



PLUS HOLDINGS LIMITED

(Provisional Liquidators Appointed)

**普納集團有限公司
(已委任臨時清盤人)**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1013)

INTERIM REPORT 2006

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CORPORATE INFORMATION

Executive Directors

Mr. Zou Yishang (*Chairman & Chief Executive Officer*)

Mr. Hu Jian (*Chief Operating Officer*)

Mr. Zou Yicheng

Mr. Cui Jingya

Mr. Liu Yiquan (appointed on 16 May 2007)

Mr. Zhang Yi (appointed on 16 May 2007)

Ms. Chow King Lin, Theresa (resigned on 29 March 2007)

Non-executive Director

Mr. Weng Xianding

Independent Non-executive Directors

Mr. Chan Kin Sang (appointed on 1 November 2007)

Mr. Choi Man On (appointed on 1 November 2007)

Mr. Young Meng Cheung Andrew (appointed on 1 November 2007)

Mr. Zhao Renwei (resigned on 14 June 2007)

Mr. Wang Xiangfei (resigned on 1 January 2007)

Mr. Xu Xiaosheng (resigned on 15 January 2007)

Company Secretary

Ms. Lee Ho Yee

Auditors

Morison Heng, Chartered Accountants, Certified Public Accountants

Provisional Liquidators

Mr. Liu Yiu Keung Stephen

Mr. Robert Armor Morris

Legal Advisers to the Provisional Liquidators

Bermuda:

Appleby

Hong Kong:

P.C. Woo & Co

CORPORATE INFORMATION

Principal Bankers (before appointment of Provisional Liquidators)

Industrial and Commercial Bank of China (Asia) Limited
CITIC Ka Wah Bank Limited

Share Registrars

Bermuda:

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

Hong Kong:

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

18/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Internet Address

<http://www.equitynet.com.hk/plusholdings>

Stock Code

1013

PROVISIONAL LIQUIDATORS' REPORT

The joint and several provisional liquidators (collectively, the “Provisional Liquidators”) of Plus Holdings Limited (Provisional Liquidators Appointed) (the “Company”) present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2006, together with comparative figures for the corresponding period in 2005.

The Provisional Liquidators were appointed under an order by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (“HK High Court”) on 17 May 2007, and consequently, the Provisional Liquidators do not have the same detailed knowledge of the financial affairs of the Group as the directors of the Company would have, in particular transactions entered into by the Group prior to their appointment.

The board of directors of the Company has authorised the Provisional Liquidators to sign, approve, publish and do all such acts in connection with this interim report. The Provisional Liquidators are responsible for the accuracy and completeness of the contents of this interim report and the unaudited condensed consolidated interim financial statements of the Group for the period ended 30 September 2006 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of this interim report and the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2006 on the basis of the books and records made available to the Provisional Liquidators and, where applicable, having made all reasonable enquiries by them. Therefore, the Provisional Liquidators make no representation as to the completeness of the information contained in this interim report.

BUSINESS REVIEW

The Company acts as an investment holding company. The principle activities of its subsidiaries and associates are:

- Provision of solutions on software and service;
- Trading of communication products;
- Provision of financial services;
- Investment holding; and
- Provision of telecommunication infrastructure solution service.

PROVISIONAL LIQUIDATORS' REPORT

Most of the Group's business activities and revenue are generated by two subsidiaries of the Company in the People's Republic of China (the "PRC"), namely Beijing HollyBridge System Integration Company Limited (北京合力金橋系統集成技術有限公司) ("Beijing HollyBridge") and Plus Financial Management Services Limited (北京普納天成理財諮詢服務有限公司). The remaining subsidiaries of the Company are generally inactive, except for Telecom Plus Investment Limited, a Hong Kong incorporated company which holds shares in a listed company in Hong Kong.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had net current liabilities of approximately HK\$67.6 million, compared with the net current liabilities of approximately HK\$29.1 million as at 31 March 2006, an increase of approximately HK\$38.5 million or 132%.

As at 30 September 2006, the Company had outstanding convertible bonds amounted to US\$1.8 million (equivalent to HK\$14,040,000).

The Group's total borrowings amounted to approximately HK\$37.9 million (31 March 2006: approximately HK\$40.9 million). Borrowings due for payment within one year is approximately HK\$37.9 million (31 March 2006: approximately HK\$16.9 million). Borrowings due for payment within two to five years is HK\$ Nil (31 March 2006: approximately HK\$24 million). The Group generally finances its operations with internally generated funds and loan facilities provided by various financial institutions.

As at 30 September 2006, the Group's current ratio of current assets to current liabilities was 0.51 (31 March 2006: 0.80). The gearing ratio, as a ratio of total liabilities to total assets, was 1.59 (31 March 2006: 1.18).

The Group had limited exposure to foreign exchange rate fluctuations 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.

CAPITAL STRUCTURE

For the six months ended 30 September 2006, to the best of the knowledge of the Provisional Liquidators, there was no change in the capital structure and issued share capital of the Company.

PROVISIONAL LIQUIDATORS' REPORT

WINDING-UP PETITION AND PROPOSED RESTRUCTURING OF THE GROUP

On 15 November 2006, Lolliman Finance Limited (“Lolliman”) petitioned for the winding-up of the Company. The Company, as guarantor, is required to repay the outstanding loan owed by Holy (Hong Kong) Universal Limited, an indirect wholly owned subsidiary of the Company. Upon Lolliman application, Messrs. Liu Yiu Keung Stephen and Robert Armor Morris, both of Ernst & Young Transactions Limited, were appointed by the HK High Court as the Provisional Liquidators on 17 May 2007 so as to preserve the assets of the Group and to consider and review all restructuring proposals to maximise the recovery of the creditors and shareholders of the Company.

The Company was put into the third and final stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and if no viable resumption proposal was submitted on or before 12 September 2007, being ten business days before 23 September 2007, the Stock Exchange would intend to cancel the listing status of the Company. Since then, the Provisional Liquidators have been in various discussions with various investors with a view to restructure the Group.

On 5 July 2007, the Company entered into the legally binding Heads of Agreement (as varied by a side-letter dated 26 July 2007) (the “Heads of Agreement”) with the investor, Wai Chun Ventures Limited (the “Investor”), in relation to the proposed restructuring of the Group. The Heads of Agreement was subsequently supplemented by a Supplemental Agreement dated 23 August 2007 (the “Supplemental Agreement”).

On 12 September 2007 and 19 November 2007, the Company respectively submitted a resumption proposal and a supplement to the resumption proposal to the Stock Exchange setting out the principal terms of the proposed restructuring of the Group and requesting in-principle approval from the Stock Exchange to the resumption proposal (the “Resumption Proposal”).

PROVISIONAL LIQUIDATORS' REPORT

On 23 November 2007, the Listing Committee of the Stock Exchange issued a letter to the Provisional Liquidators confirming that the Listing Committee decided to allow the Company to proceed with the Resumption Proposal, subject to compliance of certain conditions as set out in the in-principle approval letter within six months from 23 November 2007.

The proposed restructuring, if successfully implemented, will amongst other things, result in the following:

- (a) a restructuring of the share capital of the Company through the subscription by the Investor of subscription shares, convertible preference shares and the options to subscribe new shares, which would give rise to gross proceeds of HK\$170 million to the Company;
- (b) an injection of an additional HK\$200 million gross cash proceeds to the Company in the event that the options are exercised in full;
- (c) all the creditors discharging and waiving their claims against the Company by way of the schemes of arrangement in Hong Kong and Bermuda, as appropriate; and
- (d) resumption of trading in the shares of the Company upon the completion of the proposed restructuring.

Having considered the operations and affairs of the Group, the magnitude of the claims against the Company and its subsidiaries and the third-stage of delisting procedures, the Provisional Liquidators concluded that the Resumption Proposal represents the best means available for the Company to restore its solvency status and to continue with the development and enhancement of its business.

PROVISIONAL LIQUIDATORS' REPORT

PROSPECTS

Beijing HollyBridge, a 51%-owned subsidiary of the Company, is engaged in the manufacturing of software, the provision of solutions and related services, and the provision of telecommunication infrastructure solution service in the PRC. The existing operations of the Group are principally carried out through Beijing HollyBridge.

Since the Listing Committee of the Stock Exchange has already granted the in-principle approval to the Resumption Proposal, the transactions contemplated under the Resumption Proposal include, inter alia, a scheme of arrangement between the Company and the creditors to settle the indebtedness to them and also injection of cash through subscription of new shares, convertible preference shares and options to subscribe new shares. With the settlement of the debt in full upon completion of the Resumption Proposal and the injection of additional cash, it is expected that following completion of the transactions contemplated under such Resumption Proposal, the financial and trading position of the Group will be substantially improved.

Since the entering into of the Heads of Agreement and the Supplemental Agreement, the Group, with the support of the Investor, is gradually rebuilding its trading position via Beijing HollyBridge. Upon the completion of the Resumption Proposal, the Group will be in a better position to further expand and develop the system integration business carried out by Beijing HollyBridge.

On the basis of the above, it is expected that the trading position of the Group will also be substantially improved following completion of the transactions contemplated under such Resumption Proposal. The higher level of activities of Beijing HollyBridge since the signing of the Heads of Agreement and the Supplemental Agreement and the new and future contracts all bode well for the future prospect of the Group.

PROVISIONAL LIQUIDATORS' REPORT

INTERIM DIVIDEND

The Provisional Liquidators do not recommend the payment of an interim dividend for the six months ended 30 September 2006.

PLEDGE OF ASSETS

Details are set out in note 14 to the condensed financial statements.

CONTINGENT LIABILITIES

Details are set out in the section headed "Litigations" in note 15 to the condensed financial statements.

MANAGEMENT ANALYSIS

The Provisional Liquidators were appointed to the Company on 17 May 2007. Consequently, apart from the information disclosed in this Provisional Liquidators' Report and the section headed "Other Information", the Provisional Liquidators are unable to comment as to the performance of the Group as set out in paragraphs 32 and 40(2) in Appendix 16 to the Listing Rules throughout the period.

For and on behalf of
Plus Holdings Limited
(Provisional Liquidators Appointed)

Liu Yiu Keung Stephen
Robert Armor Morris
Joint and Several Provisional Liquidators
who act without personal liabilities

Hong Kong, 29 February 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Notes	Six months ended	
		30.9.2006 HK\$'000 (unaudited)	30.9.2005 HK\$'000 (unaudited)
Turnover	3	26,791	29,926
Cost of sales		(22,662)	(24,080)
Gross profit		4,129	5,846
Other operating income		11,557	1,018
Selling and distribution expenses		(501)	(737)
Administrative expenses		(7,362)	(9,283)
Other operating expenses	4	(32,970)	(1,868)
Loss from operations		(25,147)	(5,024)
Share of results of associates		(1,123)	–
Finance costs		(638)	(647)
Loss before taxation		(26,908)	(5,671)
Taxation	5	1,409	(249)
Loss for the period	6	(25,499)	(5,920)
Attributable to:			
Equity holders of the Company		(22,140)	(5,920)
Minority interests		(3,359)	–
Loss per share		(25,499)	(5,920)
Basic	7	(1.59) cents	(0.43) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	<i>Notes</i>	30.9.2006 <i>HK\$'000</i> (unaudited)	31.3.2006 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	8	1,351	1,514
Goodwill		11,160	22,319
Interests in associates		3,682	4,734
		16,193	28,567
Current assets			
Inventories		29,721	42,581
Trade and other receivables	9	23,078	43,889
Financial assets at fair value through profit or loss		13,228	18,622
Amounts due from related companies		4,386	8,396
Bank balances and cash		872	1,681
		71,285	115,169
Current liabilities			
Trade and other payables	10	81,780	99,344
Amount due to a related company		3,395	3,062
Amounts due to directors		38	415
Amount due to an associate		148	145
Tax payable		1,598	10,378
Borrowings – due within one year	11	37,934	16,886
Convertible bonds – due within one year	13	14,040	14,040
		138,933	144,270
Net current liabilities		(67,648)	(29,101)
Total assets less current liabilities		(51,455)	(534)
Financed by:			
Share capital	12	139,116	139,116
Reserves		(190,571)	(168,431)
Shareholders' funds		(51,455)	(29,315)
Minority interests		–	3,359
Total equity		(51,455)	(25,956)
Non-current liabilities			
Borrowings – due after one year	11	–	24,025
Deferred taxation		–	1,397
		–	25,422
		(51,455)	(534)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Attributable to equity holders of the Company (unaudited)						
	Share capital	Share premium	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	139,116	383,117	27	(551,575)	(29,315)	3,359	(25,956)
Translation difference	–	–	(27)	27	–	–	–
Loss for the period	–	–	–	(22,140)	(22,140)	(3,359)	(25,499)
At 30 September 2006	<u>139,116</u>	<u>383,117</u>	<u>–</u>	<u>(573,688)</u>	<u>(51,455)</u>	<u>–</u>	<u>(51,455)</u>

	Attributable to equity holders of the Company (unaudited)						
	Share capital	Share premium	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	139,116	383,117	27	(550,365)	(28,105)	3,537	(24,568)
Loss for the period	–	–	–	(5,920)	(5,920)	–	(5,920)
At 30 September 2005	<u>139,116</u>	<u>383,117</u>	<u>27</u>	<u>(556,285)</u>	<u>(34,025)</u>	<u>3,537</u>	<u>(30,488)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(969)	(3,701)
Net cash from investing activities	3,233	1,105
Net cash used in financing activities	(2,977)	(1,298)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(713)	(3,894)
Cash and cash equivalents brought forward	1,681	4,826
Effect of foreign exchange rate changes	(96)	–
	<hr/>	<hr/>
Cash and cash equivalents carried forward	872	932
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	872	932
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. Basis of Preparation

The unaudited condensed interim financial statements of Plus Holdings Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2006 have been reviewed by their auditors, Messrs. Morison Heng, Chartered Accountants, CPA.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

On 15 November 2006, Lolliman Finance Limited (“Lolliman”) petitioned for the winding-up of the Company. The Company, as guarantor, is required to repay the outstanding loan owed by Holy (Hong Kong) Universal Limited (“Holy HK”), an indirect wholly owned subsidiary of the Company. Upon Lolliman application, Messrs. Liu Yiu Keung Stephen and Robert Armor Morris, both of Ernst & Young Transactions Limited, were appointed as the provisional liquidators of the Company (the “Provisional Liquidators”) on 17 May 2007 by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “HK High Court”) so as to preserve the assets of the Group, to consider and review all restructuring proposals to maximise the recovery of the creditors and shareholders of the Company.

As such, the Provisional Liquidators do not have the same knowledge of the financial affairs of the Group as the directors of the Company would have, particularly in relation to the transactions entered into by the Group prior to the appointment date. The board of directors of the Company has also authorised the Provisional Liquidators to approve, publish and do all such acts in connection with the publication of this interim report and the relevant announcement.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. Basis of Preparation (Continued)

The Provisional Liquidators are responsible for the accuracy and completeness of the contents of these unaudited financial statements for the six-month period ended 30 September 2006 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of the interim financial statements for the period ended 30 September 2006 based on the books and records made available to the Provisional Liquidators.

The Provisional Liquidators make no representation as to the completeness of the information contained in these financial statements.

Trading in the Company's share on the Stock Exchange has been suspended since 17 December 2004. The Company has been placed into the third and final stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules on 24 March 2007. If no viable resumption proposal was submitted at least ten business days before 23 September 2007, the listing status of the Company would be cancelled.

The Provisional Liquidators have appointed financial advisers to the Company (the "Financial Advisers"). Since then, the Provisional Liquidators and the Financial Advisers have been in discussion and negotiation with various potential investors with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 5 July 2007, the Company entered into the legally binding Heads of Agreement (the "Heads of Agreement") (as varied by a side-letter dated 26 July 2007) with an investor, Wai Chun Ventures Limited (the "Investor"), in relation to the proposed restructuring of the Group. The Heads of Agreement was subsequently supplemented by a Supplemental Agreement dated 23 August 2007 (the "Supplemental Agreement").

On 12 September 2007 and 19 November 2007, the Company respectively submitted a resumption proposal and a supplement to the resumption proposal to the Stock Exchange setting out the principal terms of the proposed restructuring of the Group and requesting the in-principle approval from the Stock Exchange to the resumption proposal (the "Resumption Proposal").

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. Basis of Preparation (Continued)

On 23 November 2007, the Listing Committee of the Stock Exchange issued a letter to the Provisional Liquidators confirming them that they decided to allow the Company to proceed with the Resumption Proposal, subject to compliance of certain conditions as set out in the in-principle approval letter within six months from 23 November 2007.

The proposed restructuring, if successfully implemented, will, amongst other things, result in the following:

- (a) a restructuring of the Company through the subscription by the Investor of subscription shares, convertible preference shares and the options to subscribe new shares, which would give rise to a funding of HK\$170 million to the Company;
- (b) an injection of an additional HK\$200 million cash funds to the Company in the event that the options are exercised in full;
- (c) all the creditors discharging and waiving their claims against the Company by way of the schemes of arrangement in Hong Kong and Bermuda (the “Schemes”), as proposed appropriate; and
- (d) resumption of trading in the shares of the Company upon completion of the proposed restructuring (the “Completion”).

Having received and considered the operations and affairs of the Group, the magnitude of the claims against the Company and its subsidiaries and the third and final stage of delisting procedures, the Provisional Liquidators concluded that the Resumption Proposal supported by the Investor represents the best means available for the Company to be returned to solvency and to continue with the development and enhancement of its business.

Should the Group be unable to achieve a successful restructuring as mentioned above, and continue in business as a going-concern, adjustments might have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities, respectively.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

2. Principal Accounting Policies

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2006.

The adoption of the New HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

The Group has not promptly applied the following New HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ²
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ³

Notes:

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 June 2006

³ Effective for annual periods beginning on or after 1 November 2006

The Group is in the process of making an assessment of what the impact of these New HKFRSs is expected to be in the period of the initial application.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

3. Segment Information

Business segments

For management purposes, the Group is currently organised into three operating divisions – sales and integration services, services income and contract income. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Sales and integration services – income from sales and service, provision of integration services of computer and communication systems
- Services income – income from design, consultation, production of information system software and management training services
- Contract income – income in connection with the sale of communication systems equipment for intelligent buildings and provision of installation services

Six months ended 30 September 2006 (unaudited)

	Sales and integration services	Services income	Contract income	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER				
External sales	19,654	5,779	1,358	26,791
SEGMENT RESULTS	<u>(29,267)</u>	<u>(5,265)</u>	<u>1,358</u>	<u>(33,174)</u>
Unallocated corporate income				11,722
Unallocated corporate expenses				(3,695)
Share of results of associates				(1,123)
Finance costs				(638)
Loss before taxation				(26,908)
Taxation				1,409
Loss for the period				<u>(25,499)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

3. Segment Information (Continued)

Six months ended 30 September 2005 (unaudited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Contract income <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	24,480	5,390	56	29,926
SEGMENT RESULTS	(4,612)	3,819	56	(737)
Unallocated corporate expenses				(4,287)
Finance costs				(647)
Loss before taxation				(5,671)
Taxation				(249)
Loss for the period				(5,920)

4. Other Operating Expenses

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability, aged analysis of accounts and the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Allowance for bad and doubtful debts of approximately HK\$10,322,000 was made for the period ended 30 September 2006.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

4. Other Operating Expenses (Continued)

Impairment loss on goodwill

Included in other operating expenses is an amount of HK\$11,159,000 in respect of the impairment loss on goodwill determined by the management.

5. Taxation

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Taxation charge comprises:		
Taxation in the People's Republic of China (the "PRC"):		
– current period	–	249
Deferred tax:		
– credit for the period	(1,409)	–
	<u>(1,409)</u>	<u>–</u>
	<u>(1,409)</u>	<u>249</u>

No Hong Kong Profits Tax has been provided in the financial statements as the Company has no assessable profit for the period (2005:Nil).

Taxation in the PRC is calculated at the rates of taxation prevailing in the PRC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

6. Loss for the Period

Loss for the period has been arrived at after charging:

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss on goodwill	11,159	–
Depreciation of property, plant and equipment	154	428
Exchange loss, net	295	5
Staff costs (including directors' emoluments)		
– salaries and allowance	3,884	5,549
– provident fund contributions	43	33
	<u> </u>	<u> </u>

7. Loss Per Share

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$22,140,000 (2005: HK\$5,920,000) and on the weighted average number of ordinary shares in issue during the period of 1,391,162,483 (2005: 1,391,162,483) shares.

Diluted loss per share amounts for the periods ended 30 September 2006 and 2005 have not been calculated because the share options outstanding during these years had an anti-dilutive effect on the basic loss per share.

8. Movements in Property, Plant and Equipment

During the period, the Group disposed of certain plant and machinery with a carrying amount of HK\$21,000 for proceeds of HK\$12,000, resulting in a loss on disposal of HK\$9,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

9. Trade and Other Receivables

According to the contracts entered into with trade customers, an average of 90% of the contract revenue is normally repayable within 90 days from the date of receipt of customers' acceptance, whereas the remaining 10% of trade receivables represent retentions held by customers which are normally due one year after project completed. The following is an ageing analysis of trade receivables included in trade and other receivables at the balance sheet date:

	30.9.2006 <i>HK\$'000</i> (unaudited)	31.3.2006 <i>HK\$'000</i> (audited)
0 – 30 days	533	1,044
31 – 90 days	176	842
Over 90 days	11,732	23,531
	<hr/>	<hr/>
	12,441	25,417
Other receivables	10,637	18,472
	<hr/>	<hr/>
	23,078	43,889
	<hr/> <hr/>	<hr/> <hr/>

10. Trade and Other Payables

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

	30.9.2006 <i>HK\$'000</i> (unaudited)	31.3.2006 <i>HK\$'000</i> (audited)
0 – 90 days	3,485	2,984
91 – 180 days	6,177	5,618
Over 180 days	38,856	40,353
	<hr/>	<hr/>
	48,518	48,955
Other payables	33,262	50,389
	<hr/>	<hr/>
	81,780	99,344
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

11. Borrowings

During the period, the Group made repayment of other borrowings in the amount of approximately HK\$2,977,000.

12. Share Capital

	Number of shares '000	Share capital HK\$ '000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2006 and 30 September 2006	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 April 2006 and 30 September 2006	<u>1,391,163</u>	<u>139,116</u>

13. Convertible Bonds

Pursuant to the subscription letter dated 20 May 1998 made between Baring Asia Flagship Investments B.V. and the Company, the convertible bonds (the "Bonds") in the principal amount of US\$6,000,000 (equivalent to approximately HK\$46,476,000) were issued by the Company at the direction of Baring Asia Flagship Investments B.V. on 30 June 1998 to Baring Asia Investments II B.V. The Bonds were transferred in or about July 2000 to BAPEF Investments II Limited (the "Bondholder").

The Bonds were, at the option of the Bondholder, convertible on or after 1 July 1998 up to and including 30 June 2001, into fully paid ordinary shares of the Company with a par value of HK\$0.10, at an initial conversion price of HK\$0.588 per share, subject to adjustment under certain events.

Unless previously redeemed, converted, purchased or cancelled, the Company is required to redeem the Bonds on the original maturity date at 133.75%. An amount of US\$2,400,000 (equivalent to approximately HK\$18,600,000) was cancelled upon repurchase by the Company during the year ended 31 March 1999. As at 31 March 2000 and 31 March 2001, the outstanding balance of the Bonds was US\$3,600,000 (equivalent to approximately HK\$28,031,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

13. Convertible Bonds (Continued)

On 7 June 2001, the Company entered into an agreement with Able Technology Limited and the Bondholder pursuant to which the maturity date of the convertible bonds would be extended to 30 June 2003. The conversion price has been revised to HK\$0.25 per share, subject to adjustment under certain customarily events. The conversion time of the Bonds is fixed at 31 December 2001, 30 June 2002, 31 December 2002 and 30 June 2003 (or such other time as the Company and Bondholder may agree) to convert US\$900,000 (equivalent to approximately HK\$7,020,000) on each date. In addition, all accrued interest from 30 June 1998 to the completion of the agreement was waived by the Bondholder in August 2001 upon issuance of 6.88 million ordinary shares of the Company to the Bondholder. In accordance with the supplemental deed entered into by the Company and the Bondholder on 9 August 2001, subject to the due performance by the Company and there being no event of default or potential event of default, the Bonds will not bear any interest. In the circumstances where there is any event of default or potential event of default, interest will be payable on the outstanding principal amount of the Bonds at 2% per annum.

On 28 December 2001, approximately 30.7 million ordinary shares of the Company at a conversion price of HK\$0.2366 were issued to the Bondholder to convert the principal amount of Bonds of US\$900,000 (equivalent to approximately HK\$7,020,000) together with the administrative charges of US\$31,770 (equivalent to approximately HK\$248,000).

On 30 June 2002, approximately 32.5 million ordinary shares of the Company at a conversion price of HK\$0.2236 were issued to the Bondholder to convert the principal amount of Bonds of US\$900,000 (equivalent to approximately HK\$7,020,000) together with the administrative charges of US\$31,770 (equivalent to approximately HK\$248,000).

The Bondholder did not exercise the rights to convert the principal amount of Bonds of US\$1,800,000 which were fixed to be converted on 31 December 2002 and 30 June 2003.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

13. Convertible Bonds (Continued)

Changes in the balance of the convertible bonds are as follows:

	THE GROUP & THE COMPANY	
	<i>USD '000</i>	<i>HK\$ '000 equivalent</i>
Balance as at 1 April 2006 and 30 September 2006	<u>1,800</u>	<u>14,040</u>

In June 2007, the Bondholder made a claim against the Company on the outstanding principal amount of the Bonds and accrued interests aggregated to US\$2,079,052.

14. Pledge of Assets

As at 30 September 2006, financial assets at fair value through profit or loss of HK\$9,680,000 (31 March 2006: HK\$11,520,000) were pledged to secure the other borrowings of the Group.

15. Litigations

- (a) Shenzhen Longtai Technology Limited (“Shenzhen Longtai”) initiated legal proceedings against the Company for a sum of approximately HK\$1.1 million arising out of alleged monies payable for goods sold and delivered to a former subsidiary of the Company. On 5 May 2004, the HK High Court ordered Shenzhen Longtai to place a deposit of HK\$300,000 as security costs by 10 August 2004. Court proceedings will only be resumed after the deposit is placed. As at the date of this interim report, the Company has not been informed by the HK High Court that Shenzhen Longtai has made such deposit.

Further, Shenzhen Longtai has yet to lodge a claim against the Company as at the date of this interim report.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

15. Litigations (Continued)

- (b) Showa Leasing (Hong Kong) Limited (“Showa HK”), a hire purchase creditor to which the Company owed in aggregate approximately HK\$6.4 million, has filed a winding-up petition against the Company on 2 May 2003. On 18 August 2003, the winding-up petition was dismissed and the Company agreed with Showa HK to settle the principal amount and related interest payable by 30 monthly installments starting from August 2003. On 7 November 2003, the Company also executed a debenture charging all undertakings, assets and receivables as a continuing security for payment of the indebtedness.

On 26 February 2004, the Company served a Writ of Summons upon Showa HK (“High Court Action No. 445 of 2004”). By an assignment dated 14 March 2002, Showa HK had assigned and transferred all its benefits, interests and title of certain machineries under various lease agreements to the Company. Despite repeated requests from the Company, Showa HK has not yet fulfilled its obligations to deliver the machineries to the Company under the assignment.

On 1 August 2006, the Company signed a settlement agreement and a Consent Order with Showa HK. Upon signing of the Consent Order, Showa HK will not enforce the judgement granted in High Court Action No. 4034 of 2002 against the Company and within 35 days from the date of the Consent Order, the Company will pay a sum of HK\$821,000 to Showa HK within 35 days from the date of the Consent Order. Upon compliance of all the terms above, each party is discharged from (a) all liabilities arising out of all the subject matters of both High Court Action No. 4034 of 2002 and High Court Action No. 445 of 2004; (b) performance of any order which has not yet been performed; and (c) all liabilities arising out of all disputes whatsoever between the parties up to the date thereof. As at the date of this interim report, Showa HK filed a claim of approximately HK\$11.1 million against the Company and no further action has been taken by Showa HK against the Company upon the appointment of the Provisional Liquidators.

It is proposed that the claim made by Showa HK will form part of the claim under the proposed Schemes. The outstanding amount due to Showa Leasing will therefore be settled and discharged upon the Completion.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

15. Litigations (Continued)

- (c) On 14 August 2003, New China Trust and Investment Co., Ltd. (“New China”), an unsecured creditor of Beijing HollyBridge System Integration Co., Ltd. (北京合力金橋系統集成技術有限公司) (“Beijing HollyBridge”), instituted legal proceedings against Beijing HollyBridge for its inability to repay a loan of approximately RMB19.1 million together with an accrued interest of approximately RMB2.7 million. The Company together with the other two shareholders of Beijing HollyBridge, namely 北京旭亞榮泰科技發展有限公司 and 北京冠耀投資諮詢有限公司 (the “PRC Shareholders”) have issued a guarantee to New China for the loan granted to Beijing HollyBridge. On 17 November 2004, the Chongqing Intermediate People’s Court (the “Intermediate Court”) ruled that Beijing HollyBridge was liable to the outstanding loan principal of approximately RMB19.1 million together with an interest of approximately RMB2.7 million. The Intermediate Court also discharged the guarantee provided by the Company and the PRC Shareholders to New China. On 8 December 2004, a notice of appeal was filed by New China to the Chongqing Supreme People’s Court (the “Supreme Court”) regarding the calculation of the accrued interest and its objection on the discharge of the guarantee given by the Company and the PRC Shareholders.

On 22 November 2005, the Supreme Court ruled that the outstanding loan principal and interest that Beijing HollyBridge owed to New China were approximately RMB 18.4 million and RMB1.5 million respectively. The Supreme Court also ruled that the guarantee provided by the Company and the PRC Shareholders to New China would remain in force. On 28 June 2006, an execution notice was issued by the Intermediate Court. Beijing HollyBridge was requested to repay the said outstanding loan principal and interest before 20 July 2006 and also to declare all its assets to the Intermediate Court within seven days from the date of issue of the execution notice. Accordingly, Beijing HollyBridge paid a principal sum of RMB0.22 million and all the Shares of the PRC Shareholders in Beijing Hollybridge were frozen by the Intermediate Court. A claim totalling approximately RMB23.6 million, including interest of approximately RMB5.2 million, was lodged against the Company in May 2007. No further action had been taken by New China against the Company after the appointment of the Provisional Liquidators.

It is proposed that the claim made by New China will form part of the claim under the proposed Schemes. The outstanding amount due to New China will therefore be settled and discharged after the Completion.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

15. Litigations (Continued)

- (d) Lolliman, a finance company, has on 15 November 2006 issued a winding-up petition against the Company for an alleged loan amount of USD900,000. Lolliman is a creditor of Holy HK. The court hearing for the winding-up petition was adjourned and is scheduled to be heard on 14 April 2008. A claim amounted to approximately HK\$11.5 million (including interests and legal costs) was lodged against the Company in May 2007.

It is proposed that the claim made by Lolliman will form part of the proposed Schemes and the outstanding balances will therefore be settled and discharged upon the Completion.

- (e) On 20 May 2006, Beijing Shou Chuang Electrical Technology Company (北京首創電子技術有限公司) (“Shou Chuang”), a supplier of Beijing HollyBridge, filed a lawsuit against Beijing HollyBridge for not paying an amount of approximately RMB3.6 million. The Court ruled against Beijing HollyBridge for the repayment of the said amount plus accrued interest to Shou Chuang. Subsequently, both parties entered into a voluntary repayment scheme dated 20 April 2007 (the “Repayment Scheme”), where Beijing HollyBridge disposed of its buildings at a consideration of approximately RMB2.6 million plus a cash payment of approximately RMB0.59 million to settle the debt. The remaining balance of approximately RMB0.4 million was payable by 10 August 2007. Further, the interest accrued up to end of October 2007 amounted to approximately RMB0.49 million. As at the date of this interim report, the remaining balance and interest payable had been fully repaid.

However, despite Beijing HollyBridge’s repeated requests, Shou Chuang did not provide value-added tax invoices (“Fa Piao”) upon receipt of the repayments from Beijing HollyBridge as required in the Repayment Scheme. Thus Beijing HollyBridge initiated a litigation against Shou Chuang requesting the provision of Fa Piao on or before 1 February 2008. As at the date of this interim report, no further development on this new litigation.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

15. Litigations (Continued)

- (f) Another supplier of Beijing HollyBridge, Beijing Zheng Tong Company (北京北方證通電子技術有限公司), also filed a lawsuit against Beijing HollyBridge for non-settlement of an amount of approximately RMB0.11 million. The court ruled that Beijing HollyBridge has to repay this outstanding balance together with default payment and the legal costs amounted to approximately RMB0.14 million. A settlement agreement has been signed on 16 August 2007 and it has been agreed that the total outstanding balance being repaid in 3 installments. The first, second and third installments in the amount of RMB44,346, RMB50,000 and RMB50,000 were paid in August, September and December 2007 respectively (i.e. all the outstanding had been fully repaid).
- (g) On 27 March 2006, 3D Networks Co. Ltd. (三力網絡有限公司) filed a civil claim against Beijing HollyBridge alleging the non-payment of approximately RMB0.49 million under the sale and purchase of goods contract dated 8 August 2002. On 31 October 2007, the People's Court of Haidian District of Beijing City ("Haidian Court") ruled that the principal together with a default payment for breaching contract of RMB150,000 had to be paid by Beijing HollyBridge. Beijing HollyBridge has lodged appeal to the Haidian Court on 7 December 2007. As at the date of this interim report, no further development on this litigation.
- (h) On 18 September 2007, Beijing HollyBridge received an Acceptance Notice from the Haidian Court pursuant to which Haidian Court accepted to take up the case made by the claimant, Beijing Double Flag Sunshine Technology Company Limited (北京雙旗陽光科技有限公司) ("Beijing Double Flag") for the outstanding amount of RMB310,000 arising under a sale contract entered into on 1 November 2006. Currently some of the bank accounts of Beijing HollyBridge were frozen by Haidian Court due to the proceedings instigated by Beijing Double Flag. On 31 January 2008, the Haidian Court ruled that Beijing HollyBridge was required to repay RMB310,000 together with default payment of approximately RMB81,000 to Beijing Double Flag. Currently, a bank account of Beijing HollyBridge was frozen by the Haidian Court due to non-repayment. The Provisional Liquidators are currently seeking appropriate legal advice as to the status of the matter.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

15. Litigations (Continued)

- (i) On 8 September 2007, Beijing HollyBridge received a reply notice from the Beijing Arbitration Commission in relation to a claim made by Beijing Nine Stage Equipment Company Limited (北京九段智能設備有限公司) (“Nine Stage Equipment”) relating to the outstanding payment of approximately RMB0.34 million arising under a construction in progress contract entered into on 27 May 2005. At the hearing on 7 November 2007, the Nine Stage Equipment proposed a settlement with Beijing HollyBridge which the outstanding amount is approximately RMB0.22 million and the first repayment of RMB50,000 has been paid on 17 January 2008.

- (j) On 27 March 2006, 深圳市齊普生信息科技有限公司 (“齊普生”) filed a lawsuit against Beijing HollyBridge for a non-payment of approximately RMB1.38 million, being the remaining unpaid balances for goods sold to Beijing HollyBridge in June 2004. On 28 August 2006, The People’s Court of Futian District of Shenzhen (“Futian Court”) ruled that Beijing HollyBridge has to pay approximately RMB0.53 million together with accrued interest and litigation costs. Subsequently in June 2007, Beijing HollyBridge appealed to The People’s Intermediate Court of Shenzhen but the judgment remained unchanged. Beijing HollyBridge was again required to pay the litigation costs for the appeal in full based on the judgement issued on 8 June 2007. On 21 November 2007, Beijing HollyBridge proposed to Futian Court to repay the outstanding by 8 months. The judge advised that 齊普生 may not accept the proposal. The management of Beijing HollyBridge is currently seeking legal advice as to the settlement of this case.

- (k) In October 2007, 北京元鼎時代有限公司 filed a lawsuit against Beijing HollyBridge requested a repayment of principal amount of RMB391,600, interest of RMB2,467 and damages of RMB7,832. A settlement was reached under the direction of the court that Beijing HollyBridge had to settle the principal amount together with assets security charge and relevant legal charge totalling RMB401,899 by 6 November 2007. A bank account of Beijing HollyBridge was frozen by the court due to the non-repayment of the settlement sum. As at the date of this interim report, all the outstanding amount had been fully repaid.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

15. Litigations (Continued)

- (l) In October 2007, 北京華測偉業科技有限公司 (“華測偉業”) applied to the Haidian Court to take guarantee protective measures against, and seized a bank account of Beijing HollyBridge. Beijing HollyBridge applied to Haidian Court for appeal in terms of governing jurisdiction on 26 October 2007. On 29 October 2007, the management of Beijing HollyBridge negotiated with the lawyers of 華測偉業 and 華測偉業 restated that Beijing HollyBridge should immediately settle the claimed amount of approximately RMB0.215 million and bear the litigation costs whilst 華測偉業 would agree to waive the amount in default and the relevant interests. Settlement has been reached between the parties and it is in the process of execution as at the date of this interim report.
- (m) In November 2007, 北京方正奧德計算機系統有限公司 (“方正奧德”) filed a lawsuit against Beijing HollyBridge for a repayment of RMB220,000 together with default interest of RMB2,000. On 5 December 2007, Haidian Court issued a summons to Beijing HollyBridge and notified that the case would be heard on 29 January 2008.

To the best of the knowledge of the Provisional Liquidators, adequate provision has been made against the above claims and no additional provision is required.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

16. Significant Post-Balance Sheet Events

Details of significant events which took place subsequent to 30 September 2006 are set out as follows:

1) *Registration status of the Company in Bermuda*

The Company was struck off in the Register of Companies by the Registrar of Companies in Bermuda on 20 October 2006 due to non-payment of its 2006 annual government fees and late penalties. Upon their appointment, the Provisional Liquidators settled the outstanding annual government fees and late penalties and filed an affirmation to the Supreme Court of Bermuda (the "Bermuda Court") to reinstate the Company's registration status in Bermuda. On 7 February 2008, the Bermuda Court ordered to restore the Company to the Register of Companies in Bermuda and pursuant to section 261 of the Companies Act 1981 of Bermuda (as amended), the Company is deemed to have continued in existence as if its name had not been struck off.

2) *Petition and appointment of Provisional Liquidators*

On 15 November 2006, Lolliman, a loan creditor of Holy HK, presented a winding-up petition against the Company. On 2 April 2007, an inter-parties summons was filed and served onto the Company by Lolliman for the appointment of provisional liquidators of the Company. The matter was heard in the HK High Court on 17 May 2007. On the same date, Messrs. Liu Yiu Keung Stephen and Robert Armor Morris, both of Ernst & Young Transactions Limited, were appointed by the HK High Court as the Provisional Liquidators. By the HK High Court order, the Provisional Liquidators will, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such time as further order is made. The Provisional Liquidators are independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules). Notice on the appointment of the Provisional Liquidators was published in the Government Gazette, The Standard and Sing Tao Daily respectively on 25 May 2007.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

16. Significant Post-Balance Sheet Events (Continued)

3) *Proposed restructuring of the Group*

On 5 July 2007, the Company entered into the legally binding Heads of Agreement (as varied by a side-letter dated 26 July 2007 (the “Side Letter”)) in relation to the proposed restructuring. The parties subsequently entered into the Supplemental Agreement (refer to section 5 below). Pursuant to the Side Letter and the Supplemental Agreement, the Investor has agreed to advance payments to the total sum of RMB700,000 in the form of prepayment for the payment of deposit under project contracts successfully bided by Beijing HollyBridge.

The Heads of Agreement (as supplemented by the Supplemental Agreement) set out the intentions and understandings of the Company and the Investor in relation to the proposed restructuring. The Investor has undertaken in-principle to provide the funds (being a total sum of HK\$170 million) to the Company in the form of equity to assist with the proposed restructuring. The Investor has paid a non-refundable deposit of HK\$3 million in cleared funds on the date of signing of the Heads of Agreement to the Provisional Liquidators to cover part of the costs of the Provisional Liquidators and their professional parties for the proposed restructuring. The Investor has further paid the further restructuring expenses (being a sum of HK\$5 million) on the even date to the Provisional Liquidators to enable the Provisional Liquidators and their professional parties to implement the restructuring agreements within an agreed period upon the obtaining of the in-principle approval from the Listing Committee of the Stock Exchange.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

16. Significant Post-Balance Sheet Events (Continued)

- 4) *Change of legal representatives of Beijing HollyBridge and Plus Financial Management Services Limited (北京普納天成理財諮詢服務有限公司) (“Plus FMS”) (collectively referred to as the “Beijing Subsidiaries”)*

The Provisional Liquidators announced on 23 August 2007 that Mr. Zou Yishang has been removed as the authorised legal person of the Beijing Subsidiaries as a result of entering into of the Heads of Agreement. Mr. Liu Yiu Keung Stephen, one of the Provisional Liquidators, was appointed as the new authorised legal person of Beijing Subsidiaries on 17 July 2007. His appointments for Beijing HollyBridge and Plus FMS have been approved and registered with Beijing Administration for Industry and Commerce and Beijing Municipal Bureau of Commerce under the relevant rules and regulations of the PRC.

The operation of the Group is currently under the control of the Provisional Liquidators, and appropriate steps have been undertaken by the Provisional Liquidators in the change of the board of directors of the respective members of the Group.

- 5) *Supplemental Agreement in respect of the proposed restructuring*

Further to the announcement made by the Company on 23 August 2007, the Company announced on 28 August 2007 that it entered into the Supplemental Agreement with the Investor on 23 August 2007 to vary and amend certain terms and conditions to the Heads of Agreement, including:

- (a) the revision of the total cash injection to be provided by the Investor to the Company from HK\$200 million to HK\$170 million (the “Revised Fund”);
- (b) the adjustment of the application of the amount of the Revised Fund by the Company in the manner as stated in the sub-section headed “Funds and Revised Funds” in the announcement dated 28 August 2007;

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

16. Significant Post-Balance Sheet Events (Continued)

5) *Supplemental Agreement in respect of the proposed restructuring (Continued)*

- (c) the application of the Revised Funds for the subscription of the new shares, convertible preference shares and options to subscribe new shares upon the principal terms and conditions as stipulated in the sub-section headed “Principal terms of the Convertible Preference Shares and Principal terms of the Options” in the announcement; and
- (d) the adjustment of the indebtedness due to the creditors to the lower
 - (i) 30% of the aggregate of all indebtedness owed by the Company to its creditors; or
 - (ii) HK\$25 million will be paid to all creditors of the Company.

6) *Submission of the Resumption Proposal*

The Resumption Proposal was submitted to the Stock Exchange on 12 September 2007 requesting the resumption of trading of the Company’s Shares. A supplement to the Resumption Proposal was submitted on 19 November 2007.

On 23 November 2007, the Listing Committee of the Stock Exchange had granted in-principle approval to the Resumption Proposal, subject to the fulfillment of certain conditions on or before 22 May 2008, being six months from the date of the in-principle approval letter. The Provisional Liquidators published the announcement regarding the in-principle approval dated 17 December 2007.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

16. Significant Post-Balance Sheet Events (Continued)

7) *Postponement of signing of restructuring agreement*

According to the Heads of Agreement, the restructuring agreement should be signed between the Company and the Investor (the “Parties”) within 30 days, or such other date as may be agreed between the Parties, from the date of the Listing Committee of the Stock Exchange granting in-principle approval to the Resumption Proposal (i.e. on or before 23 December 2007).

As stated in the announcement dated 21 December 2007, the Parties entered into a letter agreement dated 21 December 2007 agreeing to the postponement of the deadline for the signing of the restructuring agreement to be extended from 23 December 2007 to on or before 31 January 2008 (the “First Extension Date”).

Since the Parties considered that more time was needed to finalize the terms and conditions of the restructuring agreement, in particular, arrangements in relation to the creditors’ claims, the parties therefore entered into a second letter agreement on 31 January 2008 agreeing to further extend the date of the signing of the restructuring agreement from the First Extension Date to on or before 29 February 2008 (or such other later date as agreed by the Parties). This second postponement was announced by the Provisional Liquidators on 31 January 2008.

As at the date of this interim report, the Parties decided to further postpone the date of signing of the restructuring agreement to on or before 14 March 2008 (or such other later date as agreed by the Parties) as they are currently seeking creditors’ confirmation on the Schemes. The announcement of the postponement has been published by the Provisional Liquidators on 29 February 2008.

As at the date of this interim report, the Parties have not executed the restructuring agreement.

8) *Change of principal place of business*

The current lease for the principal place of business of the Company has been surrendered to the landlord on 31 August 2007. The principal place of business of the Company has been changed to the office of the Provisional Liquidators at 18th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

16. Significant Post-Balance Sheet Events (Continued)

9) *Preservation of shares in Dynamic Holdings Limited (Stock code: 29) (“Dynamic”)*

Upon the Provisional Liquidators’ investigation of the Group’s shareholding in Dynamic, which is held through Telecom Plus Investment Limited (“Telecom Plus”), a wholly owned subsidiary of the Company, it was noted that 1,000,000 shares of Dynamic was withdrawn from its securities trading account on 10 May 2007 (the “1M Shares”).

The 1M Shares was standing in the name of HKSCC Nominees Limited and the share registrar of Dynamic notified the Provisional Liquidators that an application was received for a purported transfer of the 1M Shares (the “Transfer”). On 29 May 2007, an application was made to the HK High Court under HCMP1037/2007 (the “New Action”) to obtain an order to restrain Telecom Plus, Dynamic and its share registrar from transferring the 1M Shares. An Interim Order and an Order were granted on 30 May 2007 and 1 June 2007 respectively to restrain and further restrain the Transfer until further order.

Meanwhile, an alleged buyer of the 1M Shares (the “Alleged Buyer”) appeared at the hearing on 30 May 2007 attempting to claim his alleged entitlement to the 1M Shares.

Given the Alleged Buyer did not take further legal action in relation to the 1M Shares, as advised by the Company’s representing lawyers and Counsel, a Notice of Motion was issued on 8 January 2008 (the “Notice”) in order to recover the 1M Shares. On 30 January 2008, the Alleged Buyer filed an Interparte Summons and an Affirmation with the HK High Court applying to join as a party to the New Action and to oppose the Company’s application under the Notice.

On 5 February 2008, the Alleged Buyer deposited the said share certificate pursuant to the Order granted at the hearing on 1 February 2008. Further affirmations were exchanged between the parties and the parties are awaiting a hearing date to be fixed for the matter to be disposed of by the HK High Court as at the date of this interim report.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

17. Approval of the unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Provisional Liquidators on 29 February 2008.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

To the best knowledge of the Provisional Liquidators, as at 30 September 2006, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated (Chapter 571 of the Laws of Hong Kong) corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as 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 Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long position in the shares of the Company:

Name of director	Capacity	Type of interests	Aggregate long position in shares and underlying shares	Notes	Approximate % of the issued share capital
Mr. Zou Yishang	Beneficial owner	Corporate	264,730,790	(1)	19.03
	Interest of spouse	Family	698,000	(2)	0.05
	Beneficial owner	Personal	20,000,000	(4)	1.44
Mr. Hu Jian	Beneficial owner	Personal	3,800,000	(4)	0.27
Ms. Chow King Lin, Theresa	Beneficial owner	Personal	2,006,000	(5)	0.14
Mr. Zou Yicheng	Beneficial owner	Personal	1,350,000	(3)	0.10

Notes:

1. These 264,730,790 shares are beneficially owned by Able Technology Limited, which is wholly owned by Mr. Zou Yishang.
2. These 698,000 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 698,000 shares.

OTHER INFORMATION

3. These 1,350,000 shares are beneficially owned by Mr. Zou Yicheng, the brother of Mr. Zou Yishang. By virtue of the SFO, Mr. Zou Yishang is taken to be interested in these 1,350,000 shares. Mr. Zou Yishang and Mr. Zou Yicheng are considered to have 19.18% effective interest of the issued share capital of the Company.
4. These shares represent the interests of the directors under the Share Option Scheme of the Company which have yet been exercised.
5. Amongst these 2,006,000 shares, the 2,000,000 shares represent Ms. Chow King Lin, Theresa's interests under the Share Option Scheme as the Company's director while 6,000 shares are owned by Ms. Chow King Lin, Theresa personally.

Save as disclosed above, as at 30 September 2006, to the best of the knowledge of the Provisional Liquidators, none of the directors or the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

The interests of the directors in the share options of the Company are separately disclosed on page 42 under the section headed "Share Option Scheme".

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of the Provisional Liquidators, as at 30 September 2006, 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 as 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

Name of substantial shareholder	Capacity	Type of interests	Number of issued ordinary shares held	Note	Percentage of the issued share capital of the Company
Poly (Hong Kong) Investments Limited (formerly known as "Continental Mariner Investment Co., Ltd.")	Interest of a controlled corporation	Corporate	117,636,000		8.46
New Industries Investment Consultants (HK) Limited	Beneficial owner	Corporate	107,710,000		7.74
Mr. Li Quan	Beneficial owner	Individual	78,382,000		5.63
BAPEF Investments II Limited	Beneficial owner	Corporate	61,995,547	(1)	4.46
Baring Asia Private Equity Fund L.P.2	Interest of a controlled corporation	Corporate	61,995,547	(1)	4.46

Note (1) Baring Asia Private Equity Fund L.P.2, the controlling shareholders of BAPEF Investments II Limited ("BAPEF"), is an interested party to these 61,995,547 shares. Apart from these shares, to the best of the knowledge of the Provisional Liquidators, BAPEF had conversion rights over 58,142,448 shares to convert the principal amount of the convertible bonds of US\$1.8 million. Please refer to note 13 of the Notes to the Condensed Financial Statements for details.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2006, to the best of the knowledge of the Provisional Liquidators, 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

To the best of the knowledge of the Provisional Liquidators, details of the share option scheme for the six months ended 30 September 2006 are as follows:

Name and category of participants	Number of share options				Date of Grant	Exercisable period	Exercise price HK\$/share
	At 1 April 2006	Granted during the year	Lapsed during the year	At 30 September 2006			
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. Hu Jian	3,800,000	-	-	3,800,000	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>(Notes b & c)</i>	0.3672
	1,000,000	-	-	1,000,000	29 August 2001	29 August 2001 to 28 August 2011 <i>(Notes a & c)</i>	0.3520
	<u>25,800,000</u>	<u>-</u>	<u>-</u>	<u>25,800,000</u>			

OTHER INFORMATION

Name and category of participants	<u>Number of share options</u>				Date of Grant	Exercisable period	Exercise price HK\$/share
	At 1 April 2006	Granted during the year	Lapsed during the year	At 30 September 2006			
Other employees in aggregate	1,000,000	–	–	1,000,000	3 August 2001	3 August 2001 to 2 August 2011 <i>(Notes b & d)</i>	0.3672
	21,819,000	–	–	21,819,000	29 August 2001	29 August 2001 to 28 August 2011 <i>(Notes a & e)</i>	0.3520
	22,819,000	–	–	22,819,000			
	48,619,000	–	–	48,619,000			

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

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

Note c: Subsequent to Ms. Chow King Lin, Theresa's resignation on 29 March 2007, her share options of 2,000,000 were lapsed in June 2007.

Note d: Two employees' share options of a total amount of 1,000,000 were lapsed in December 2007.

Note e: Two employees' share options of a total amount of 1,100,000 were lapsed in February 2007. Together with the share options lapsed in notes c and d, as at the date of this interim report, the total amount of share options is 44,519,000.

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

The Provisional Liquidators do not consider it appropriate to disclose a theoretical value of the share options granted, because in the absence of a readily available market value for the share option in the ordinary shares of the Company, the Provisional Liquidators were unable to arrive at an accurate assessment of the value of the share options.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the interim period, to the best of the knowledge of the Provisional Liquidators, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2006, to the best of the knowledge of the Provisional Liquidators, the Group had approximately 60 (31 March 2006: 66) employees. Total staff cost (including directors' emoluments) incurred during the period amounted to HK\$3.93 million (31 March 2006: HK\$10.5 million). Remuneration packages are generally structured by reference to market terms and individuals 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 a mandatory provident fund scheme, a share option scheme and medical insurance.

The emoluments of the directors of the Company are determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the directors, and employment conditions elsewhere in the Company and desirability of performance-based remuneration.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Provisional Liquidators were appointed to the Company on 17 May 2007. Consequently, the Provisional Liquidators are unable to comment as to whether the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Provisional Liquidators were appointed on 17 May 2007 pursuant to an Order of the High Court of Hong Kong. Consequently, the Provisional Liquidators are unable to comment as to whether the Company complied with the required standard set out in the Model Code in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the directors throughout the six months ended 30 September 2006.

AUDIT COMMITTEE

To the best of the knowledge of the Provisional Liquidators, the Company had set up an audit committee comprising three former Independent Non-executive Directors (“INEDs”), namely Messrs. Wang Xiangfei, Xu Xiaosheng and Zhao Renwei, until their resignation as directors on 1 January 2007, 15 January 2007 and 14 June 2007 respectively. Subsequently at the Company’s board meeting held on 4 December 2007, the audit committee was resumed comprising the three newly appointed INEDs, namely Messrs. Choi Man On (who also acts as the chairman of the audit committee), Young Meng Cheung Andrew and Chan Kin Sang. The audit committee will consider the Group’s financial reporting and internal control and to maintain an appropriate relationship with the auditors of the Company in accordance with the requirements of the Code on Corporate Governance Practices.

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.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the trading in shares of the Company remains in suspension; the sufficiency of public float as required by the Listing Rules is not applicable.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE PROVISIONAL LIQUIDATORS OF PLUS HOLDINGS LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 38, which comprises the condensed consolidated balance sheet of Plus Holdings Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2006 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement for the six-month period then ended and other explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Provisional Liquidators are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

EMPHASIS OF MATTER

COMPARATIVE FIGURES

We draw attention to the fact that because the condensed consolidated income statement for the six-month period ended 30 September 2005, the comparative condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 September 2005 disclosed in the interim financial information have not been reviewed in accordance with standards applicable to review engagements issued by HKICPA. Therefore the comparative amounts shown in these financial statements may not be comparable with the amounts for the current period.

BASIS FOR QUALIFIED CONCLUSION

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the condensed financial statements which explains that a Heads of Agreement (as varied by a side-letter dated 26 July 2007) and a Supplemental Agreement regarding a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") were entered into on 5 July 2007 and 23 August 2007 respectively, between the Investor, Wai Chun Ventures Limited, and the Company. The Resumption Proposal involves capital reorganization, debt restructuring, subscription of new shares, convertible preference shares and options, a whitewash wavier, and group restructuring.

The financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The financial statements do not include any adjustments that would result from a failure to complete the financial restructuring or to obtain other funding. However, in view of the extent of the material uncertainty relating to the completion of the financial restructuring, we qualify our opinion in respect of the material uncertainty relating to the going concern basis.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

QUALIFIED CONCLUSION

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2006, and of its financial performance and its cash flow for the six-month period then ended in accordance with HKAS 34.

Morison Heng

Chartered Accountants

Certified Public Accountants

Hong Kong, 29 February 2008