



PLUS HOLDINGS LIMITED
普納集團有限公司

(Incorporated in Bermuda with limited liability)

The Board of Directors (the “Board”) of Plus Holdings Limited (formerly known as Telecom Plus Holdings Limited, the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002 together with the comparative figures for the last corresponding period as follows:

Condensed Consolidated Income Statement

		Unaudited	
		Six months ended	
		30 September	
		2002	2001
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	57,802	137,854
Cost of sales		<u>(45,491)</u>	<u>(111,435)</u>
Gross profit		<u>12,311</u>	<u>26,419</u>
Other revenue		5	265
Selling and distribution expenses		(4,033)	(3,113)
Administrative expenses		(20,754)	(4,741)
Impairment loss on investment in securities		(7,649)	–
Other operating expenses		<u>(1,057)</u>	<u>(1,093)</u>
(Loss) Profit from operations	3	(21,177)	17,737
Finance costs		<u>(1,747)</u>	<u>(2,424)</u>
(Loss) Profit before taxation		(22,924)	15,313
Taxation	4	<u>390</u>	<u>(1,388)</u>
(Loss) Profit before minority interest		(22,534)	13,925
Minority interest		<u>2,364</u>	<u>(3,706)</u>
(Loss) Profit attributable to shareholders		(20,170)	10,219
(Loss) Earnings per share	5		
Basic		<u>(1.7 cents)</u>	<u>1.0 cent</u>
Diluted		<u>N/A</u>	<u>0.9 cent</u>

Condensed Consolidated Statement of Changes in Equity

	Share Capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Exchange reserve (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 April 2002	114,838	339,229	27	(421,822)	32,272
Issue of shares	12,278	26,135	–	–	38,413
Loss for the period	–	–	–	(20,170)	(20,170)
At 30 September 2002	<u>127,116</u>	<u>365,364</u>	<u>27</u>	<u>(441,992)</u>	<u>50,515</u>
At 1 April 2001	89,151	288,156	–	(431,037)	(53,730)
Currency translation difference	–	–	235	–	235
Gain not recognised in the income statement	–	–	235	–	235
Issue of shares	16,891	27,335	–	–	44,226
Profit for the period	–	–	–	10,219	10,219
At 30 September 2001	<u>106,042</u>	<u>315,491</u>	<u>235</u>	<u>(420,818)</u>	<u>950</u>

Condensed Consolidated Balance Sheet

		As at 30 September 2002 (Unaudited) HK\$'000	As at 31 March 2002 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		10,828	11,288
Development cost		10,679	8,142
Goodwill		27,388	28,402
		48,895	47,832
Current assets			
Inventory		55,052	34,580
Trade and other receivables	6	68,609	101,299
Other investments		48,844	8,051
Amount due from an associate		383	932
Pledged bank deposits		1,002	4,446
Bank balances and cash		4,414	8,127
		178,304	157,435
Current liabilities			
Trade and other payables	7	67,926	77,096
Taxation payable		971	1,131
Deferred taxation		839	1,229
Bank and other borrowings – due within one year		75,209	51,390
Convertible bonds – due within one year		14,040	14,040
		158,985	144,886
Net current assets		19,319	12,549
Total assets less current liabilities		68,214	60,381
Minority interest		10,015	12,379
Non-current liabilities			
Bank and other borrowings – due after one year		7,684	8,710
Convertible bonds – due after one year		–	7,020
		7,684	15,730
NET ASSETS		50,515	32,272
CAPITAL AND RESERVES			
Share capital	8	127,116	114,838
Reserves		(76,601)	(82,566)
SHAREHOLDERS' FUNDS		50,515	32,272

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(9,968)	(10,238)
Net cash outflow from investing activities	(1,776)	(27,699)
Net cash inflow from financing activities	350	28,214
DECREASE IN CASH AND CASH EQUIVALENTS	(11,394)	(9,723)
Cash and cash equivalents at beginning of period	(2,780)	(16,848)
Effect of foreign exchange rates changes	-	(170)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>(14,174)</u>	<u>(26,741)</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	4,414	17,567
Bank overdrafts	-	(1,849)
Other borrowings	(18,588)	(37,742)
Bank loans	-	(4,717)
	<u>(14,174)</u>	<u>(26,741)</u>

Notes to the Condensed Financial Statements

1. Principal accounting policies

These interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee.

The accounting policies and basis of presentation used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended 31 March 2002, except that the following new/revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("SSAP") have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

2. Segmental information

The Company is an investment holding company and the following tables present turnover, profit/(loss) and expenditure information for the Group's business segments. No geographical segment analysis is provided as substantially all of the Group's turnover and contribution to results were derived from the People's Republic of China (the "PRC").

	Unaudited				Consolidated HK\$'000
	Six months ended 30 September 2002				
	Sales and integration service HK\$'000	Services income HK\$'000	Contract income HK\$'000	Unallocated corporate HK\$'000	
TURNOVER	<u>50,547</u>	<u>4,111</u>	<u>3,144</u>	<u>–</u>	<u>57,802</u>
RESULTS					
Segment results	<u>(6,698)</u>	<u>154</u>	<u>(520)</u>	<u>–</u>	<u>(7,064)</u>
Unallocated corporate expenses:					
– Impairment loss on investment in securities					<u>(7,649)</u>
– Other					<u>(6,464)</u>
Loss from operations					<u>(21,177)</u>
Finance costs	<u>(1,154)</u>	<u>(109)</u>	<u>(83)</u>	<u>(401)</u>	<u>(1,747)</u>
Loss before taxation					<u>(22,924)</u>
Taxation					<u>390</u>
Loss before minority interest					<u>(22,534)</u>
Minority interest					<u>2,364</u>
Loss attributable to shareholders					<u>(20,170)</u>

	Unaudited				
	Six months ended 30 September 2001				
	Sales and integration service <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Contract income <i>HK\$'000</i>	Unallocated corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>123,684</u>	<u>7,095</u>	<u>7,075</u>	<u>–</u>	<u>137,854</u>
RESULTS					
Segment results	<u>13,837</u>	<u>5,260</u>	<u>864</u>	<u>–</u>	19,961
Unallocated corporate expenses					<u>(2,224)</u>
Profit from operations					17,737
Finance costs	(1,340)	(17)	(17)	(1,050)	<u>(2,424)</u>
Profit before taxation					15,313
Taxation					<u>(1,388)</u>
Profit before minority interest					13,925
Minority interest					<u>(3,706)</u>
Profit attributable to shareholders					<u>10,219</u>

3. (Loss) Profit from operations

(Loss) Profit from operations has been arrived at after charging:

	Unaudited Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Charging:		
Amortisation of goodwill	1,014	600
Depreciation of fixed assets	1,109	645
Exchange losses, net	6	209
Interest on bank loans and overdrafts wholly repayable within one year	470	226
Interest on convertible bonds wholly repayable within five years	–	857
Interest on other loans	1,277	1,341
Loss on disposals of fixed assets	–	69
Operating lease rentals in respect of land and buildings	2,409	913
Staff costs including directors' emoluments	11,754	5,305
Contributions to retirement benefit schemes	38	161
	<hr/>	<hr/>
Total staff costs	11,792	5,466

4. Taxation

	Unaudited Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Taxation in PRC	–	1,388
Deferred taxation	(390)	–
	<hr/>	<hr/>
	(390)	1,388

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profits for both period.

Taxation in PRC is calculated at the rates prevailing in the PRC. Certain subsidiaries of the Group operating in the PRC are eligible for certain tax exemptions and concessions. Accordingly, PRC income tax has been provided taking into account of these tax exemptions and concessions.

5. (Loss) Earnings per share

(a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the net loss attributable to shareholders for the period of HK\$20,170,000 (2001: net profit of HK\$10,219,000), and the weighted average of 1,213,351,361 (2001: 997,379,979) ordinary shares in issue during the period.

(b) Diluted (loss) earnings per share

No diluted loss per share is shown for the six months ended 30 September 2002 as the effect of the Company's share options and convertible notes outstanding during the period was anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 September 2001 was based on the unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$10,219,000, as used in the basic earnings per share calculation, and the interest on convertible bonds for the period of HK\$857,000. The weighted average number of ordinary shares used in the calculation comprises the 997,379,979 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 125,577,358 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding and all outstanding balance of convertible bonds had been converted into shares during the period.

6. Trade and other receivables

The following is an aged analysis of trade receivables included in trade and other receivables at the balance sheet date:

	As at 30 September 2002 (Unaudited) HK\$'000	As at 31 March 2002 (Audited) HK\$'000
Trade receivables:		
Within 30 days	653	37,782
Over 30 days but within 90 days	2,404	9,871
Over 90 days but within 180 days	27,751	32,680
	<hr/> 30,808	80,333
Other receivables	37,801	20,966
	<hr/> 68,609	<hr/> 101,299

7. Trade and other payables

The following is an aged analysis of trade payables included in trade and other payables at the balance sheet date:

	As at 30 September 2002 (Unaudited) HK\$'000	As at 31 March 2002 (Audited) HK\$'000
Within 90 days	11,254	20,939
Over 90 days but within 180 days	<u>2,662</u>	<u>12,931</u>
	13,916	33,870
Other payables	<u>54,010</u>	<u>43,226</u>
	<u>67,926</u>	<u>77,096</u>

8. Share Capital

	No. of shares '000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
Beginning and end of period	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
Beginning of period	1,148,383	114,838
As consideration to acquire 15,046,000 ordinary shares of Dynamic Holdings Limited	90,276	9,028
Conversion of US\$900,000 convertible bonds into subscription shares	<u>32,504</u>	<u>3,250</u>
End of period	<u>1,271,163</u>	<u>127,116</u>

9. Related party disclosures

As at the balance sheet date, a director of the Company provided guarantee on other loan of the Group.

10. Contingent liabilities

As at 30 September 2002, the Group provided guarantees in respect of other loans granted to a former subsidiary with an amount of approximately HK\$36 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

During the period from 1 April 2002 to 30 September 2002, the Group recorded a turnover of approximately HK\$58 million, representing a decrease of 58% when comparing to last corresponding period. Nevertheless, the Group managed to increase the gross profit margin to 21% when compared with 19% for the last corresponding period. Loss attributable to shareholders is approximately 20 million.

Business review

The performance of the IT business of the Group was affected by the global slow-down in the telecommunication market. Although the Group has completed the development of the first generation Very High-rate Digital Subscriber Line (“VDSL”) products and VDSL-based Network Management Software, the market demand for VDSL products was slower than expected.

The gross margin in the last six months increased about 11% compared to the same period of last year. The improvement was the result of intense focusing on application software and business/operations support system development projects that have high profitability. In October 2002, the Group obtained the “Certificate of Software Enterprise” issued by the Ministry of Information Industry of the PRC, stressing the ability and importance of software development and services as major drivers of the Group’s revenues. The current focus of the Group on these business segments has significantly improved both its profitability and future competitiveness.

Significant events

Effective 27 September, 2002, the Group has changed its name from Telecom Plus Holdings Limited to Plus Holdings Limited, better to reflect the broader strategy and business activities in the process of implementation. In order to contribute to the leading of the Company into an era of strong growth, there were three new directors appointed to the Board, namely: Mr. Wang Xu, Mr. Zhang Keqiang and Ms. Chow King Lin, Theresa. In addition, Mr. Gu Hao has joined the Group as the General Manager since October 2002. Mr. Gu has 10 years solid experience in IT industry and seasoned management skills. He is responsible for overseeing the entire operations of the Group.

Acquisitions

In April 2002, the Group has entered into agreements to acquire 6.87% of the shares outstanding in Dynamic Holdings Limited (“Dynamic”) (SEHK Code: 29) from various independent parties by issuing 90,276,000 new shares of the Company to those parties. The transaction was completed in June 2002. Dynamic is engaged in property investments and business development in the PRC. Good asset quality, seasoned and qualified management team and, the future growth potential of Dynamic represent a good opportunity for the Group to increase its earning base and, at the same time, enhance the quality of its assets.

In July 2002, the Group signed a letter of intent with Poly Southern Group Co. Ltd. regarding the co-development of Shenzhen Poly Castle in the District of Nanshan, a project featuring commercial plazas, office buildings, hotels and leisure facilities. In addition, the Group signed a letter of intent with the Shenzhen Xili Lake Holiday Resort to enhance the attractiveness of the resort and increase its tourist-flow.

Future Prospects

In the second half of the fiscal year, the Group will continue the development of application software and system solutions for the telecommunications and tobacco industries and thereby increase profitability. Furthermore, the continued upgrading of the information systems of the PRC enterprises, with an approximate investment amount of RMB500 billion, will represent an outstanding growth opportunity for the Group. Based on these positive trends, the Board believes that the profitability of the Group's IT business will show a gradual but strong improvement.

The Group will use its in-depth knowledge of the PRC market and its existing alliances to make investment decisions in order to maximize its profits. With its rich pool of talents and broad network in the United States and in the PRC, it will continue to tap into profitable business and investment opportunities to increase shareholders' value. In addition to focusing on the information technology industry, strategic investments will be made in projects related to the Shenzhen Western Corridor to accelerate the Group's growth-rate.

EMPLOYMENT AND REMUNERATION POLICIES

The Group employs approximately 300 employees. 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.

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the terms of the Scheme.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internal generated resources and the loan facilities provided by various financial institutions. Borrowings obtained by the Group amounted to approximately HK\$70 million at fixed interest rate for trade finance purposes. The Group had bank balances of approximately HK\$4 million as at 30 September 2002.

As at 30 September 2002, bank deposits of approximately HK\$1 million were pledged to a bank to secure banking facilities granted to the Group. In addition, other investments of approximately HK\$49 million were pledged to secure other borrowings of the Group.

The Group had limited exposure to foreign exchange rate fluctuation as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars, US dollars or Renminbi and the exchange rates of these currencies were relatively stable throughout the period.

As at 30 September 2002, the Group's current ratios as a ratio of current assets to current liabilities, was 1.122 (31 March 2002: 1.087) and the gearing ratio, as a ratio of total liabilities to total assets, was 0.734 (31 March 2002: 0.782).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2002.

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 six months ended 30 September 2002.

DIRECTORS' INTERESTS IN SHARES

As at 30 September, 2002, the interests of the directors of the Company and their associates in the share capital of the Company and of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of directors	Nature of interest	Number of ordinary shares of the Company held
Zou Yishang	Corporate (<i>note 1</i>)	258,130,790
Zou Yishang	Family (<i>note 2</i>)	406,000
Zhang Keqiang	Personal	53,754,000
Chow King Lin, Theresa	Personal	6,000

Note 1: These shares are beneficially owned by Able Technology Limited, which is beneficially wholly-owned by Mr. Zou Yishang.

Note 2: These shares are beneficially owned by Ms. Cui Xia, the spouse of Mr. Zou Yishang.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, as at 30 September, 2002, none of the directors or chief executives, or any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 30 September, 2002.

SHARE OPTION SCHEME

The Scheme was adopted pursuant to a resolution passed on 22 January, 2001. The following share options were outstanding under the Scheme during the period:

Name and category of participants	Number of share options				Date of grant of share options	Exercise period of share options	Subscription price per share
	At 1 April, 2002	Granted during the period	Lapsed during the period	At 30 September, 2002			
Directors							
Mr. Zou Yishang	20,000,000	-	-	20,000,000	29 August, 2001	29 August, 2001 to 28 August, 2011 (<i>Note a</i>)	0.3520
Mr. Ma Hongyao	15,000,000	-	-	15,000,000	29 August, 2001	29 August, 2001 to 28 August, 2011 (<i>Note a</i>)	0.3520
Mr. Chen Jian	17,000,000	-	-	17,000,000	29 August, 2001	29 August, 2001 to 28 August, 2011 (<i>Note a</i>)	0.3520
Ms. Chow King Lin, Theresa	1,000,000	-	-	1,000,000	3 August, 2001	3 August, 2001 to 2 August, 2011 (<i>Note b</i>)	0.3672
	1,000,000	-	-	1,000,000	29 August, 2001	29 August, 2001 to 28 August, 2011 (<i>Note a</i>)	0.3520
	<u>54,000,000</u>	<u>-</u>	<u>-</u>	<u>54,000,000</u>			
Other employees in aggregate							
	3,500,000	-	-	3,500,000	3 August, 2001	3 August, 2001 to 2 August, 2011 (<i>Note b</i>)	0.3672
	39,084,000	-	(2,108,000)	36,976,000	29 August, 2001	29 August, 2001 to 28 August, 2011 (<i>Note a</i>)	0.3520
	<u>42,584,000</u>	<u>-</u>	<u>(2,108,000)</u>	<u>40,476,000</u>			
	<u><u>96,584,000</u></u>	<u><u>-</u></u>	<u><u>(2,108,000)</u></u>	<u><u>94,476,000</u></u>			

Note a: The options will vest in four tranches in the proportion of 15% : 25% : 30% : 30%. The first tranche of the options has vested on 1 April, 2002. The second, third and fourth tranche will vest on 1 April, 2003, 1 April, 2004 and 1 April, 2005, respectively.

Note b: The options are immediately vested on the date of grant.

During the period, no options were cancelled by the Company or exercised by the grantees. An aggregate of 2,108,000 options has lapsed upon termination of employment of the relevant employees with the Group.

The directors do not consider that it is appropriate to disclose a theoretical value of the share options granted during the period, because in the absence of a readily available market value for share options of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.

AUDIT COMMITTEE

The audit committee, which comprises of two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results.

CODE OF BEST PRACTICE

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except that the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company’s bye-laws.

By Order of the Board
Zou Yishang
Chairman

Hong Kong, 27 December 2002