



Plus Holdings Limited

普納集團有限公司

(Incorporated in Bermuda with limited liability)



Interim Report 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 2004 together with the comparative figures for the last corresponding period as follows:

### Condensed Consolidated Income Statement

		<b>Unaudited Six months ended 30 September</b>	
		<b>2004</b>	2003
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>48,433</b>	18,257
Cost of sales		<b>(37,065)</b>	(14,313)
		<hr/>	<hr/>
Gross profit		<b>11,368</b>	3,944
		<hr/>	<hr/>
Other revenue		<b>540</b>	1,031
Selling and distribution expenses		<b>(1,277)</b>	(1,711)
Administrative expenses		<b>(15,895)</b>	(14,356)
Impairment gain/(loss) on investment in securities		<b>(2,555)</b>	7,193
		<hr/>	<hr/>
Loss from operations	3	<b>(7,819)</b>	(3,899)
Finance costs		<b>(1,847)</b>	(1,617)
		<hr/>	<hr/>
Loss before taxation		<b>(9,666)</b>	(5,516)
Taxation	4	<b>0</b>	0
		<hr/>	<hr/>
Loss before minority interests		<b>(9,666)</b>	(5,516)
Minority interests		<b>(794)</b>	4,532
		<hr/>	<hr/>
Loss attributable to shareholders		<b>(10,460)</b>	(984)
		<hr/>	<hr/>
Loss per share	5		
Basic (cents)		<b>(0.75)</b>	(0.1)
		<hr/> <hr/>	<hr/> <hr/>
Diluted		<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

### 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 2004	139,116	383,117	27	(535,426)	(13,166)
Issue of shares	–	–	–	–	0
Loss for the period	–	–	–	(10,460)	(10,460)
<b>At 30 September 2004</b>	<b>139,116</b>	<b>383,117</b>	<b>27</b>	<b>(545,886)</b>	<b>(23,626)</b>
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)
At 30 September 2003	137,116	365,117	27	(509,321)	(7,061)

## Condensed Consolidated Balance Sheet

		As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment		<b>3,304</b>	3,842
Goodwill		<b>23,333</b>	24,347
Interest in associate		<b>3,956</b>	3,956
		<b>30,592</b>	32,145
Current assets			
Inventories		<b>45,036</b>	46,535
Trade and other receivables	6	<b>37,982</b>	47,495
Other investments		<b>10,716</b>	14,290
Amount due from associated companies		<b>6,948</b>	7,664
Pledged and bank deposits		<b>455</b>	455
Bank balances and cash		<b>13,053</b>	6,750
		<b>114,190</b>	123,189
Current liabilities			
Trade and other payables	7	<b>86,986</b>	90,368
Amounts due to directors		<b>3,437</b>	788
Amount due to associated companies		<b>4,360</b>	4,360
Taxation payable		<b>12,288</b>	12,533
Bank and other borrowings – due within one year		<b>35,357</b>	40,403
Convertible bonds – due within one year		<b>14,040</b>	14,040
		<b>156,468</b>	162,492
Net current liabilities		<b>(42,278)</b>	(39,303)
Total assets less current liabilities		<b>(11,687)</b>	(7,158)
Minority interest		<b>4,300</b>	3,505
Non-current liabilities			
Bank and other borrowings – due after one year		<b>6,412</b>	2,476
Deferred taxation		<b>1,229</b>	1,229
		<b>7,641</b>	3,705
<b>NET LIABILITIES</b>		<b>(23,628)</b>	(14,368)
<b>CAPITAL AND RESERVES</b>			
Share capital	8	<b>139,116</b>	139,116
Reserves		<b>(162,744)</b>	(153,484)
<b>SHAREHOLDERS' FUNDS</b>		<b>(23,628)</b>	(14,368)

## Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	<b>6,170</b>	(5,932)
Net cash inflow/(outflow) from investing activities	<b>1,243</b>	(243)
Net cash inflow/(outflow) from financing activities	<b>(1,110)</b>	8,284
	<hr/>	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	<b>6,303</b>	2,109
Cash and cash equivalents at beginning of period	<b>6,750</b>	6,766
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b><u>13,053</u></b>	<b><u>8,875</u></b>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as previously reported	<b>13,053</b>	8,875
Effect of reclassification of other borrowings	<b>0</b>	0
	<hr/>	<hr/>
Cash and cash equivalents as restated, represented by bank balances and cash	<b><u>13,053</u></b>	<b><u>8,875</u></b>

## 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").

	<b>Unaudited</b>			
	<b>Six months ended 30 September 2004</b>			
	<b>Sales and integration service</b>	<b>Services income</b>	<b>Contract income</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	<u>32,990</u>	<u>15,343</u>	<u>100</u>	<u>48,433</u>
RESULTS				
Segment results	<u>(8,783)</u>	<u>8,581</u>	<u>76</u>	(126)
Unallocated corporate expenses				<u>(7,693)</u>
Loss from operations				(7,819)
Finance costs				<u>(1,847)</u>
Loss before taxation				(9,666)
Taxation				<u>0</u>
Loss before minority interests				(9,666)
Minority interests				<u>(794)</u>
Loss attributable to shareholders				<u><u>(10,460)</u></u>

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	15,906	2,335	16	18,257
RESULTS				
Segment results	(7,399)	(388)	(727)	(8,514)
Unallocated corporate expenses				4,615
Loss from operations				(3,899)
Finance costs				(1,617)
Loss before taxation				(5,516)
Taxation				0
Loss before minority interests				(5,516)
Minority interests				4,532
Loss attributable to shareholders				(984)

### 3. Loss from operations

Loss from operations has been arrived at after charging:

Unaudited		
Six months ended		
30 September		
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Charging:		
Amortisation of goodwill (included in administrative expenses)	1,014	1,014
Depreciation of fixed assets	586	883
Exchange losses, net	-	-
Interest on bank loans and overdrafts	-	-
Interest on other borrowings wholly repayable within five years	1,847	1,617
Operating leases rentals in respect of land and buildings	883	1,528
Staff costs including directors' emoluments	7,662	6,983
Contributions to retirement benefit schemes	68	26
Total staff costs	7,730	7,009

#### 4. Taxation

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge (credit) comprises:		
Taxation in PRC	-	-
Deferred taxation	-	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

No provision for Hong Kong Profits Tax has been made in the financial statements, as the Group had no assessable profits for both periods. Taxation in PRC is calculated at the rates prevailing in the PRC.

#### 5. Loss per share

##### (a) Basic loss per share

The calculation of the basic loss per share is based on the net loss attributable to shareholders amounting to HK\$10,460,000 for the period (2003: net loss of HK\$984,000) and the weighted average of ordinary shares in issue during the period was 1,391,162,483 (2003: 1,367,162,483).

##### (b) Diluted loss per share

No diluted loss per share is shown for either period as the effect arising from the exercise of 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:

	<b>As at 30</b>	<b>As at 31</b>
	<b>September 2004</b>	<b>March 2004</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables:		
Within 30 days	-	9,104
Over 30 days but within 90 days	-	4,352
Over 90 days but within 180 days	<b>660</b>	13,866
Over 180 days	<b>16,435</b>	-
	<u>          </u>	<u>          </u>
	<b>17,095</b>	27,322
Other receivables	<b>20,887</b>	20,173
	<u>          </u>	<u>          </u>
	<b>37,982</b>	47,495
	<u>          </u>	<u>          </u>



## 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:

	<b>As at 30 September 2004 (Unaudited) HK\$'000</b>	<b>As at 31 March 2004 (Audited) HK\$'000</b>
Trade payables:		
Within 30 days	<b>569</b>	
Over 30 days but within 90 days	–	15,403
Over 90 days but within 180 days	–	1,051
Over 180 days	<b>55,755</b>	46,540
	<hr/>	<hr/>
	<b>56,324</b>	62,994
Other payables	<b>30,662</b>	27,374
	<hr/>	<hr/>
	<b>86,986</b>	90,368
	<hr/> <hr/>	<hr/> <hr/>

## 8. Share capital

	<b>As at 30 September 2004 No. of shares '000</b>	<b>As at 30 September 2004 Share capital HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2004 and 30 September 2004	<b>3,000,000</b>	<b>300,000</b>
	<hr/>	<hr/>
Issued and fully paid:		
At 1 April 2002	1,148,383	114,838
Issued in consideration for the acquisition of other investment	90,276	9,028
Conversion of debts	32,504	3,250
	<hr/>	<hr/>
At 31 March 2003	1,271,163	127,116
Issued on private placement	100,000	10,000
Conversion of debts and guarantees	20,000	2,000
	<hr/>	<hr/>
<b>At 30 September 2004</b>	<b>1,391,163</b>	<b>139,116</b>
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## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results of Operations**

For the period under review, the Group recorded a turnover of HK\$48.43 million compared to HK\$18.26 million in the same period of last year. Gross profit increased nearly three times from HK\$3.94 million in the same period of last year to HK\$11.37 million. Furthermore, the Group was successful in increasing gross margin from 21.6 percent in last corresponding period to 23.47 percent.

The amount of loss attributable to shareholders amounted to HK\$10.46 million, compared to the loss of HK\$1.0 million recorded in the first six months of last year. The increase of loss mainly due to HK\$2.5 million loss from investments in securities (Last year the Group gained HK\$7.2 million from investments in securities.).

### **Business Review and Outlook**

Internet Revolution, which was originated in the US, had been impacting the whole world in the last decade. It not only created some Internet-based rapid growing companies such as CISCO, DELL, EBAY and GOOGLE, but also brought about the fundamental changes to the conventional finance industry. The traditional commercial banks such as Citibank and HSBC have set up their gigantic financial empires by capitalizing on Internet-based technologies and their wealth management related financial skills. In the coming 10 years, the PRC is very likely to become the largest Internet and wealth management market in the world. Every single financial institution in or out of China, regardless of its size, is excited and getting ready to cut one piece from this big “cake”.

The Group is one of the few companies, which master both Internet technologies and financial skills of wealth management. We have built up a team of about 200 staff. We possess the capability of providing a full range of solutions for financial institutions and services for the development of financial planners. As for the services for financial institutions, we will continue to promote training, distribution of products, customer relation management, information provision, operation systems integration, making recommendations and providing staff orientation training for financial institutions. As for the services for individuals, we will continue to improve and enhance the financial planner training system, focusing on the development and idea exchanges of financial planners. We determine to nurture a large number of financial planners at a fast pace through online training.

Banks, fund management companies, insurers, securities firms and trust companies in the PRC require to train up millions of professional financial planners. Referring to the WTO agreement, the PRC will fully open up its financial services industry by the end of 2006. By that time, demand for competent financial planners by foreign organizations will soar. The Group has significant business opportunity under these circumstances, and expands swiftly and economically by leveraging on Internet application. We have already established relationships with many tertiary education institutions, universities and financial institutions in the PRC and are discussing with several prestigious universities and financial institutions abroad for co-operations. 2005 is expected to be the year of our significant business expansion.

Our shareholders are appreciated for their continuous confidence and patience in the Group. We share the same belief that the Group, after overcoming the difficulties in the past, will be able to fulfill its commitment of bringing valuable returns to its shareholders in the forthcoming years.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2004, the Group had net current liabilities of HK\$42.3 million (31 March 2004: HK\$39.3 million), an increase of approximately HK\$3 million. Borrowings obtained by the Group for trade financing amounted approximately to HK\$41.8 million (31 March 2004: HK\$42.9 million). The Group had bank balances of HK\$13 million (31 March 2004: HK\$6.8 million). The Group generally finances its operations with internally generated funds and loan facilities provided by various financial institutions. The Group's current ratio, as the ratio of current assets to current liabilities, was 0.73 (31 March 2004: 0.76). The gearing ratio, that is, the ratio of total liabilities to total assets, was 1.16 (31 March 2004: 1.09).

## **PLEDGE OF ASSETS**

Other investments of HK\$10,716,000 (31 March 2004: HK\$14,290,000) were pledged to secure other borrowings of the Group.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2004.

## **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 2004.

## DIRECTORS' INTERESTS IN SHARES

As at 30 September 2004, 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>	18.56
	Interest of spouse	Family	406,000 <i>(Note 2)</i>	0.03
	Beneficial owner	Personal	20,000,000	1.44
Zhang Keqiang	Beneficial owner	Personal	53,754,000	3.86
Chow King Lin, Theresa	Beneficial owner	Personal	2,006,000	0.14

#### 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 2004, 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 2004, 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 provision 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:

<b>Names</b>	<b>Capacity</b>	<b>Type of interests</b>	<b>Number of shares held</b>	<b>Approximate % of the issued share capital</b>
BAPEF Investments II Limited	Beneficial owner	Corporate	120,137,995	8.64
Baring Asia Private Equity Fund L.P.2	Interest of a controlled corporation	Corporate	120,137,995	8.64
Continental Mariner Investment Co., Ltd.	Interest of a controlled corporation	Corporate	117,636,000	8.46
Kenwin Investments Limited	Interest of a controlled corporation	Corporate	106,552,000	7.66

*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 2004, 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 provision 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

Details of the share option scheme for the six months ended 30 September 2004 are as follows:

Name and category of participants	Number of share options				Date of grant	Exercisable period	Exercise price per share
	At 1 April 2004	Granted during the period	Lapsed during the period	At 30 September 2004			
<b>Directors</b>							
Mr. Zou Yishang	20,000,000	–	–	20,000,000	29 August 01	29 August 2001 to 28 August 2011 (Note a)	0.3520
Ms. Chow King Lin, Theresa	1,000,000	–	–	1,000,000	3 August 01	3 August 2001 to 2 August 2011 (Note b)	0.3672
	1,000,000	–	–	1,000,000	29 August 01	29 August 2001 to 28 August 2011 (Note a)	0.3520
	<u>22,000,000</u>	<u>–</u>	<u>–</u>	<u>22,000,000</u>			
Other employees in aggregate	1,000,000	–	–	1,000,000	3 August 01	3 August 2001 to 2 August 2011 (Note b)	0.3672
	29,626,000	–	4,007,000	25,619,000	29 August 01	29 August 2001 to 28 August 2011 (Note a)	0.3520
	<u>30,626,000</u>	<u>–</u>	<u>4,007,000</u>	<u>26,619,000</u>			
	<u>52,626,000</u>	<u>–</u>	<u>4,007,000</u>	<u>48,619,000</u>			

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

*Note b:* 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 176 employees (2003: 270). 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.

## **AUDIT COMMITTEE**

The audit committee, whose members are the three 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 also has 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 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, 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.

## **PUBLICATION OF FURTHER INFORMATION**

A detailed results announcement containing the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

As at the date of this report, the Board comprises three executive directors: Mr. Zou Yishang, Ms. Chow King Lin, Theresa and Mr. Hu Jian; two non-executive directors: Mr. Weng Xianding and Mr. Zhang Keqiang; and three independent non-executive directors: Mr. Zhao Renwei, Mr. Wang Xiangfei and Mr. Xu Xiaosheng.

On behalf of the Board

**Zou Yishang**

*Chairman*

Hong Kong, 29 December 2004