

CONCEPTA

Annual Report 2007



Concepta Investments Limited
正奇投資有限公司

(Stock Code: 1140)

	<i>Pages</i>
Corporate Information	2
Management Discussion and Analysis	3-5
Biographical Details of Directors and Senior Management	6-8
Directors' Report	9-17
Corporate Governance Report	18-22
Independent Auditor's Report	23-24
Income Statement	25
Balance Sheet	26
Statement of Changes in Equity	27
Cash Flow Statement	28
Notes to the Financial Statements	29-53
Financial Summary	54

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
Mr. WANG Xiaojun

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. WONG Hiu Ling

INVESTMENT MANAGER

Oriental Patron Fund Management

LEGAL ADVISERS

Hong Kong Law

Chiu & Partners

Cayman Islands Law

Maples and Calder Asia

AUDITORS

RSM Nelson Wheeler

CUSTODIAN

Standard Chartered Bank

PRINCIPAL BANKER

Standard Chartered Bank

PRINCIPAL REGISTRARS

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands

BRANCH REGISTRARS

Abacus Share Registrars Limited
(will be renamed to Tricor Abacus Limited with effect from 1 August 2007)
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

27/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited
Code: 1140

WEBSITE

www.concepta.com.hk

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 31 March 2007 (the "Year").

BUSINESS REVIEW AND PROSPECTS

During the Year, the Hang Seng China Enterprises Index traded in the range of 6,000 and 10,800 points. The Company maintained the strategy of buying H shares that are beneficial of Renminbi appreciation with above trend profit growth. The net profit for the Year was approximately HK\$8.1 million which comprised realised gain on listed securities of approximately HK\$5.5 million, interest income of approximately HK\$1 million and net unrealised gain on fair value adjustments through profit and loss on listed securities of approximately HK\$6.8 million. Administrative expenses for the Year were approximately HK\$3.9 million.

With the successful share reform in the A share market and the subsequent rally, market focus is beginning to turn from the H shares market to the mainland A share market. The A share market is increasingly driven by improving fundamentals than in the past with companies mostly generating real profit. The domestic mutual fund industry is booming as mainland individuals are increasingly enthusiastic to investing in funds and the amount of domestic savings that will flow into the stock market should not be underestimated since the alternative to buying equities would be receiving savings deposit of 0.72%. The A share market is in no way cheap with a price/earning ratio of over 40 times but fundamentals are improving. Comparatively, H shares are trading at a trailing price/earning ratio of 19 times and an average of 40% discount to their listed A shares. The Board believes that government policies to calm the A shares market to be relatively ineffective as the weight of liquidity coming into market to be far more powerful and a collapse of the market is the last thing the government wish to see. For the near future, the Board is optimistic about growth in China GDP this year as well as corporate earnings.

The Board expects that Hong Kong listed China shares will be well supported due to the significant discount to the A shares market and will remain overweight in the water, aviation and agricultural sectors.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the Company had bank balances of HK\$30,577,667 (2006: HK\$34,768,451). 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 HK\$60,462,413 (2006: HK\$52,405,085) and no borrowings as at 31 March 2007, 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 equity as at 31 March 2007, was 0.03 (2006: 0.02).

Management Discussion and Analysis (continued)

CAPITAL STRUCTURE

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

INVESTMENT PORTFOLIOS

The Company's investment portfolio comprised unlisted investment and listed securities investments. The Company held minority stakes of unlisted companies which are believed to have sound prospects of long-term growth in profits and capital appreciation in the future. As at 31 March 2007, the Company's unlisted investments, valued at cost less impairment, totalling HK\$778,000 (2006: HK\$778,000).

As at 31 March 2007, all of the Company's listed securities investments are Hong Kong listed securities. The Company held listed investments, at market value, of HK\$31,524,670 (2006: HK\$18,579,025) at 31 March 2007.

EMPLOYEES

During the Year, the Company had 3 (2006: 3) employees, including executive directors. Total staff costs, including directors' emoluments for the Year amounted to HK\$937,000 (2006: HK\$937,000). 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 31 March 2007, 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 ZHI PING

Executive Director

Hong Kong SAR, 24 July 2007

Biographical Details of Directors and Senior Management

Brief biographical details of directors and senior management are stated below:

DIRECTOR

Executive Directors

Mr. ZHANG Zhi Ping, aged 51, was appointed as an executive director and chairman of the Company in February 2003. Mr. Zhang is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions. Mr. Zhang obtained a bachelor's degree in Arts from Heilongjiang University in 1982 and later graduated from 中國人民銀行研究生部 (Graduate School of the People's Bank of China ("PBOC")) and obtained a master's degree in Economics. Mr. Zhang has over 20 years of experience in the PRC and international financial markets and held senior positions in a number of institutions. From December 1984 to February 1989, Mr. Zhang was a deputy division chief in 金融管理司 (Financial Administration Department) of the PBOC and was responsible for the supervision of financial markets in the PRC. From February 1989 to March 1993, Mr. Zhang was the chairman and general manager of Hainan Provincial Securities Company. Since the inception of China Securities Regulatory Commission ("CSRC") in April 1993, Mr. Zhang was the inaugural director of 證券機構監管部 (Department of Intermediary Supervision) until May 1996. During the periods from May 1992 to March 1993 and from June 1996 to February 2001, Mr. Zhang was the chairman of the investment committee of Hainan Fudao Investment Management Company which manages Hainan Fudao Investment Fund. Since 1996, Mr. Zhang is also the executive chairman of Oriental Patron Financial Services Group Limited ("OPFSGL").

Mr. ZHANG Gaobo, aged 42, was appointed as an executive director and chief executive officer of the Company in February 2003. Mr. Zhang is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions. Mr. Zhang obtained a bachelor's degree in Science from Henan University in 1985 and later graduated from the Peking University with a master's degree in Economics in 1987. From February 1988 to February 1991, Mr. Zhang was a deputy chief of the 海南省政府政策處 (Policy Division of Hainan Provincial Government). During his tenure with Hainan Provincial Government, he was responsible for drafting of economic policies for Hainan Provincial Government. From March 1991 to 1993, Mr. Zhang was deputy chief of 金融市場管理委員會 (Financial Markets Administration Committee) of PBOC Hainan Branch and was responsible for the regulation of financial markets in Hainan Province. From January 1992 to 1994, Mr. Zhang was chairman of 海南證券交易中心 (Hainan Stock Exchange Centre) and had the overall responsibility for the operation of Hainan Stock Exchange Centre. Mr. Zhang is also the managing director of OPFSGL.

Biographical Details of Directors and Senior Management (continued)

Non-executive Director

Mr. LIU Hongru, aged 76, was appointed as a non-executive director in February 2003. Mr. Liu graduated from the Economics Department of the University of Moscow in 1959 with an associate doctor's degree. Mr. Liu worked as the president of China Institute of Finance and Banking, a vice governor of the Agricultural Bank of China and PBOC, a deputy director of the State Economic Restructuring Committee, and the chairman of the CSRC. Mr. Liu is currently the chairman of The Chinese Financial Education Development Foundation and Capital Market Research Institute, and concurrently serves as a vice president of China Finance and Banking Society, a vice president of China National Debt Association. Mr. Liu is also a professor at the Peking University, the Tsinghua University, the Postgraduate School of the PBOC and the City University of Hong Kong. Mr. Liu is currently serves as an independent non-executive director of Petrochina Company Limited, CITIC 21CN Company Limited and Minmetals Resources Limited. He is also the honourable chairman of OPFSG.

Independent Non-executive Directors

Mr. KWONG Che Keung, Gordon, aged 57, has been an independent non-executive Director and the chairman of the audit committee of the Company since February 2003. Mr. Kwong has also been serving as a member of the remuneration committee of the Company since April 2005. He is also an independent non-executive director of a number of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely COSCO International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Tom Online Inc., Agile Property Holdings Limited and CITIC 1616 Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992 to 1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales.

Prof. HE Jia, aged 52, has been an independent non-executive director and a member of the audit committee of the Company since February 2003. Prof. He has also been serving as a member of the remuneration committee of the Company since April 2005. Prof. He is a professor of Department of Finance at the Chinese University of Hong Kong and a professor at the Tsinghua University. He was a commissioner of the Strategy and Development Committee of CSRC and director of research of Shenzhen Stock Exchange from June 2001 to October 2002. He is an editor of China Financial Economics Review, and is serving as a member of editorial boards of a number of journals, including *China Accounting and Finance Review* and *Research in Banking and Finance*. He holds a Doctor of Philosophy degree in Finance from the Wharton School of University of Pennsylvania, the United States.

Biographical Details of Directors and Senior Management (continued)

Independent Non-executive Directors (continued)

Mr. WANG Xiaojun, aged 52, has been an independent non-executive Director and a member of the audit committee of the Company since August 2004. Mr. Wang has also been serving as the chairman of the remuneration committee of the Company since April 2005. Mr. Wang is a partner of the X.J. Wang & Co. in Hong Kong and was admitted as a solicitor in England and Wales and Hong Kong. He has practiced PRC law in Beijing, and was admitted in the PRC, Hong Kong and England and Wales in 1988, 1995 and 1996, respectively. Mr. Wang has worked as a legal adviser in the Stock Exchange and Richards Bulter and has worked in investment banking activities in BNP Paribas Peregrine and ING Barings. He graduated from the People's University of China and the Graduate School of the Chinese Academy of Social Science and holds a bachelor degree in Laws and a master degree in Laws. Mr. Wang is currently an independent non-executive director of Yanzhou Coal Mining Company Limited and Guangzhou Shipyard International Company Limited.

SENIOR MANAGEMENT

Financial Controller

Ms. WONG Hiu Ling, aged 38, is the financial controller, qualified accountant and company secretary of the Company. She has over 10 years of experience in accounting. Prior to joining the Company in March 2004, Ms. Wong had worked for the financial services group in Hong Kong. Ms. Wong holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong, and is an associate member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Company Secretaries.

The directors ("Directors") of Concepta Investments Limited (the "Company") submit their report together with the audited financial statements for the year ended 31 March 2007 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated with limited liability as an exempted company in the Cayman Islands on 26 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 25.

The Directors propose a final dividend of HK\$0.05 per ordinary share, totalling HK\$5,000,000 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 27 and other details are set out in note 19 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the Year are set out in note 13 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 17 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 54.

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 18 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

In accordance with Article 113 of the Company's Articles of Association, Mr. KWONG Che Keung, Gordon and Prof. HE Jia will retire by rotation from office and, being eligible, offer themselves for re-election.

The non-executive Director and each of the independent non-executive Directors are appointed for a term of three years expiring on 31 May 2010 and they are also subject to retirement by rotation in accordance with the Company's Articles of Association.

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 1 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 31 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 22 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 AND/OR SHORT POSITIONS IN SHARES

As at 31 March 2007, the interests and short positions 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")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Company (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long position:

Name of director	Number of ordinary shares of the Company	Percentage of Share holding
	Corporate interests (Note)	
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, as at 31 March 2007, none of the Directors or chief executive had any interest or short positions in the shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2007, 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:

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. XIAO Wei	16,796,000	16.80%
Mr. WANG Wencang	14,096,000	14.10%
Ms. LI Luo Dan	9,000,000	9.00%
Mr. POON Tak Chun, Paul	9,000,000	9.00%

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, as at 31 March 2007, the Company has not been notified by any other persons, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of more than 25% of the issued capital of the Company as required under the Listing Rules.

MANAGEMENT CONTRACTS

Save as disclosed in the paragraph headed "Connected transactions" and note 22 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

During the Year, the Company had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) *Investment management agreement*

Pursuant to the Investment Management Agreement (the "Investment Agreement") dated 4 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 20 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.

On 16 March 2006, the Company entered into a supplemental investment management agreement (the "Supplemental Investment Agreement") with OPAL to renew the Investment Agreement for a further term of three years to 31 March 2008 on the same terms and conditions upon its expiry on 19 March 2006. The Supplemental Investment Agreement had been approved by independent shareholders on the extraordinary general meeting of the Company held on 18 April 2006 and effective on the same day.

During the Year, the Company paid/payable a management fee and a performance fee amounting to HK\$864,821 (2006: HK\$757,594) and HK\$1,050,465 (2006: HK\$308,710) respectively to OPAL.

OPAL is regarded as a connected person of the Company under Chapter 14A of 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 together with the Supplemental Investment Agreement constitute a connected transaction of the Company.

CONNECTED TRANSACTIONS (continued)

(b) Custodian agreement

Pursuant to the Custodian Agreement (the "Custodian Agreement") dated 26 February 2003, the Company appointed Standard Chartered Bank as its custodian with effect from 20 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 HK\$45,778 (2006: HK\$61,068).

The custodian is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly the Custodian Agreement constitutes a connected transaction of the Company.

(c) Licence agreement

On 1 February 2006, the Company entered 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 HK\$9,000 for a term of one year commencing from 16 February 2006. 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 the period from 16 February 2007 to 30 April 2008. The licence fee paid to OPFL during the Year amounted to HK\$108,000 (2006: HK\$108,000).

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.

(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 of approximately HK\$39,824 (2006: HK\$27,471).

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.

CONNECTED TRANSACTIONS *(continued)*

The independent non-executive Directors confirmed that the above connected transactions were entered into (i) on normal commercial terms and on the arm's length basis; (ii) in the ordinary and usual course of business of the Company; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive Directors also confirmed that the aggregate value of the annual management fee and performance fee paid and payable by the Company to the investment manager did not exceed its prescribed caps and the aggregate value of the annual custodian fee to the custodian, the aggregate value of the annual licence fee to OPFL and the aggregate value of the annual brokerage paid to OPSL 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.

Based on the work performed, the auditors of the Company have reported that the aforesaid continuing connected transaction under the Investment Agreement and the Supplemental Investment Agreement (i) have been approved by the board of Directors of the Company; (ii) have been entered into in accordance with the terms of the Investment Agreement and Supplement Investment Agreement governing the transactions; and (iii) have not exceed the prescribed caps.

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 OPFSSL as disclosed in the paragraph headed "Directors' and chief executive's interests and/or short position 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 22 to the financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Company was in compliance with the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules.

A detailed "Corporate Governance Report" setting out the Company's framework of governance and explanations about how the provisions of the CG Code have been applied are set out on pages 18 to 22 of this annual report.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefit scheme of the Company are set out in note 23 to the financial statements.

AUDIT COMMITTEE

The Company established an audit committee in accordance with rule 3.21 of the Listing Rules. The Company's audit committee comprised three independent non-executive Directors, namely, Mr. KWONG Che Keung, Gordon, Prof. HE Jia and Mr. WANG Xiaojun. Three meetings were held during the Year.

The summary of duties and works of the audit committee is set out in "Corporate Governance Report" in this annual report.

The audited financial statements for the Year have 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 ZHI PING

Executive Director

Hong Kong SAR, 24 July 2007

Corporate Governance Report

The board of directors (the "Board") recognises the importance of corporate governance to the Company's healthy growth and is dedicated to maintaining good standards of corporate governance so as to enhance corporate transparency and protect the interests of shareholders.

The Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 March 2007 (the "Year").

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promotion the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes the responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, appointment and retirement of directors and other significant financial and operational matters.

The executive directors are responsible for overseeing the day-to-day management of the Company's operations and implementation of the strategies set by the Board.

As the Company is an investment company, investment management services have been delegated to the investment manager and the custodian, fund services and transaction handling services have been delegated to the custodian. The delegated functions and work tasks are reviewed periodically by the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

The Board of the Company comprised the following directors:

Executive Directors

Mr. ZHANG Zhi Ping (*Chairman*)

Mr. ZHANG Gaobo (*Chief Executive Officer*)

Non-executive Director

Mr. LIU Hongru

Independent Non-executive Directors

Mr. KWONG Che Keung, Gordon (*Chairman of Audit Committee and member of Remuneration Committee*)

Prof. HE Jia (*member of Audit Committee and Remuneration Committee*)

Mr. WANG Xiaojun (*member of Audit Committee and Chairman of Remuneration Committee*)

The names and biographical details of each director are disclosed on pages 6 to 8 of this annual report.

During the Year, the Board at all times met the requirements of the Listing Rules in relation to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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 Listing Rules and the Company considers the independent non-executive directors are independent.

The non-executive director and each of the independent non-executive directors are appointed for a term of three years expiring on 31 May 2010 and they are also subject to retirement by rotation in accordance with the Company's Articles of Association.

Board Meetings

Regular Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the Year, 17 executive Board meetings and 4 full Board meetings were held and the attendance of individual directors was as follows:

Name of directors	Attendance	
	Executive Board	Full Board
Mr. ZHANG Zhi Ping	17/17	4/4
Mr. ZHANG Gaobo	17/17	4/4
Mr. LIU Hongru	-	4/4
Mr. KWONG Che Keung, Gordon	-	4/4
Prof. HE Jia	-	4/4
Mr. WANG Xiaojun	-	4/4

Corporate Governance Report (continued)

Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer of the Company are Mr. Zhang Zhi Ping and Mr. Zhang Gaobo respectively.

The Chairman is responsible for providing leadership for the Board and ensuring that the Board works effectively and that all key and appropriate issues are discussed by the Board on a timely manner.

The Chief Executive Officer is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions.

BOARD COMMITTEES

In order to strengthen the functions of the Board and to oversee particular aspects of the Company's affairs, two committees has been established, namely, the Remuneration Committee and the Audit Committee. Both committees are established with defined written terms of reference.

Remuneration Committee

The Board has established a Remuneration Committee comprising three independent non-executive directors, namely, Mr. Kwong Che Keung, Gordon, Prof. He Jia and Mr. Wang Xiaojun. Mr. Wang Xiaojun is the chairman of the Remuneration Committee.

The primary objective for setting up the Remuneration Committee is to comply with the code provisions as set out in the CG Code. Its responsibilities are to review and consider the Company's policy for remuneration of directors and senior management, to recommend to the Board the remuneration packages of executive directors, non-executive director and the senior management.

The Remuneration Committee held 1 meeting during the Year. Details of individual attendance of its members are set out below:

Name of directors	Attendance
Mr. KWONG Che Keung, Gordon	1/1
Prof. HE Jia	1/1
Mr. WANG Xiaojun	1/1

Audit Committee

The Audit committee comprised three independent non-executive directors, namely, Mr. Kwong Che Keung, Gordon, Prof. He Jia and Mr. Wang Xiaojun. Mr. Kwong Che Keung, Gordon is the chairman of the Audit Committee.

The main duties of the Audit Committee include the following:

- (1) To review the financial statements and reports and consider any significant or unusual items by the qualified accountant, compliance officer or external auditors before submission to the Board.
- (2) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (3) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held 3 meetings during the Year. Details of individual attendance of its members are set out below:

Name of directors	Attendance
Mr. KWONG Che Keung, Gordon	3/3
Prof. HE Jia	3/3
Mr. WANG Xiaojun	3/3

The Company's annual report for the Year has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the Year.

AUDITOR'S REMUNERATION

The Audit Committee reviews each year with the external auditors of the Company with regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them.

During the Year, the fees paid to the Company's auditors in respect of audit services amounted to HK\$180,000. No non-audit services were provided by the Company's auditors for the Year.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 23 to 24.

INTERNAL CONTROL

The Board has overall responsibility for the maintenance of an internal control system to protect shareholders' interest and safeguard the Company's assets.

During the Year, the Board has conducted an annual review of the effectiveness of the internal control system in compliance with the relevant Code Provisions as set out in the CG Code. Both of the Audit Committee and the Board are satisfied that the existing internal control system of the Company is adequate and effective.

COMMUNICATION WITH SHAREHOLDERS

The Company uses a range of communication tools to ensure its shareholders are kept well informed of the Company's information. These include timely publication of the Company's monthly net asset values, annual and interim results, various notices, announcements and circulars. The annual general meeting also serves as a communication channel between directors and shareholders. During the general meeting, chairman of the Board will be present to answer any queries that shareholders may have. Procedures for voting by poll and other relevant information have been included in all circulars accompanying notice convening general meeting.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirement.

The directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year which gives a true and fair view of the state of the Company.

RSM! Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF CONCEPTA INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Concepta Investments Limited (the "Company") set out on pages 25 to 53, which comprise the balance sheet as at 31 March 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report *(continued)*

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2007 and of its results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

24 July 2007

Income Statement

For the year ended 31 March 2007

	Note	2007 HK\$	2006 HK\$
Turnover	6	48,155,829	50,380,185
Cost of financial assets at fair value through profit or loss		(42,603,063)	(40,159,889)
Gross profit		5,552,766	10,220,296
Other income – interest income		1,019,556	430,828
Net unrealised gain on financial assets at fair value through profit or loss	15	6,764,348	786,463
Administrative expenses		(3,882,485)	(3,255,330)
Profit before tax		9,454,185	8,182,257
Income tax	8	(1,403,099)	(307,090)
Profit for the year	9	8,051,086	7,875,167
Final dividend proposed	10	5,000,000	–
Basic earnings per share	11	8.1 cents	7.9 cents

Balance Sheet

At 31 March 2007

	Note	2007 HK\$	2006 HK\$
Non-current assets			
Property, plant and equipment	13	-	7,077
Available-for-sale financial assets	14	778,000	778,000
		778,000	785,077
Current assets			
Financial assets at fair value through profit or loss	15	31,524,670	18,579,025
Prepayments and other receivables		138,498	114,382
Bank balances		30,577,667	34,768,451
		62,240,835	53,461,858
Current liabilities			
Accrued charges		1,345,353	748,433
Tax payable		433,069	308,340
		1,778,422	1,056,773
Net current assets		60,462,413	52,405,085
Total assets less current liabilities		61,240,413	53,190,162
Non-current liabilities			
Deferred tax	16	-	835
NET ASSETS		61,240,413	53,189,327
Capital and reserves			
Share capital	17	10,000,000	10,000,000
Reserves	19		
Final dividend proposed		5,000,000	-
Others		46,240,413	43,189,327
TOTAL EQUITY		61,240,413	53,189,327
Net asset value per share	20	0.61	0.53

ZHANG Zhi Ping
Director

ZHANG Gaobo
Director

Statement of Changes in Equity

For the year ended 31 March 2007

	Note	Reserves				Total HK\$
		Share capital HK\$	Share premium HK\$	(Accumulated losses)/ Retained profits HK\$	Final dividend proposed HK\$	
At 1 April 2005		10,000,000	36,593,108	(1,278,948)	-	45,314,160
Profit for the year		-	-	7,875,167	-	7,875,167
At 31 March 2006		10,000,000	36,593,108	6,596,219	-	53,189,327
Profit for the year		-	-	8,051,086	-	8,051,086
2007 final dividend proposed	10	-	-	(5,000,000)	5,000,000	-
At 31 March 2007		10,000,000	36,593,108	9,647,305	5,000,000	61,240,413

Cash Flow Statement

For the year ended 31 March 2007

	2007 HK\$	2006 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,454,185	8,182,257
Adjustments for:		
Interest income	(1,019,556)	(430,828)
Depreciation	7,077	7,720
Net unrealised gain on financial assets at fair value through profit or loss	(6,764,348)	(786,463)
Operating profit before working capital changes	1,677,358	6,972,686
(Increase)/Decrease in financial assets at fair value through profit or loss	(6,181,297)	294,638
(Increase)/Decrease in prepayments and other receivables	(3,140)	11,785
Increase in accrued charges	596,920	514,212
Decrease in amount due to a broker	-	(1,894,930)
Cash (used in)/generated from operations	(3,910,159)	5,898,391
Income tax paid	(1,279,205)	(598,321)
Net cash (used in)/generated from operating activities	(5,189,364)	5,300,070
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	998,580	430,828
Net cash generated from investing activities	998,580	430,828
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,190,784)	5,730,898
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	34,768,451	29,037,553
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30,577,667	34,768,451
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	30,577,667	34,768,451

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 27/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment company and the investment objective of the Company is to achieve earnings in the form of medium to long-term (i.e. one to five years) capital appreciation mainly through investments in listed and unlisted companies in the Greater China.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise all applicable individual Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Company's accounting policies and amounts reported for the current year and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 to the financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies applied in the preparation of the financial statements are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at a rate sufficient to write off their cost over their estimated useful lives on a straight-line basis, as follows:

Computer equipment	25%
--------------------	-----

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(c) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentive received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease term.

(d) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are investments not classified as held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement. For available-for-sale equity investments that do not have quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any impairment losses at each balance sheet date subsequent to initial recognition. Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement.

(e) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

(f) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably, on the following bases:

- (i) Sale of financial assets at fair value through profit or loss is recognised on a trade date basis when a sale and purchase contract is entered into;
- (ii) Dividend income is recognised when the shareholder's right to receive payment is established; and
- (iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(h) Employee benefits

- (i) Employee leave entitlements
Employee entitlements to annual leave and long service leave are recognised when they accrue to employees.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

- (ii) Pension obligations
The Company contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Company and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Company to the funds.
- (iii) Termination benefits
Termination benefits are recognised when, and only when, the Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Related parties

A party is related to the Company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

4 CRITICAL JUDGEMENTS AND KEY ESTIMATES

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of fair value of financial assets at fair value through profit or loss

In the absence of quoted market price in an active market, the directors estimate the fair value of the Company's investment in China Data Broadcasting Holdings Limited ("CHINA DATA"), details of which are set out in note 15 to the financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of CHINA DATA.

5 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The board of directors (the "Board") meets periodically to analyse and formulate strategies to manage the Company's exposure to market risk. The Company's exposure to market risk is kept to a minimum. The Company has not used any derivatives or other instruments for hedging purpose.

The significant financial risks to which the Company is exposed to are described below.

(a) *Market risk*

(i) Foreign currency risk

The Company has no significant foreign currency risk due to limited foreign currency transactions.

(ii) Interest rate risk

The Company is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short term bank deposits. Since the bank deposits are all short term in nature, any future variations in interest rates will not have a significant impact on the results of the Company.

(iii) Price risk

The Company is exposed to equity security price risk through its investments in equity securities. The Board manages this exposure by maintaining a portfolio of investments with different risk profiles.

5 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the balance sheet. The Company's credit risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its current obligations as they fall due. The Company's liquidity risk is minimal and is managed by matching the settlement of trading in securities. For the management of the Company's liquidity risk, the Company monitors and maintains a sufficient level of cash and cash equivalents adequate to finance the Company's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor its working capital requirements regularly.

(d) Fair values

The fair values of the Company's financial assets and liabilities are not materially different from their carrying amounts.

The fair values of financial assets traded in active markets such as listed equity investments, included in financial assets at fair value through profit or loss, are based on quoted market prices at the balance sheet date. The quoted market price for financial assets held by the Company usually is the current bid price.

At 31 March 2007, unlisted equity investments included in available-for-sale financial assets, are stated at cost less any impairment losses. The directors considered that the carrying amount of such assets would not materially differ from their fair values.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

6 TURNOVER

The Company is principally engaged in medium to long-term investments in listed and unlisted securities in the Greater China. An analysis of the Company's turnover is as follows:

	2007	2006
	HK\$	HK\$
Proceeds from sale of financial assets at fair value through profit or loss	47,737,069	50,018,690
Dividend income from listed investments	418,760	361,495
	48,155,829	50,380,185

7 SEGMENT INFORMATION

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

8 INCOME TAX

	2007	2006
	HK\$	HK\$
Current – Hong Kong Profits Tax		
Provision for the year	1,403,935	308,340
Over-provision in previous year	(1)	–
Deferred tax (<i>Note 16</i>)	(835)	(1,250)
Income tax	1,403,099	307,090

Hong Kong Profits Tax has been provided at a rate of 17.5% (2006:17.5%) on the estimated assessable profit for the year.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

8 INCOME TAX (continued)

The reconciliation between the income tax and the product of profit before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2007	2006
	HK\$	HK\$
Profit before tax	9,454,185	8,182,257
Tax at Hong Kong Profits Tax rate of 17.5% (2006:17.5%)	1,654,482	1,431,895
Tax effect of income that is not taxable	(251,705)	(138,656)
Tax effect of temporary differences not recognised	322	-
Tax effect of utilisation of deferred tax asset not previously recognised	-	(986,149)
Income tax	1,403,099	307,090

9 PROFIT FOR THE YEAR

The Company's profit for the year is stated after charging the following:

	2007	2006
	HK\$	HK\$
Auditor's remuneration	180,000	165,000
Depreciation	7,077	7,720
Investment management fee	864,821	757,594
Performance fee	1,050,465	308,710
Operating lease payments in respect of office premises	108,000	108,000
Staff costs (including directors' emoluments, <i>Note 12(a)</i>)		
Salaries and other benefits	912,000	912,000
Retirement benefits scheme contributions	25,000	25,000
	937,000	937,000

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

10 FINAL DIVIDEND PROPOSED

	2007	2006
	HK\$	HK\$
Final dividend proposed of HK\$0.05 (2006: Nil) per ordinary share	5,000,000	-

At a meeting of the Board held on 24 July 2007, the Board proposed a final dividend of HK\$0.05 (2006: Nil) per ordinary share which is subject to approval by the shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in these financial statements but it will be reflected as an appropriation of retained profits for the year ending 31 March 2008.

11 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Company's profit for the year of HK\$8,051,086 (2006: HK\$7,875,167) and the weighted average number of ordinary shares of 100,000,000 (2006: 100,000,000) in issue during the year.

There were no dilutive potential shares during the years ended 31 March 2007 and 2006. Accordingly, no diluted earnings per share has been presented.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to directors of the Company during the year are as follows:

	2007	2006
	HK\$	HK\$
Directors' fees:		
Non-executive director		
LIU Hongru	100,000	100,000
Independent non-executive directors		
KWONG Che Keung Gordon	100,000	100,000
HE Jia	100,000	100,000
WANG Xiaojun	100,000	100,000
	400,000	400,000
Other emoluments:		
Salaries and other benefits:		
Executive directors		
ZHANG Zhi Ping	130,000	130,000
ZHANG Gaobo	130,000	130,000
Retirement benefits scheme contributions:		
Executive directors		
ZHANG Zhi Ping	6,500	6,500
ZHANG Gaobo	6,500	6,500
	273,000	273,000
	673,000	673,000

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following band:

	2007	2006
	Number of	Number of
	directors	directors
Emolument band:		
HK\$Nil – HK\$1,000,000	6	6

(b) Senior management's emoluments

Of the five individuals whose emoluments were the highest in the Company for the year, 4 (2006: 4) were directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining individual (2006: 1) are as follows:

	2007	2006
	HK\$	HK\$
Salaries and other benefits	252,000	252,000
Retirement benefits scheme contributions	12,000	12,000
	264,000	264,000

The emoluments fell within the following band:

	2007	2006
	Number of	Number of
	individual	individual
HK\$Nil – HK\$1,000,000	1	1

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

13 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment
	<i>HK\$</i>
Cost	
At 1 April 2005, 31 March 2006 and 31 March 2007	30,880
Accumulated depreciation	
At 1 April 2005	16,083
Charge for the year	7,720
At 31 March 2006	23,803
Charge for the year	7,077
At 31 March 2007	30,880
Carrying amount	
At 31 March 2007	-
At 31 March 2006	7,077

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Unlisted equity securities, at cost	853,000	853,000
Less: Impairment losses	(75,000)	(75,000)
	778,000	778,000

At 31 March 2007, the available-for-sale financial assets are investments in unlisted equity securities. They are measured at cost less any impairment losses at each balance sheet date as the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair values cannot be measured reliably.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Details of the Company's investments in unlisted equity securities at 31 March 2007 are as follows:

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Investment value		Percentage of total assets of the Company	Net assets attributable to the Company (Note) HK\$
				Cost HK\$	Carrying amount HK\$		
(a) Creative Energy (Asia) Limited	Hong Kong	75,000 ordinary shares of HK\$1.00 each (2006: 75,000 ordinary shares of HK\$1.00 each)	15.00% (2006: 15.00%)	75,000 (2006: 75,000)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)
(b) Pacific Life Science Holdings Limited	Cayman Islands	1,000,000 ordinary shares of USD0.10 each (2006: 1,000,000 ordinary shares of USD0.10 each)	7.40% (2006: 8.70%)	778,000 (2006: 778,000)	778,000 (2006: 778,000)	1.23% (2006: 1.43%)	742,220 (2006: 772,212)

Note:

The calculation of net assets attributable to the Company is based on the latest management accounts of respective investees.

A brief description of the business and financial information of the unlisted investees, is as follows:

- (a) Creative Energy (Asia) Limited is principally engaged in the provision of services for environmental energy saving including design, implementation of energy efficiency management solutions system and retrofit projects with energy performance contract mechanism. No dividend was received during the year.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

- (b) Pacific Life Science Holdings Limited ("PACIFIC LIFE SCIENCE") is a holding company for private ventures in the life sciences industry in Asia. PACIFIC LIFE SCIENCE seeks to bring selected high potential North American life sciences projects to the Asian market in a form of joint venture with North American parent company. No dividend was received during the year. The unaudited loss attributable to shareholders of PACIFIC LIFE SCIENCE for the year ended 31 March 2007 was approximately HK\$402,000 (2006: profit of HK\$963,000) and the unaudited net asset value attributable to shareholders of PACIFIC LIFE SCIENCE at 31 March 2007 was approximately HK\$10,030,000 (2006: HK\$8,876,000).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007	2006
	HK\$	HK\$
Equity securities listed in Hong Kong, at fair value	31,524,670	18,579,025

The above investments in listed equity securities are classified as held for trading. The fair values of these listed equity securities are based on quoted market prices.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

Details of the Company's investments in listed equity securities at 31 March 2007 are as follows:

Equity securities listed on the Stock Exchange

At 31 March 2007

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Investment value			Percentage of total assets of the Company	Net assets attributable to the Company (Note 1)
				Cost HK\$	Market value HK\$	Unrealised gain/(loss) HK\$		
(a) Air China Limited	The People's Republic of China	400,000 H shares of RMB1.00 each	0.003%	1,412,094	2,160,000	747,906	3.43%	RMB891,728
(b) China BlueChemical Ltd.	The People's Republic of China	2,996,000 H shares of RMB1.00 each	0.065%	7,176,375	10,246,320	3,069,945	16.26%	RMB4,360,764
(c) CHINA DATA	Bermuda	5,000,000 ordinary shares of HK\$0.025 each	1.57%	9,534,875	Nil	Nil	Nil	71,843
(d) China Southern Airlines Company Limited	The People's Republic of China	950,000 H shares of RMB1.00 each	0.022%	2,662,572	3,363,000	700,428	5.34%	RMB2,241,360
(e) Guangdong Investment Limited	Hong Kong	2,780,000 ordinary shares of HK\$0.50 each	0.046%	7,749,936	11,592,600	2,001,600 (Note 2)	18.40%	5,806,390
(f) Man Yue International Holdings Limited	Bermuda	300,000 ordinary shares of HK\$0.10 each	0.063%	204,743	708,000	48,000 (Note 2)	1.12%	381,971
(g) MTR Corporation Limited	Hong Kong	95,000 shares of HK\$1.00 each	0.002%	1,939,226	1,856,300	(82,926)	2.95%	1,535,340
(h) The Link Real Estate Investment Trust	Hong Kong	43,500 units	0.002%	429,835	813,450	84,825 (Note 2)	1.29%	535,780
(i) Tianjin Capital Environmental Protection Company Limited	The People's Republic of China	250,000 H shares of RMB1.00 each	0.019%	590,430	785,000	194,570	1.25%	RMB453,503
				31,700,086	31,524,670	6,764,348		

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

Equity securities listed on the Stock Exchange (continued)

At 31 March 2006

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Investment value			Percentage of total assets of the Company	Net assets attributable to the Company (Note 1) HK\$
				Cost HK\$	Market value HK\$	Unrealised gain/(loss) HK\$		
CHINA DATA	Bermuda	5,000,000 ordinary shares of HK\$0.025 each	1.57%	9,534,875	Nil	(7,200,000) (Note 2)	Nil	229,800
Golden Eagle Retail Group Limited	Cayman Islands	100,000 shares of HK\$0.10 each	0.01%	318,182	385,000	66,818	0.71%	RMB37,311
Guangdong Investment Limited	Hong Kong	2,780,000 ordinary shares of HK\$0.50 each	0.05%	7,749,936	9,591,000	1,841,064	17.68%	5,739,145
Hopson Development Holdings Limited	Bermuda	432,000 ordinary shares of HK\$0.10 each	0.04%	1,889,866	7,214,400	5,324,534	13.30%	2,185,483
Man Yue International Holdings Limited	Bermuda	300,000 ordinary shares of HK\$0.10 each	0.07%	204,743	660,000	455,257	1.21%	311,109
The Link Real Estate Investment Trust	Hong Kong	43,500 units	0.002%	429,835	728,625	298,790	1.34%	474,300
				<u>20,127,437</u>	<u>18,579,025</u>	<u>786,463</u>		

Notes:

- (1) The calculation of net assets attributable to the Company is based on the latest published interim reports or annual reports of respective investees at the balance sheet date.
- (2) The unrealised gain/loss represented the changes in market value of the respective investees.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

Equity securities listed on the Stock Exchange (continued)

A brief description of the business and financial information of the listed investees, based on their latest published interim reports or annual reports, is as follows:

- (a) Air China Limited ("AIR CHINA") is principally engaged in providing air passenger, air cargo and airline-related services. No dividend was received during the year. The audited profit attributable to shareholders of AIR CHINA for the year ended 31 December 2006 was approximately RMB2,687,841,000 and the audited net asset value attributable to shareholders of AIR CHINA at 31 December 2006 was approximately RMB29,724,258,000.
- (b) China BlueChemical Ltd. ("CHINA BLUECHEM") is principally engaged in the production of nitrogenous fertilizer and methanol. No dividend was received during the year. The audited profit attributable to shareholders of CHINA BLUECHEM for the year ended 31 December 2006 was approximately RMB1,645,819,000 and the audited net asset value attributable to shareholders of CHINA BLUECHEM at 31 December 2006 was approximately RMB6,708,867,000.
- (c) CHINA DATA is principally engaged in the trading of consumer electronic products and the related parts and components. No dividend was received during the year. The unaudited loss attributable to shareholders of CHINA DATA for the six months ended 30 June 2006 was approximately HK\$2,410,000 and the unaudited net asset value attributable to shareholders of CHINA DATA at 30 June 2006 was approximately HK\$4,576,000. Due to the trading in shares of CHINA DATA on the Stock Exchange has been suspended for more than 2 years since 28 December 2004 and based on the latest published financial information of CHINA DATA, the directors are of opinion that the fair value of the Company's investment in CHINA DATA was nil at 31 March 2007.
- (d) China Southern Airlines Company Limited ("CHINA SOUTH AIR") is principally engaged in airline operations, aircraft maintenance and air catering operations. No dividend was received during the year. The audited profit attributable to shareholders of CHINA SOUTH AIR for the year ended 31 December 2006 was approximately RMB188,000,000 and the audited net asset value attributable to shareholders of CHINA SOUTH AIR at 31 December 2006 was approximately RMB10,188,000,000.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

Equity securities listed on the Stock Exchange (continued)

- (e) Guangdong Investment Limited ("GUANGDONG INVESTMENT") is principally engaged in investment holding and operations on core businesses, including water distribution, electric power generation, toll roads and bridges, property investment and development, hotel operations and management and retail. The Company received dividend income of HK\$278,000 during the year. The audited profit attributable to shareholders of GUANGDONG INVESTMENT for the year ended 31 December 2006 was approximately HK\$1,506,903,000 and the audited net asset value attributable to shareholders of GUANGDONG INVESTMENT at 31 December 2006 was approximately HK\$12,622,587,000.
- (f) Man Yue International Holdings Limited ("MAN YUE") is principally engaged in manufacturing and trading of electronic components and trading of raw materials. The Company received dividend income of HK\$12,000 during the year. The audited profit attributable to shareholders of MAN YUE for the year ended 31 December 2006 was approximately HK\$121,657,000 and the audited net asset value attributable to shareholders of MAN YUE at 31 December 2006 was approximately HK\$606,303,000.
- (g) MTR Corporation Limited ("MTR") is principally engaged in owning and operating the Mass Transit Railway and Octopus smart card system in Hong Kong; properties development and sale; leasing of commercial facilities and provision of other services within the Mass Transit Railway. No dividend was received during the year. The audited profit attributable to shareholders of MTR for the year ended 31 December 2006 was approximately HK\$7,759,000,000 and the audited net asset value attributable to shareholders of MTR at 31 December 2006 was approximately HK\$76,767,000,000.
- (h) The Link Real Estate Investment Trust ("THE LINK") is a collective investment scheme constituted as a unit trust that invests in retail and carpark real estate in Hong Kong. The Company received dividend income of HK\$23,760 during the year. The audited profit attributable to unitholders of THE LINK for the year ended 31 March 2007 was approximately HK\$4,354,000,000 and the audited net asset value attributable to unitholders of THE LINK at 31 March 2007 was approximately HK\$26,789,000,000.
- (i) Tianjin Capital Environmental Protection Company Limited ("TIANJIN CAPITAL") is principally engaged in environment protection and urban infrastructure construction. No dividend was received during the year. The audited profit attributable to shareholders of TIANJIN CAPITAL for the year ended 31 December 2006 was approximately RMB158,689,000 and the audited net asset value attributable to shareholders of TIANJIN CAPITAL at 31 December 2006 was approximately RMB2,386,858,000.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

16 DEFERRED TAX

The movement on the deferred tax liability in respect of accelerated tax depreciation is as follows:

	2007	2006
	HK\$	HK\$
Deferred tax liability at beginning of the year	835	2,085
Credited to the income statement for the year	(835)	(1,250)
	<hr/>	<hr/>
Deferred tax liability at end of the year	-	835

17 SHARE CAPITAL

	2007	2006
	HK\$	HK\$
<i>Authorised:</i>		
200,000,000 ordinary shares of HK\$0.10 each	20,000,000	20,000,000
	<hr/>	<hr/>
<i>Issued and fully paid:</i>		
100,000,000 ordinary shares of HK\$0.10 each	10,000,000	10,000,000
	<hr/>	<hr/>

18 SHARE OPTIONS

Under the Company's share option scheme adopted on 19 March 2003, the Board may at any time following the date of adoption and before the tenth anniversary thereof, offer to grant to certain selected classes of participants (including, among others, full-time employees) of the Company, an option to subscribe for shares as incentives or rewards for their contribution to the Company. The subscription price will be determined by the Board (subject to adjustment), and will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of the shares of the Company. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option schemes adopted by the Company may not exceed 30% of the share capital of the Company in issue from time to time. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the share option scheme at any time not later than 10 years from the date on which the offer for grant of the option is made.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

18 SHARE OPTIONS (continued)

No option has been granted or agreed to be granted under the share option scheme since its adoption.

19 RESERVES

The amounts of the Company's reserves and the movements therein are presented in the statement of changes in equity.

Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividends.

The Company's reserves available for distribution comprise the share premium and retained profits/accumulated losses. In the opinion of the directors, the Company's reserves available for distribution to the shareholders at 31 March 2007 were HK\$51,240,413 (2006: HK\$43,189,327).

20 NET ASSET VALUE PER SHARE

The net asset value per share is calculated by dividing the net asset value of the Company at 31 March 2007 of HK\$61,240,413 (2006: HK\$53,189,327) by the number of ordinary shares in issue at that date, being 100,000,000 (2006: 100,000,000).

21 LEASE COMMITMENTS

At 31 March 2007 the total future minimum lease payments under non-cancellable operating lease for office premises are payable as follows:

	2007	2006
	HK\$	HK\$
Within one year	108,000	94,500
In the second to fifth years inclusive	9,000	-
	117,000	94,500

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

22 RELATED PARTY TRANSACTIONS

During the year, the Company had entered into the following significant related party transactions:

Transactions and balances with related parties

Name of related party	Nature of transactions and balances	2007 HK\$	2006 HK\$
Oriental Patron Asia Limited ("OPAL") (Note a)	Investment management fee paid/payable (of which HK\$81,711 (2006: HK\$70,253) was included in accrued charges) (Note d)	864,821	757,594
OPAL	Accrued performance fee (Note d)	1,050,465	308,710
OPAL	Accrued advisory fee (Note e)	-	50,000
Oriental Patron Securities Limited ("OPSL") (Note b)	Commission paid (Note f)	39,824	27,471
Oriental Patron Finance Limited ("OPFL") (Note c)	Rental paid (Note g)	108,000	108,000

Notes:

- (a) OPAL (trading as Oriental Patron Fund Management for its fund management activities) is the investment manager of the Company and is a wholly owned subsidiary of Oriental Patron Financial Services Group Limited ("OPFSGL"). OPFSGL is a substantial shareholder of the Company which had an interest of 29.80% in the share capital of the Company at 31 March 2007 (2006: 29.80%). The directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo have significant influence in OPFSGL.
- (b) OPSL is a wholly owned subsidiary of OPFSGL.
- (c) OPFL is a fellow subsidiary of OPFSGL.

22 RELATED PARTY TRANSACTIONS (continued)

Transactions and balances with related parties (continued)

- (d) Investment management fee and performance fee are charged in accordance with the agreement with OPAL for investment management services. The investment management fee was calculated at 1.5% per annum on the Net Asset Value of the Company at each preceding month end as defined in the agreement. Performance fee represented 10% of the net increase in the Net Asset Value per share at the Performance Fee Valuation Day as defined in the agreement.
- (e) Advisory fee for the prior year was charged at a mutually agreed fee.
- (f) The commission fee was charged on the sale and purchase transactions of listed securities through OPFL.
- (g) The Company entered into a licence agreement with OPFL on 1 February 2006 in respect of the provision of the principal place of business of the Company for a term of one year for a monthly rental of HK\$9,000 with effect from 16 February 2006. Such licence agreement has been renewed under the same terms and conditions for the period from 16 February 2007 to 30 April 2008.

Compensation of key management personnel

The key management personnel of the Company comprises all directors, details of their remuneration are disclosed in Note 12(a) to the financial statements.

23 RETIREMENT BENEFITS SCHEME

The Company makes contributions to a defined contribution Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance which is available for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Company, in funds under the control of trustee. The Company contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

During the year, the Company's contributions charged to the income statement amounted to HK\$25,000 (2006: HK\$25,000).

24 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 24 July 2007.

Financial Summary

A summary of the published results and assets and liabilities of the Company for the last four financial years and the period from 26 July 2002 (date of incorporation) to 31 March 2003, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 March				Period from
	2007	2006	2005	2004	26 July 2002
	HK\$	HK\$	HK\$	HK\$	to 31 March
					2003
					HK\$
RESULTS					
Turnover	48,155,829	50,380,185	127,627,534	300,761,026	-
Profit/(Loss) before tax	9,454,185	8,182,257	(5,438,724)	17,306,560	(319,784)
Income tax	(1,403,099)	(307,090)	1,226	(2,828,226)	-
Profit/(Loss) for the year/period	8,051,086	7,875,167	(5,437,498)	14,478,334	(319,784)

	At 31 March				
	2007	2006	2005	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$
ASSETS AND LIABILITIES					
Total assets	63,018,835	54,246,935	48,043,717	65,269,602	46,391,073
Total liabilities	(1,778,422)	(1,057,608)	(2,729,557)	(4,517,944)	(117,749)
Net assets	61,240,413	53,189,327	45,314,160	60,751,658	46,273,324

Note:

The Company was registered as an exempted limited company in the Cayman Islands on 26 July 2002.