

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Plus Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2003.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting held on 27 September 2002 and the approval of the Registrar of Companies of Bermuda on 27 September 2002, the name of the Company was changed from Telecom Plus Holdings Limited to Plus Holdings Limited effective 27 September 2002. The Chinese name as 普納集團有限公司 of the Company, which is for identification purpose only, will remain the same.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activities of the Company’s subsidiaries as at 31 March 2003 are set out in notes 40 and 18 to the financial statements.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 27.

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 30.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2003.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and of the Company during the year are set out in note 14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest customer and the five largest customers of the Group accounted for approximately 28% and 49%, respectively, of the total turnover of the Group for the year.

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MAJOR CUSTOMERS AND SUPPLIERS *(Cont'd)*

The aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 11% and 36%, respectively, of the total purchases of the Group for the year.

As far as the directors are aware, neither the directors, their respective associates, nor any shareholder of the Company own more than 5% of the issued share capital of the Company, or have any interest in any of the Group's five largest customers or suppliers.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published consolidated results, assets and liabilities of the Group for the past five financial years is set out on page 76.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Zou Yishang

Ma Hongyao

Zhang Keqiang (appointed on 11 September 2002)

Chow King Lin, Theresa (appointed on 11 September 2002)

Magdalene Halasz (appointed on 1 July 2003)

Wang Xu (appointed on 11 September 2002 and resigned on 5 March 2003)

Chen Jian (resigned on 27 September 2002)

Non-executive directors:

Weng Xianding

Chang Zhenming (appointed on 17 January 2003)

Ni Guangnan (resigned on 27 September 2002)

Independent non-executive directors:

Leung Wai Man, Roger

Zhao Renwei

In accordance with clauses 87(1) and 87(2) of the Company's bye-laws, Mr. Zhao Renwei will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

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DIRECTORS (Cont'd)

In accordance with clause 86(2) of the Company's bye-laws, Mr. Zhang Keqiang, Ms. Chow King Lin, Theresa, Ms. Magdalene Halasz and Mr. Chang Zhenming will retire at the forthcoming annual general meeting and, being eligible, may offer themselves for re-election.

Mr. Zou Yishang entered into a service contract with the Company commencing on 12 January 2001 for an initial term of three years and shall continue thereafter unless terminated by not less than six months' notice in writing, served by either party on the other.

Except for Mr. Zou Yishang, no director (including the non-executive directors and independent non-executive directors) has entered into any service agreements with the Company. In accordance with clauses 87(1) and 87(2) of the Company's bye-laws, the terms of office of the directors are subject to retirement by rotation at annual general meetings.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

Under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")

As at 31 March 2003, 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 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	Type of interests	Number of ordinary shares of the Company held
Zou Yishang	Corporate (Note 1)	258,130,790
	Family (Note 2)	406,000
Zhang Keqiang	Personal	53,754,000
Chow King Lin, Theresa	Personal	6,000

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

Note 2: These shares are held by Ms. Cui Xia, the spouse of Mr. Zou Yishang. By virtue of the SDI Ordinance, Mr. Zou Yishang is taken to be interested in these 406,000 shares.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by certain directors in trust for the Group, as at 31 March 2003, 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.

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DIRECTORS' INTERESTS IN SHARES *(Cont'd)*

Under the Securities and Futures Ordinance (the "SFO")

As at the date of this report, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which the directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares of the Company

Names	Capacity	Type of interests	Aggregate long position in shares and underlying shares	Approximate % of the issued share capital
Zou Yishang	Beneficial owner	Corporate	258,130,790 <i>(Note 1)</i>	18.83
	Interest of spouse	Family	406,000 <i>(Note 2)</i>	0.03
	Beneficial owner	Personal	20,000,000	1.46
Ma Hongyao	Beneficial owner	Personal	15,000,000	1.09
Zhang Keqiang	Beneficial owner	Personal	54,754,000	3.99
Chow King Lin, Theresa	Beneficial owner	Personal	2,006,000	0.15

Notes:

1. These 258,130,790 shares are beneficially owned by Able Technology Limited, which is wholly-owned by Mr. Zou Yishang.
2. These 406,000 shares are beneficially owned by Ms. Cui Xia, the spouse of Mr. Zou Yishang. By virtue of the SFO, Mr. Zou Yishang is taken to be interested in these 406,000 shares.

Save as disclosed above, as at the date of this report, none of the directors nor the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she took or deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange.

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SUBSTANTIAL SHAREHOLDERS

Under the SDI Ordinance

As at 31 March 2003, other than the interests and long positions of the directors or chief executives of the Company as disclosed above, 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.

Under the SFO

As far as it is known to any directors or chief executives of the Company, as at the date of this report, other than the interests and short positions of the directors or chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the shares of the Company

Names	Capacity	Type of interests	Number of shares held	Approximate % of the issued share capital
BAPEF Investments II Limited	Beneficial owner	Corporate	120,137,995 (Note)	8.76
Baring Asia Private Equity Fund L.P.2	Interest of a controlled corporation	Corporate	120,137,995 (Note)	8.76
Continental Mariner Investment Co., Ltd.	Interests of a controlled corporation	Corporate	117,636,000	8.58
Kenwin Investments Limited	Interests of a controlled corporation	Corporate	106,552,000	7.77

Note: Baring Asia Private Equity Fund L.P.2, the controlling shareholders of BAPEF Investments II Limited, is an interested party to these 120,137,995 shares.

Save as disclosed above, as at the date of this report the Company has not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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SHARE OPTION SCHEME

Particulars of the Company's share option scheme and other details are set out in note 27 to the financial statements.

The following share options were outstanding under the Company's share option scheme during the year:

Name and category of participants	Number of share options			At 31 March 2003	Date of grant	Exercisable period	Exercise price per share
	At 1 April 2002	Granted during the year	Lapsed during the year				
Directors							
Mr. Zou Yishang	20,000,000	-	-	20,000,000	29 August 2001	29 August 2001 to 28 August 2011 (Note b)	0.3520
Mr. Ma Hongyao	15,000,000	-	-	15,000,000	29 August 2001	29 August 2001 to 28 August 2011 (Note b)	0.3520
Ms. Chow King Lin, Theresa	1,000,000	-	-	1,000,000	3 August 2001	3 August 2001 to 2 August 2011 (Note c)	0.3672
	1,000,000	-	-	1,000,000	29 August 2001	29 August 2001 to 28 August 2011 (Note b)	0.3520
Mr. Chen Jian	17,000,000	-	(17,000,000)	-	29 August 2001	29 August 2001 to 28 August 2011 (Note b)	0.3520
	<u>54,000,000</u>	<u>-</u>	<u>(17,000,000)</u>	<u>37,000,000</u>			
Other employees in aggregate							
	3,500,000	-	(1,000,000)	2,500,000	3 August 2001	3 August 2001 to 2 August 2011 (Note c)	0.3672
	39,084,000	-	(8,294,000)	30,790,000	29 August 2001	29 August 2001 to 28 August 2011 (Note b)	0.3520
	<u>42,584,000</u>	<u>-</u>	<u>(9,294,000)</u>	<u>33,290,000</u>			
	<u>96,584,000</u>	<u>-</u>	<u>(26,294,000)</u>	<u>70,290,000</u>			
			(Note a)				

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SHARE OPTION SCHEME *(Cont'd)*

Note a: Options to subscribe for an aggregate of 26,294,000 shares of the Company were lapsed upon termination of employment of a director and certain employees with the Group.

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

During the year, no options were cancelled by the Company and no options were exercised by the grantees.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Scheme in which the directors and the employees are eligible to participate, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate. None of the directors or chief executives, nor any of their spouses or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

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.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance, in relation to the business of the Company and any of its subsidiaries, to which the Company or a subsidiary was a party and in which a 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.

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RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions disclosed in accordance with Chapter 14 of the Listing Rules are set out in note 38 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 37 to the financial statements.

RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDIT COMMITTEE

The Company had set up an audit committee (the "Committee") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee is comprised of the two independent non-executive directors of the Company, namely, Mr. Zhao Renwei and Mr. Leung Wai Man, Roger. The Group's audited financial statements for the year ended 31 March 2003 have been reviewed by the Committee.

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CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of 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.

AUDITORS

Followed by the resignation of Ernst & Young as auditors of the Company, Arthur Andersen & Co. was appointed as auditors of the Company to fill the casual vacancy effective 13 June 2001. Arthur Andersen & Co. resigned as auditors of the Company on 27 March 2002 and Deloitte Touche Tohmatsu was appointed as auditors of the Company to fill the casual vacancy. Deloitte Touche Tohmatsu resigned as auditors of the Company on 16 July 2003 and KLL Associates CPA Limited was appointed as auditors of the Company to fill the casual vacancy.

The financial statements have been audited by KLL Associates CPA Limited. A resolution will be submitted to the annual general meeting to ratify and re-appointed KLL Associates CPA Limited as auditors of the Company.

On behalf of the Board

Zou Yishang

Chairman

Hong Kong, 14 October 2003