAV per share as at the Performance Fee Valuation Day as defined in the Investment Agreement. During the Year, the Company paid/payable a management fee and a performance fee amounting to HKD729,346 (2004: HKD879,059) and HKDNil (2004: HKD1,447,200) respectively to Oriental Patron Fund Management.

OPAL is regarded as a connected person of the Company under the Listing Rules. In addition, OPAL is a wholly owned subsidiary of OPFSG, which is a substantial shareholder of the Company. Accordingly, the Investment Agreement constitutes a connected transaction of the Company.

The Company has applied to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for waiver from strict compliance with the Listing Rules and the waiver has been granted by the Stock Exchange. Details of such waiver are set out in the Company's Prospectus dated 7th March 2003.

### (B) CUSTODIAN AGREEMENT

Pursuant to the Custodian Agreement (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 Year amounted to HKD91,275 (2004: HKD147,866).

The custodian is regarded as a connected person of the Company under the Listing Rules. Accordingly the Custodian Agreement constitutes a connected transaction of the Company. However, the Custodian Agreement is on normal commercial terms and the custodian fee fell below the de-minimis threshold under the Listing Rules, and would be exempted from the reporting, announcement and/or shareholders' approval requirements under the Listing Rules.



### (C) LICENCE AGREEMENT

On 1st November 2003, the Company enter into a licence agreement (the "Licence Agreement") with Oriental Patron Finance Limited ("OPFL"). Pursuant to the Licence Agreement, the Company was granted a licence to use a portion of the property (the "Property") currently leased by OPFL as tenant from an independent third party at a monthly fee of HKD9,000 for a term of one year commencing from 16th February 2004. The Property is used by the Company as its principal place of business in Hong Kong. The Licence Agreement has been renewed under the same terms and conditions for one year commencing from 16 February 2005. The licence fee paid to OPFL during the Year amounted to HKD108,000 (2004: HKD13,500).

OPFL is a fellow subsidiary of OPFSGL and is regarded as a connected person of the Company for the purpose of the Listing Rules. In addition, Mr. ZHANG Gaobo, an executive Director of the Company, is also a director of OPFL. Accordingly, the Licence Agreement constitutes a connected transaction of the Company.

However, the Licence Agreement is on normal commercial terms and the licence fee paid under the Licence Agreement fell below the de-minimis threshold of the Listing Rules, and would be exempted from the reporting, announcement and/or shareholders' approval requirements under the Listing Rules.

### (D) BROKERAGE SERVICES

The Company holds a securities dealing account with Oriental Patron Securities Limited ("OPSL") for dealing in securities of listed companies in accordance with the investment objective and policies of the Company. During the Year, the Company has paid OPSL brokerage commission of approximately HKD84,023 (2004: HKD551,857). The brokerage commission was charged at 0.25% of the value of each transaction.

OPSL is a wholly owned subsidiary of OPFSGL and is regarded as a connected person according to the Listing Rules. Therefore, the brokerage service provided by OPSL constitutes connected transactions of the Company.

However, the brokerage commission is on normal commercial terms and the total brokerage commission paid fell below the de-minimis threshold of the Listing Rules, and would be exempted from the reporting, announcement and/or shareholders' approval requirements under the Listing Rules.

The Directors, including the independent non-executive Directors, are of the opinion that the terms of the above connected transactions are fair and reasonable so far as the shareholders and the Company are concerned and that the connected transactions have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company.

The executive Directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo are interested to the above transactions (a), (c) and (d) as they both have beneficial interests in OPFSGL as disclosed in the paragraph headed "Directors' and chief executive's interests in shares".

Significant related party transactions entered by the Company during the Year, which also constitute connected transactions under the Listing Rules, are disclosed in compliance with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and in note 20 to the financial statements.

### Compliance with the Code of Best Practice

Throughout the Year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that the independent non-executive Directors of the Company are not appointed for a specific term as 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.

### Retirement benefits scheme

Details of the retirement benefit scheme of the Company are set out in note 21 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 three independent non-executive Directors, namely, Mr. KWONG Che Keung, Gordon, Prof. HE Jia and Mr. WANG Xiaojun. Two meetings were held during the Year.

The Company's annual report for the Year has been reviewed by the audit committee.

### Auditors

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

On behalf of the Board

**ZHANG Gaobo**

*Executive Director*

Hong Kong SAR, 21st July 2005