

Report of the Directors

The directors are pleased to present their report together with the audited financial statements of Telecom Plus Holdings Limited (formerly known as “Chun Tai Holdings Limited”) (the “Company”) and its subsidiaries (collectively known as the “Group”) for the year ended 31 March 2001.

CHANGE OF NAME

Pursuant to a special resolution passed on 19 December 2000 and the approval of the Registrar of Companies of Bermuda on 19 December 2000, the name of the Company was changed from Chun Tai Holdings Limited to Telecom Plus Holdings Limited effective from 19 December 2000 and a Chinese name of 普納集團有限公司 was adopted for identification purposes effective from 27 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 26 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group’s turnover and results by principal activities and geographical regions is set out in Note 5 to the financial statements.

RESULTS AND DISTRIBUTABLE RESERVES

The results for the year ended 31 March 2001 are set out in the financial statements on page 17.

At 31 March 2001, the Company had no reserves available for distribution in cash or in specie as computed in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended). The directors do not recommend the payment of a dividend, and recommend that the accumulated deficit of HK\$564,069,000 at 31 March 2001 be carried forward.

RESERVES

Movements in the reserves during the year are set out in Note 22 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases attributable to the Group’s major suppliers is as follows:

- The largest supplier 57%
- Five largest suppliers combined 99%

None of the directors, their respective associates nor shareholders (which to the knowledge of the Directors own more than 5% of the Company’s share capital) has any interest in the above suppliers at any time during the year.

The aggregate percentage of sales attributable to the Group’s five largest customers is more than 99% of the total amount involved.

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FIXED ASSETS

Details of the movement in fixed assets are set out in Note 12 to the financial statements.

SUBSIDIARIES

The particulars of the Company's principal subsidiaries as at 31 March 2001 are set out in Note 26 to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Company has allotted in total 452,608,187 new shares at issued prices ranging from HK\$0.30 to HK\$1.00 per share for settlement of the Group's debts, acquiring a subsidiary and general working capital. As at 31 March 2001, the Group's cash and bank balances were approximately HK\$5.9 million (2000: approximately HK\$4.5 million). At the same date, the Group's current ratio being the ratio of current assets to current liabilities, was 0.54 (2000: 0.10) and the gearing ratio, being the ratio of total liabilities to total assets, was 1.76 (2000: 3.68).

CAPITAL COMMITMENT

The particulars of the Group's capital commitments are set in Note 25 to the financial statements.

CONTINGENT LIABILITIES

The particulars of the Group's contingent liabilities are set out in Note 28 to the financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company are set out in Note 21 to the financial statements.

SUBSTANTIAL SHAREHOLDER

As at the balance sheet date, according to the register of interests required to be kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the following interests of 10% or more in the issued capital of the Company were recorded:

| Name | Number of shares interested |
|-------------------------|-----------------------------|
| Able Technology Limited | 146,126,000 Note (i) |

Note (i) The entire issued share capital of Able Technology Limited is beneficially owned by Mr. Zou Yishang.

Saved as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16 (1) of the SDI Ordinance as at the balance sheet date.

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DIRECTORS

The directors who held office during the year and up to the date of this report are:

Executive directors

| | |
|----------------|-----------------------------|
| Zou Yishang | |
| Zhou Yubo | |
| Chen Jian | (Appointed on 15 May 2000) |
| Ma Hongyao | (Appointed on 15 May 2000) |
| Chung Kam Ming | (Resigned on 7 August 2000) |
| Wong Kui Chuen | (Resigned on 15 May 2000) |

Non-executive directors

| | |
|---------------|-----------------------------|
| Ni Guangnan | (Appointed on 2 May 2000) |
| Weng Xianding | (Appointed on 10 July 2001) |

Independent non-executive directors

| | |
|----------------------|-----------------------------|
| Leung Wai Man, Roger | (Appointed on 19 June 2000) |
| Zhao Renwei | (Appointed on 19 June 2000) |

In accordance with clauses 87 (1) and (2) of the Company's bye-laws, (i) Mr. Zhou Yubo will retire at the forthcoming annual general meeting and will not offer himself for re-election; (ii) Mr. Chen Jian will retire by rotation at the forthcoming annual general meeting.

Pursuant to clause 86 (2) of the Company's bye-laws, Mr. Weng Xianding will retire at the forthcoming annual general meeting.

Mr. Chen Jian and Mr. Weng Xianding, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The profiles of Directors of the Company are set out on page 8.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

DIRECTORS' SERVICE CONTRACT

No director proposed for re-election at the forthcoming annual meeting has a contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

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DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 March 2001, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

(A) Interests in Company

| Name of director | Nature of interest and number of shares | | |
|------------------|---|----------------------|-------------|
| | Personal | Family | Corporate |
| Zou Yishang | – | – | 146,126,000 |
| Chen Jian | 60,000,000 | – | – |
| Zhou Yubo | – | 11,020,000 Note (ii) | – |

Note (ii) These 11,020,000 shares were owned by Ms. Zhang Lian, the spouse of Mr. Zhou Yubo.

(B) Interests in an associated corporation

| Name of director | Name of associated corporation | Number of shares interested in |
|------------------|--------------------------------|--------------------------------|
| | | the associated corporation |
| Zou Yishang | Able Technology Limited | 1 Note (iii) |

Note (iii) The interest of Mr. Zou Yishang in Able Technology Limited has been stated in Note (i) under "Substantial Shareholder".

Save as disclosed above, none of the directors, chief executives or their associates had any interest in the securities of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at the balance sheet date.

OPTION SCHEME

By an ordinary resolution passed at an annual general meeting of the Company held on 22 January 2001, the employee share option scheme of the Company adopted pursuant to a resolution of the Company passed on 15 January 1997 (the "Previous Scheme") was terminated. No share options under the Previous Scheme was exercised during the year as all share options granted lapsed in 1999.

A new share option scheme (the "Share Option Scheme") was adopted by the Company on 22 January 2001. Pursuant to the Share Option Scheme, the directors may, within a period of 10 years commencing from 22 January 2001, grant options to any employee and/or directors of the Company or any of its subsidiaries to subscribe for shares in the Company. No share options were granted under the Share Option Scheme during the year.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" below in Note 21, and Note 24 to the financial statements, no director had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries and associates was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under (b) of the section headed "Connected Transactions" below and in Note 21(b)(ii) to the financial statements and, other than the Company's Share Option Scheme, in which the directors and employees are eligible to participate, at no time during the year was the Company or any of its subsidiaries and associates a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

Connected transactions disclosed in accordance with Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:

- (a) On 22 September 2000, the Company and Full Hope Enterprises Limited ("Full Hope"), a wholly owned subsidiary of the Company, entered into an acquisition agreement with Mr. Chen Jian, an executive director of the Company. Pursuant to the acquisition agreement, Mr. Chen Jian agreed to sell and Full Hope agreed to acquire the entire issued share capital in Holy (Hong Kong) Universal Limited ("Holy (HK)") at a consideration of HK\$24 million by allotting 60,000,000 new shares at HK\$0.40 per share of the Company. The transaction was completed on 8 January 2001.
- (b) On 27 December 2000, the Company entered into a subscription agreement with Able Technology Limited, a company wholly owned by Mr. Zou Yishang, the Chairman of the Company, to subscribe 60,000,000 new shares at HK\$0.30 per share by Able Technology Limited. The subscription was completed on 2 March 2001.
- (c) On 12 February 2001, Holy (HK) entered into an acquisition agreement with the shareholders (the "Vendors") of Beijing HollyBridge System Integration Company Limited ("Beijing HollyBridge") to acquire a 51% interest in Beijing HollyBridge at a consideration of HK\$16 million. On 2 April 2001 and 14 May 2001 respectively, Holy (HK) and the Vendors entered into two supplementary agreements. Mr. Ma Hongyao and Mr. Chen Jian, being executive directors of the Company, and Mr. Ma Zhixuan, the son of Mr. Ma Hongyao (therefore an associate of Mr. Ma Hongyao), were three of the Vendors. The transaction was completed on 12 June 2001.

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PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

POST BALANCE SHEET EVENTS

The particulars of the Group's post balance sheet events are set out in Note 29 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year covered by the annual report, except that:

- a) Audit committee has been established on 7 August 2000 to review and supervise the Group's financial reporting and internal control; and
- b) no independent non-executive directors were appointed until 19 June 2000.

AUDITORS

Ernst & Young resigned during the year and the directors appointed Arthur Andersen & Co to fill the casual vacancy.

The financial statements have been audited by Arthur Andersen & Co. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the board

Zou Yishang

Chairman

Hong Kong,
16 July 2001.