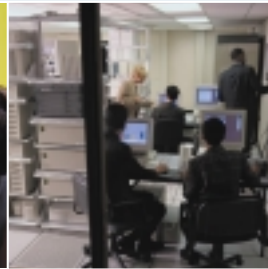




PLUS HOLDINGS LIMITED

普納集團有限公司

(Incorporated in Bermuda with limited liability)



Interim Report 2003/2004



The Board of Directors (the “Board”) of 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 2003 together with the comparative figures for the last corresponding period as follows:

Condensed Consolidated Income Statement

		Unaudited	
		Six months ended	
		30 September	
		2003	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	18,257	57,802
Cost of sales		(14,313)	(45,491)
Gross profit		3,944	12,311
Other revenue		1,031	5
Selling and distribution expenses		(1,711)	(4,033)
Administrative expenses		(14,356)	(20,754)
Impairment gain/(loss) on Investment in securities		7,193	(7,649)
Other operating expenses		–	(1,057)
Loss from operations	3	(3,899)	(21,177)
Finance costs		(1,617)	(1,747)
Loss before taxation		(5,516)	(22,924)
Taxation	4	–	390
Loss before minority interests		(5,516)	(22,534)
Minority interests		4,532	2,364
Loss attributable to shareholders		(984)	(20,170)
Loss per share	5		
Basic		(0.1 cent)	(1.70 cents)
Diluted		N/A	N/A

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 2003	127,116	365,117	27	(508,337)	(16,077)
Issue of shares	10,000	–	–	–	10,000
Loss for the period	–	–	–	(984)	(984)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2003	<u>137,116</u>	<u>365,117</u>	<u>27</u>	<u>(509,321)</u>	<u>(7,061)</u>
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2002	<u>127,116</u>	<u>365,364</u>	<u>27</u>	<u>(441,992)</u>	<u>50,515</u>

Condensed Consolidated Balance Sheet

		As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		8,034	7,375
Goodwill		25,361	26,375
Interest in associates		4,530	4,530
		<u>37,925</u>	<u>38,280</u>
Current assets			
Inventories		77,422	64,682
Trade and other receivables	6	45,733	59,590
Other investments		16,875	10,676
Pledged and bank deposits		1,002	1,002
Bank balances and cash		8,875	6,766
		<u>149,907</u>	<u>142,716</u>
Current liabilities			
Trade and other payable	7	118,755	113,413
Amount due to a related company		–	47
Amount due to directors		956	879
Amount due to associates		5,763	6,902
Taxation payable		720	885
Bank and other borrowings – within one year		47,646	48,800
Convertible bonds – due within one year		14,040	14,040
		<u>187,880</u>	<u>184,966</u>
Net current liabilities		<u>(37,973)</u>	<u>(42,250)</u>
Total assets less current liabilities		<u>(48)</u>	<u>(3,970)</u>
Minority interests		<u>1,361</u>	<u>5,893</u>
Non-current liabilities			
Bank and other borrowings – due after one year		4,423	4,985
Deferred taxation		1,229	1,229
		<u>5,652</u>	<u>6,214</u>
NET LIABILITIES		<u>(7,061)</u>	<u>(16,077)</u>
CAPITAL AND RESERVES			
Share capital	8	137,116	127,116
Reserves		(144,177)	(143,193)
SHAREHOLDERS' FUNDS		<u>(7,061)</u>	<u>(16,077)</u>

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(5,932)	(9,968)
Net cash outflow from investing activities	(243)	(1,776)
Net cash inflow from financing activities	8,284	350
	<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,109	(11,394)
Cash and cash equivalents at beginning of period	6,766	(2,780)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,875	(14,174)
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as previously reported	8,875	4,414
Effect of reclassification of other borrowings	–	(18,588)
	<hr/>	<hr/>
Cash and cash equivalents as restated, represented by bank balances and cash	8,875	(14,174)
	<hr/>	<hr/>

Notes to the Condensed Financial Statements

1. Basis of preparation

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

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" issued by The Hong Kong Society of Accountants.

2. Turnover and segment information

The Company is an investment holding company. 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			
	Six months ended 30 September 2003			
	Sales and integration service <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Contract income <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>15,906</u>	<u>2,335</u>	<u>16</u>	<u>18,257</u>
RESULTS				
Segment results	<u>(7,399)</u>	<u>(388)</u>	<u>(727)</u>	(8,514)
Unallocated corporate expenses				<u>4,615</u>
Loss from operations				(3,899)
Finance costs				<u>(1,617)</u>
Loss before taxation				(5,516)
Taxation				<u>0</u>
Loss before minority interests				(5,516)
Minority interests				<u>4,532</u>
Loss attributable to shareholders				<u>(984)</u>

Unaudited
Six months ended 30 September 2002

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

3. Loss from operations

Loss from operations has been arrived at after charging:

	Unaudited	
	Six months ended	
	30 September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging:		
Amortisation of goodwill (included in administrative expenses)	1,014	1,014
Depreciation of fixed assets	883	1,109
Exchange losses, net	–	6
Interest on bank loans and overdrafts	–	470
Interest on other borrowings wholly repayable within five years	1,617	1,277
Operating leases rentals in respect of land and buildings	1,528	2,409
Staff costs including directors' emoluments	6,983	11,754
Contributions to retirement benefit schemes	26	38
	<hr/>	<hr/>
Total staff costs	7,009	11,792
	<hr/> <hr/>	<hr/> <hr/>

4. Taxation

	Unaudited	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Taxation in PRC	-	-
Deferred taxation	-	(390)
	<hr/>	<hr/>
	-	(390)
	<hr/> <hr/>	<hr/> <hr/>

No provisions for Hong Kong or PRC taxes have been made in the financial statements as the Group had no assessable profits in either period.

5. Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the net loss attributable to shareholders amounting to HK\$984,000 for the period (2002: net loss of HK\$20,170,000), and the weighted average of ordinary shares in issue during the period was 1,367,162,483 (2002: 1,213,351,361).

(b) *Diluted loss per share*

No diluted loss per share is shown for the six months ended 30 September 2003 and 2002 as the effect the Company's share options and convertible notes outstanding during the periods were anti-dilutive.

6. Trade and other receivables

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

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
Trade receivables:		
Within 30 days	2,235	32,663
Over 30 days but within 90 days	82	9,779
Over 90 days but within 180 days	1,128	9,570
Over 180 days	28,971	–
	<hr/>	<hr/>
	32,416	52,012
Other receivables	13,317	7,578
	<hr/>	<hr/>
	45,733	59,590
	<hr/> <hr/>	<hr/> <hr/>

7. Trade and other payables

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

	As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
Within 30 days	7,215	33,645
Over 30 days but within 90 days	833	105
Over 90 days but within 180 days	19	36,193
Over 180 days	67,537	–
	<hr/>	<hr/>
	75,604	69,943
Other payables	43,151	43,470
	<hr/>	<hr/>
	118,755	113,413
	<hr/> <hr/>	<hr/> <hr/>

8. Share capital

	As at 30 September 2003	As at 30 September 2003
	No. of shares	Share capital
	<i>'000</i>	<i>HK\$'000</i>
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	1,271,163	127,116
Placement of 100,000,000 at HK\$0.10 each	<u>100,000</u>	<u>10,000</u>
End of period	<u>1,371,163</u>	<u>137,116</u>

9. Related party disclosures

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

10. Contingent liabilities

As at 30 September 2003, guarantees provided by the Group with respect to loans granted to a former subsidiary amounted approximately to HK\$37.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

For the period under review, the Group recorded a turnover of HK\$18.26 million compared to HK\$57.80 million in the same period of last year. The negative effects of the restricted capital spending of our customers, mostly state-owned enterprises in the telecommunication sector, prolonged the downbeat in the Group's performance. The downturn affected all of the Group's operating divisions: sales and integration services, service income and contract income. As the operating activities of these divisions are intimately connected, the decline in turnover was consistent across the divisions.

Gross profit for the first half of the fiscal year declined from HK\$12.31 million in the same period of last year to HK\$3.94 million, or by 68 percent. While both the revenue and gross profit decline were less than pleasing, the Group was successful in increasing slightly its otherwise healthy gross margin, from 21.3 percent in last year's corresponding period to 21.6 percent.

In the first six months, the Group generated revenues other than turnover in the amount of approximately HK\$1 million, comprised of dividend income and a one-time government grant of RMB540,000 to the PRC subsidiary of the Company.

The loss from operations has showed considerable improvement in the first half of the fiscal year, amounting to HK\$3.9 million, compared to the loss of HK\$21.2 million in the comparable period last year. The improvement is attributable to the significant decrease in corporate expenses of HK\$9.5 million and a HK\$7.2 million gain on investments in securities.

The amount of loss attributable to shareholders amounted to HK\$1.0 million, showed a HK\$19.2 million, or 95 percent improvement compared to the loss of HK\$20.2 million recorded in the first six months of last year.

The reduction of loss, despite of the significant decline in turnover, was mainly due to the decrease in operating and administrative expenses. The improvement of 58 percent in operating expense levels compared to the same period last year were mainly due to decreased selling and distribution expenses caused by the downturn in revenues, while the 31 percent improvement in administration related spending resulted from strengthening of internal controls, most notably the implementation of stepped-up expense controls, and the ongoing customer-focused segment reorganization aiming at increasing productivity.

Business Review and Outlook

The Company is an investment holding company. The Group, with core competence in the information technology industry, will continue developing application software and system solutions for its clients in the telecommunications industry. The operating arm of the group, Telecom Plus Technology Holdings Limited ("TPTH") is focusing on creating added value for its customers by offering them leading edge network and operating systems solutions infrastructure with local customizability. Through strategic alliances with leading international technology providers, the Group will offer its clients the best technology available in the global marketplace.

In the first half of the current fiscal year, the Group has laid the foundations of a new operating unit, Plus Financial Distribution Holdings Limited (“PFDH”), a wholly owned subsidiary, to serve as a channel enabler and distributor for the wealth management market in the PRC and in Hong Kong. PFDH will aim to become a one-stop solution provider by offering its clients wealth management product distribution capabilities with channel development, IT platform and customer services capabilities. For IT services, PFDH will rely heavily on the major revenue-generating operations of the Group at present, TPTH.

Operating Results and Segmental Information

The shortfall in revenues amounted to HK\$39.5 million or 68 percent compared to the same period last year. The downturn affected all of the Group’s operating divisions: sales and integration services, service income and contract income. As the operating activities of these divisions are intimately connected, the decline in turnover is consistent across the divisions.

	Unaudited			
	Six months ended 30 September 2003			
	Sales and integration service <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Contract income <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>15,906</u>	<u>2,335</u>	<u>16</u>	<u>18,257</u>
RESULTS				
Segment results	<u>(7,399)</u>	<u>(388)</u>	<u>(727)</u>	<u>(8,514)</u>
Unallocated corporate expenses:				<u>4,615</u>
Loss from operations				<u>(3,899)</u>

	Unaudited			
	Six months ended 30 September 2002			
	Sales and integration service <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Contract income <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>50,547</u>	<u>4,111</u>	<u>3,144</u>	<u>57,802</u>
RESULTS				
Segment results	<u>(6,698)</u>	<u>154</u>	<u>(520)</u>	<u>(7,064)</u>
Unallocated corporate expenses:				<u>(14,113)</u>
Loss from operations				<u>(21,177)</u>

The loss from operations has showed considerable improvement in the first half of the fiscal year, amounting to HK\$3.9 million, compared to the loss of HK\$21.2 million in the comparable period last year. The improvement of 48 percent is attributable to the significant decrease in unallocated corporate expenses, from HK\$14.1 million to HK\$4.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2003, the Group had net current liabilities of HK\$38.0 million (31 March 2003: HK\$42.3 million), an improvement of approximately HK\$4.3 million. Borrowings obtained by the Group for trade financing amounted approximately to HK\$52 million (31 March 2003: HK\$53.8 million). The Group had bank balances of HK\$8.9 million (31 March 2003: HK\$6.7 million). The Group generally finances its operations with internally generated funds and loan facilities provided by various financial institutions.

As at 30 September 2003, the Group's current ratio, as the ratio of current assets to current liabilities, was 0.80 (31 March 2003: 0.77). The gearing ratio, that is, the ratio of total liabilities to total assets, was 1.03 (31 March 2003: 1.06).

The Group had limited exposure to foreign exchange fluctuations, as most of its transactions were conducted in Hong Kong dollars, US dollars or in Renminbi, that is, in currencies with relatively stable exchange rates.

PLEDGE OF ASSETS

As at 30 September 2003, bank deposits of HK\$1,002,000 (31 March 2003: HK\$1,002,000) were pledged to a bank to secure banking facilities granted to the Group.

In addition, other investments of HK\$14,217,880 (31 March 2003: HK\$10,675,000) were pledged to secure other borrowings of the Group.

POST BALANCE SHEET EVENTS

On 5 December 2003, the Company entered into a conversion agreement with one of its creditors to convert a potential obligation of the Company, in the amount of RMB21.2 million, into ordinary shares. The issuance of 20 million shares to the benefit of the creditor will satisfy the indebtedness in full. The conversion price was set at HK\$1.0, representing a premium of approximately 1,689 percent over the average closing price of HK\$0.0559 per share prevailing during the last ten trading days prior to the conversion agreement. Resulting from the transaction, the aggregate contingent liabilities of the Company, as stated in the Annual Report to the shareholders for the period ended 31 March 2003, will be reduced to HK\$10.1 million.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2003.

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 2003.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2003, 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 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 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 and underlying 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 30 September 2003, 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.

SUBSTANTIAL SHAREHOLDERS

As far as it is known to any directors or chief executives of the Company, as at 30 September 2003, 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 positions 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 <i>(Note)</i>	8.76
Baring Asia Private Equity Fund L.P.2	Interest of a controlled corporation	Corporate	120,137,995 <i>(Note)</i>	8.76
Continental Mariner Investment Co., Ltd.	Interest of a controlled corporation	Corporate	117,636,000	8.58
Kenwin Investments Limited	Interest of a controlled corporation	Corporate	106,552,000	7.77

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

Save as disclosed above, as at 30 September 2003, 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.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme and other details are set out in the Annual Report of the Company, dated 14 October 2003.

Details of the share option scheme for the six months ended 30 September 2003 are as follows:

Name and category of participants	Number of share options				Date of grant	Exercisable period	Exercise price per share
	At 1 April 2003	Granted during the period	Lapsed during the period	At 30 September 2003			
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
	<u>37,000,000</u>	<u>–</u>	<u>–</u>	<u>37,000,000</u>			

Name and category of participants	Number of share options				Date of grant	Exercisable period	Exercise price per share
	At 1 April 2003	Granted during the period	Lapsed during the period	At 30 September 2003			
Other employees in aggregate	2,500,000	–	(1,500,000)	1,000,000	3 August 2001	3 August 2001 to 2 August 2011 (Note c)	0.3672
	30,790,000	–	(10,185,000)	20,605,000	29 August 2001	29 August 2001 to 28 August 2011 (Note b)	0.3520
	<u>33,290,000</u>	<u>–</u>	<u>(11,685,000)</u>	<u>21,605,000</u>			
	<u>70,290,000</u>	<u>–</u>	<u>(11,685,000)</u>	<u>58,605,000</u>			
			(Note a)				

Note a: Options to subscribe for an aggregate of 11,685,000 shares of the Company were lapsed upon termination of employment of a director and certain employees with the Group.

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

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

The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.

EMPLOYMENT AND REMUNERATION POLICIES

The Group employs approximately 270 employees (2002: 300). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed and bonuses are paid annually, based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share options and medical insurance.

SIGNIFICANT EVENTS

On 30 October 2003, the Stock Exchange approved the Company's application for De-minimis Concession for the period up to the publication of the of the Company's next annual report for the year ending 31 March 2004. Each transaction, other than connected transactions, will be considered de-minimis, if the value of the transaction does not exceed HK\$1.0 million and is carried out in the ordinary course of business and entered into on normal commercial terms.

AUDIT COMMITTEE

The audit committee, whose members are the two independent non-executive directors of the Company, has reviewed the accounting principles and practices adopted by the Group, and discussed with the management of the Company matters related to internal controls and financial reporting. The committee has also reviewed the unaudited interim financial results of the Group.

CODE OF BEST PRACTICE

Throughout the reporting period, the Company has complied with the Code of Best Practice, as defined in Appendix 14 to the Listing Rules, except with the appointment term of the Company's independent non-executive directors, who are, in accordance with the bye-laws of the Company, subject to retirement by rotation and re-election at the annual general meeting, and not appointed for specific terms.

On behalf of the Board

Zou Yishang

Chairman

Hong Kong, 15 December 2003