# Chairman's Statement

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of operations

During the year from 1 April 2000 to 31 March 2001, the Group had achieved turnaround in performance with profit attributable to shareholders of approximately HK$237 million as compared to the net loss of approximately HK$150 million for the same period in the previous financial year. After rounds of negotiation, there was a breakthrough in debt restructuring during the year. The Board of Directors was successful in reaching agreements with the financial creditors and subsequently with other creditors. Improvement in profit was attributed to the prominent progress on the debt restructuring which rendered the elimination of the significant amount of debts.

The name of the Company has been changed from Chun Tai Holdings Limited (駿泰集團有限公司) to Telecom Plus Holdings Limited (普納集團有限公司) in December 2000 in order to reflect more accurately the business focus and the corporate strategy of the Group.

During the year, new directors have been appointed to replace the old management. The new board and new management team consist of respectable scholars and professors, distinguished economist, experienced IT professionals, investment banker and R&D talents. They represent valuable assets to the Group.

Having noticed communication business is undergoing a period of rapid development and has significant growth potential especially in PRC, the Group acquired the entire issued share capital of Holy (Hong Kong) Universal Limited in January 2001 for a consideration of 60 million new shares of the Company, and 51% equity interest of Beijing HollyBridge System Integration Company Ltd. (北京合力金橋系統集成有限公司) in June 2001 for a cash consideration of HK$16 million respectively.

Both acquisitions could capitalize on the integration and consulting expertise of the new management in both information technology and financial markets together with their strong connection in the communication and internet sectors. The acquisitions could also further strengthen the communication business of the Group, including the trading of communication products, provision of system integration, design and development of IP applications and solution and consulting services.

The Group has also established a subsidiary in Shenzhen, which mainly engages in the business of the sale and distribution of electronic and communication products in PRC.

### Future Prospects

The Group will continue to seek investment opportunities on the communication related business which would bring synergy effect to the Group and increase the shareholders' value. Recently, the Group has successfully made sales contracts with various national telecommunication bureaus in PRC amounting to approximately RMB 130 million. These contracts mainly relate to system integration and provision of telecommunication value-added services. This reflects the Group has gradually increased its market share in information technology market in PRC.

# Chairman's Statement

Based on the existing business model and infrastructure, the Group will build up more business modules. With the Group's top-quality management, unsurpassed understanding of the specific market demands and technology requirements of our clients in PRC, we are confident that we are able to occupy a preponderant position in the new era of communication industry.

**Employment and remuneration policies**

The Group employs approximately 220 employees. Total staff costs incurred during the financial year amounted to approximately HK$4 million.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

**Liquidity and financial resources**

During the financial year under review, the Company allotted 190 million new shares with the net proceeds of approximately HK$63.5 million for repayment of the Group's debts and general working capital. Moreover, the Group converted certain of its debts into new shares of the Company to discharge the debts of approximately HK$131 million.

As at 31 March 2001, the Group's bank borrowings and other loan were amounted to approximately HK$23 million (2000: HK$227 million). The decrease was mainly attributable to the debt restructuring.

As at 31 March 2001, the Group's current ratios as a ratio of current assets to current liabilities, was 0.54 (2000: 0.10) and the gearing ratio, as a ratio of total liabilities to total assets, was 1.76 (2000: 3.68), which showed the substantial improvement in the liquidity position of the Group.

By Order of the Board
**Zou Yishang**
*Chairman*

Hong Kong, 16 July 2001