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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Plus Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or other transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**Plus Holdings Limited**

**普納集團有限公司\***

(the "Company")

*(Incorporated in Bermuda with limited liability)*

**MAJOR TRANSACTION  
INVESTMENT OF BAPEF INVESTMENTS II LIMITED  
INTO THE SUBSIDIARY OF THE COMPANY**

**Financial Adviser to  
Plus Holdings Limited**

**TANRICH**

**TANRICH CAPITAL LIMITED**

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A notice convening a special general meeting of Plus Holdings Limited to be held at 10:00 a.m. on 25 June 2003 at Salisbury Room, 7th Floor, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong is set out on page 90 of this circular. A form of proxy for use at the special general meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the office of the share registrar of Plus Holdings Limited in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

31 May 2003

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise required, the following expressions have the following meanings:*

“Audited Financial Statements”	the full year consolidated audited financial statements of the TPTHL Group and the full year individual audited financial statements of each TPTHL Group Company, in each case, prepared in accordance with Hong Kong GAAP, (in respect of entities incorporated in PRC) PRC GAAP or such other generally accepted accounting principles or practices of the jurisdiction of the place of incorporation of the relevant member of the TPTHL Group (as the case may be)
“BAPEF Group”	BARING and its wholly-owned Subsidiaries from time to time
“BARING”	BAPEF Investments II Limited, a company incorporated in the British Virgin Islands with limited liability and an existing shareholder of the Company, other than holding approximately 4.88% of the Company’s entire issued share capital, BARING and its ultimate beneficial owners are not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Beijing HollyBridge”	Beijing HollyBridge System Intergration Co., Ltd., a sino-foreign equity joint venture established in the PRC on 8 November 1996, a subsidiary owned as to 51% by the Company
“Business Day”	A day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“Company”	Plus Holdings Limited (formerly known as Telecom Plus Holdings Limited), a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Completion”	completion of an exercise of the whole or part of the Subscription Right

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## DEFINITIONS

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“Directors”	directors of the Company
“Drag Along Notice”	the written notice to be tendered by BARING to the Company specifying (a) the Drag Along Sale Price; (b) the Drag Along Sale Terms and (c) the Relevant Number of Shares
“Drag Along Sale Price”	the sale price of the Sale Shares
“Drag Along Sale Terms”	the terms ascribed under the Drag Along Right illustrated in Appendix III
“Exercise Date(s)”	has the meaning ascribed to the term as stated in Clause 3(F) of the Subscription Rights Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Holy HK”	Holy (Hong Kong) Universal Limited, a company incorporated in Hong Kong on 11 December 1998, a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than BARING and its associates
“Latest Practicable Date”	27 May 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange from time to time in effect
“Loan”	the non-interest bearing loan of HK\$42,000,000 advanced by the Company to TPTHL as at the date of the Subscription Rights Agreement, or as the context requires, the aggregate amount of the loan owing by TPTHL to the Company at any relevant time after the mandatory conversion of such amount of the loan into Preferred Stock

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## DEFINITIONS

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“Parties”	the collective name of BARING, the Company and TPTHL that entered into the Subscription Rights Agreement
“PRC”	the People’s Republic of China
“Preferred Stock”	a maximum of 7,200 million shares of the preferred stock with a par value of HK\$0.01 per share in TPTHL to be issued, of which a maximum of 3,000 million shares will be issued to BARING pursuant to the Subscription Rights Agreement and the remaining 4,200 million shares will be issued to the Company
“Relevant Number of Shares”	the number of shares held by BARING and the Company to be sold to a third party under the Drag Along Right ascribed in Appendix III
“Sale Shares”	the shares owned by BARING after its exercise of the Subscription Right
“Shareholders”	holders of issued shares in the Company
“Shares”	TPTHL Shares and shares of Preferred Stock
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held as contemplated hereunder at 10:00 a.m. on 25 June 2003 at Salisbury Room, 7th Floor, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong, notice of which is set out on page 90 of this circular
“Scheme”	the share option scheme adopted by the Shareholders in general meeting on 22 January 2001
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Notice”	has the meaning ascribed to the term in Clause 3(F) of the Subscription Rights Agreement

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## DEFINITIONS

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“Subscription Right”	the rights granted to BARING by TPTHL to subscribe up to HK\$30,000,000 (or such higher amount as TPTHL may agree) for 3,000 million shares at HK\$0.01 per share out of 7,200 million shares of Preferred Stock with a par value of HK\$0.01 each to be issued by the Company
“Subscription Rights Agreement”	the conditional subscription rights agreement entered into by BARING, the Company and TPTHL on 6 March 2003, pursuant to which BARING is granted the right to subscribe for the Preferred stock of TPTHL for an aggregate amount not exceeding HK\$30,000,000 or such higher amount as TPTHL may agree
“TPTHL Group”	TPTHL, the TPTHL subsidiaries and TPTHL associated companies; and “TPTHL Group Company” means any one of them individually; and “TPTHL Group Companies” means any member(s) of the “TPTHL Group”
“TPTHL”	Telecom Plus Technology Holdings Limited, a company incorporated in Hong Kong with limited liability on 25 July 2001, which is a wholly-owned subsidiary of the Company
“TPTHL Shares”	ordinary share(s) of HK\$1.00 each in the share capital of TPTHL or such other nominal amount as shall result from a subdivision, consolidation or reclassification or reconstruction of the share capital of TPTHL from time to time

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## LETTER FROM THE BOARD

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### Plus Holdings Limited

普納集團有限公司\*

(the “Company”)

(Incorporated in Bermuda with limited liability)

*Executive Directors:*

Mr. Weng Xianding

Mr. Zou Yishang

Mr. Ma Hongyao

Mr. Zhang Keqiang

Ms. Chow King Lin Theresa

*Registered Office:*

Clarendon House

2 Church House

Hamilton HM 11

Bermuda

*Non-executive Director:*

Mr. Chang Zhenming

*Principal place of business in*

*Hong Kong:*

Unit 01A, 24th Floor

Bank of America Tower

12 Harcourt Road, Central

Hong Kong

*Independent Non-executive Directors:*

Mr. Zhao Renwei

Mr. Leung Wai Man, Roger

31 May 2003

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION

### INVESTMENT OF BAPEF INVESTMENTS II LIMITED

### INTO THE SUBSIDIARY OF THE COMPANY

#### INTRODUCTION

In the announcement dated 29 April 2003, the Board announced that, on 6 March 2003, the Company and TPTHL, a wholly-owned subsidiary of the Company entered into a conditional Subscription Rights Agreement with BARING in which BARING is granted the right by TPTHL to subscribe for the Preferred Stock of TPTHL for an aggregate amount not exceeding HK\$30,000,000 or such higher amount as TPTHL may agree.

\* For identification purpose only

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## LETTER FROM THE BOARD

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TPTHL is a company incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each (“TPTHL Shares”) of which 2 TPTHL Shares have been issued and are fully paid as at the Latest Practicable Date. The Company beneficially holds 2 TPTHL Shares representing 100% of the entire issued share capital of TPTHL.

Pursuant to the Subscription Rights Agreement, the Company and TPTHL procure that the Loan of HK\$42 million as at the Latest Practicable Date advanced by the Company to TPTHL, shall be mandatorily converted into Preferred Stock of TPTHL upon the full exercise of the Subscription Right by BARING. The Preferred Stock of TPTHL to be issued to the Company and BARING with a par value of HK\$0.01 each will rank pari passu in all respects. The maximum number of the Preferred Stock of TPTHL to be issued and subscribed by BARING is 3,000 million shares, representing approximately 42% of the enlarged issued share capital in TPTHL upon the full exercise of the Subscription Right. The maximum number of the Preferred Stock of TPTHL to be issued to the Company upon full conversion of the Loan is 4,200 million shares, representing approximately 58% of the enlarged issued share capital in TPTHL.

As at the Latest Practicable Date, BARING is the holder of 61,995,547 shares of the Company, representing approximately 4.88% of the Company’s entire issued share capital. BARING and its ultimate beneficial owners are not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates

In consideration of (i) the improvement of the Group’s financial condition by the cash consideration of the Subscription Rights Agreement; (ii) the synergy effect obtained from working with the portfolio companies of BARING; (iii) the enhancement of earning base by penetration into new markets, the Directors take the view that the terms of the Subscription Rights Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Subscription Rights Agreement constitutes a major transaction for the Company under the Listing Rules. The grant of the Subscription Rights contemplated under the Subscription Rights Agreement and the issue of the Preferred Stock by TPTHL to BARING shall be subject to the approval of the Independent Shareholders at the special general meeting to be convened in accordance with Rule 14.10 of the Listing Rules in which BARING and their respective associates will abstain from voting.

The purpose of this circular is to provide you with further information relating to the investment of BARING into TPTHL and to seek your approval of the grant of the Subscription Rights contemplated under the Subscription Rights Agreement and the issuance of the Preferred Stock by TPTHL to BARING at the SGM.

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## LETTER FROM THE BOARD

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### DETAILS OF THE SUBSCRIPTION RIGHTS AGREEMENT

Date : 6 March 2003

#### Parties

- (1) BARING
- (2) The Company
- (3) TPTHL

TPTHL is the wholly-owned subsidiary of the Company. Pursuant to the Subscription Rights Agreement, TPTHL has agreed to grant the Subscription Right to BARING to subscribe a maximum of 3,000 million shares of Preferred Stock of TPTHL at HK\$0.01 per share.

A non-interest bearing loan of HK\$42,000,000 advanced by the Company to TPTHL will be subject to mandatory conversion into a maximum of 4,200 million shares of Preferred Stock of TPTHL at HK\$0.01 per share upon full exercise of the Subscription Right by BARING.

A maximum of an aggregate amount of 7,200 million shares of Preferred Stock of TPTHL with a par value of HK\$0.01 per share will be issued to BARING and the Company upon the full exercise of the Subscription Right by BARING and the full conversion of the Loan by the Company. The 3,000 million shares and 4,200 million shares of Preferred Stock represent approximately 42% and 58% respectively of the enlarged issued share capital of TPTHL to be held by BARING and the Company respectively.

The consideration of the subscription of the Preferred Stock by BARING will be satisfied by cash and the Subscription Right may be exercised before 31 December 2004.

#### Conditions Precedent

The Subscription Rights Agreement is conditional upon:

- (i) the passing of resolutions by the Independent Shareholders of the Company at a SGM approving the entering into of the Subscription Rights Agreement, the granting of the Subscription Right and all other transactions concerning the Company and its Subsidiaries contemplated thereunder being fulfilled on or before 5:00 p.m. on 31 July 2003 (or such later time and date as the parties shall agree in writing);

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## LETTER FROM THE BOARD

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- (ii) the passing of the necessary special and/or other resolutions of the shareholders of TPTHL approving the necessary amendments to the memorandum and articles of association of TPTHL to (1) create the Preferred Stock with the rights set out in Schedule 1 to the Subscription Rights Agreement or such other rights as may be agreed by BARING, the Company and TPTHL and (2) subdivide the Shares of HK\$1.00 each into TPTHL Shares of HK\$0.01 each;
- (iii) the passing of the necessary ordinary and/or other resolutions of TPTHL approving the entering into of the Subscription Rights Agreement and the granting of the Subscription Right to BARING pursuant to the Subscription Rights Agreement; and
- (iv) the passing of resolutions of the board of Directors of TPTHL to allot and issue such number of Preferred Stock which may fall to be issued pursuant to the Subscription Rights Agreement and all other transactions contemplated thereunder.

### **Subscription Rights**

After the conditions referred to in the paragraph headed “Conditions Precedent” above are fulfilled by 5:00 p.m. on 31 July 2003 or such later time and date as the Parties may agree in writing, the grant of the Subscription Right shall become unconditional. The expiry date of the Subscription Rights Agreement falls on 31 December 2004.

By exercising the Subscription Right, BARING may subscribe an aggregate amount of up to HK\$30,000,000 (or such higher amount as TPTHL may agree) for shares of Preferred Stock of HK\$0.01 each of TPTHL in the manner as set out in Appendix II. The subscription price per Share of HK\$0.01 is equivalent to the par value of HK\$0.01 for each TPTHL Preferred Stock and upon subscription, the Shares will be paid up at par. The maximum number of Preferred Stock to be subscribed by BARING is 3,000 million shares, representing 42% of the enlarged issued share capital of TPTHL.

### **Mandatory Conversion of the Loan**

As at the Latest Practicable Date, the Company has made a non-interest bearing loan of HK\$42,000,000 (the “Loan”) to TPTHL. On each occasion upon BARING’s exercise of the Subscription Right, the Company is subject to a mandatory conversion of the Loan into shares of Preferred Stock for the same amount as per the respective exercise. The maximum number of the Preferred Stock of TPTHL to be issued and subscribed by BARING is 3,000 million shares, representing approximately 42% of the enlarged issued share capital in TPTHL upon the full exercise of the Subscription Right. The maximum number of the Preferred Stock of TPTHL to be issued to the Company upon full conversion of the Loan is 4,200 million shares, representing approximately 58% of the enlarged share capital in TPTHL. In this regard, TPTHL is a wholly-

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## LETTER FROM THE BOARD

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owned subsidiary of the Company before the exercise of the Subscription Right by BARING and will become a non wholly-owned subsidiary holding only 58% of TPTHL upon BARING's full exercise of the Subscription Right and the full mandatory conversion of the Loan by the Company.

In respect of the Loan, the Company has undertaken that:

- (i) no interest shall accrue on any amount of the Loan which remains outstanding at any time; and
- (ii) no demand for the repayment of any amount of the Loan which remains outstanding shall be made against TPTHL or any other party, for as long as the Subscription Right remains exercisable.

The principal rights of the Preferred Stock are set out in Appendix III.

### **Completion**

Completion of an exercise of the whole or part of the Subscription Right shall take place after all the conditions in relation to the exercise of the Subscription Right have been fulfilled.

### **BUSINESS OF THE GROUP AND TPTHL**

The Group is principally engaged in the provision of network and systems integrations, business/operation support system, telecommunications value-added services/solutions and other application on software systems in the PRC.

TPTHL is the investment holding company of the Group which carries out information technology business of the Company in the PRC.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION RIGHTS AGREEMENT**

#### **China Bancassurance Business Opportunities**

China, is one of the most robust economies in the world with an average annual growth rate of about 7% in the recent years. According to the data available on the official web pages of Chinese Insurance Regulatory Commission on the Latest Practicable Date, the premiums written in China's life insurance market has increased from RMB100 billion in 2000 to RMB142 billion in 2001 and RMB227 billion in 2002. Based on the figures available on the official web pages of the People's Bank of China on the Latest Practicable Date, the total domestic savings deposits in China

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## LETTER FROM THE BOARD

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swelled to RMB7.4 trillion by the end of 2001 and grew another 18% in 2002 to almost RMB8.7 trillion. Both the banking and insurance industries are expected to expand at a rapid pace as the PRC economy grows and income level continues to rise.

Notably, banks in China are facing keen competition when the sector further opens on China's WTO membership whilst the insurance companies are eager to gain market share in the shortest possible time. Consequently, there is a trend for the tie-ups of banks and insurance companies to cross-sell their products and services (commonly known as "Bancassurance") for the benefits of additional income and reduction of reliance on competitive spreads as the major source of income from the banks' perspective; and mass distribution channels and cost-saving from the elimination of huge traditional sales force from the insurance companies' perspective.

The Directors believe that new forms of information technology infrastructure and operation technology are required by banks and insurance companies as a result of such tie-ups popularization in which the Company and BARING find enormous business potentials.

### **Strategic Partner**

BARING is one of the investment vehicles of the Baring Asia Private Equity Fund ("the Fund") which manages direct investment and venture capital funds. The Fund is formed to invest in companies developing products or services that take advantage of the large market opportunities being created by the growth of data communications and information technology in Asia. A key driver of the Fund's investment strategy is to seek companies that are developing technology that directly helps customers reduce costs and increase revenues. The Directors believe that the partnership with BARING and its portfolio companies will enhance the technology strength and sales and marketing arms of the Company.

As at the date of this circular, BARING is the holder of 61,995,547 ordinary shares of the Company, representing approximately 4.88% of the Company's entire issued share capital. Upon full exercise of the Subscription Right, BARING will hold approximately 3,000 million shares of Preferred Stock of TPTHL, representing 42% of TPTHL's entire issued share capital.

### **Financial Improvement**

TPTHL, a company incorporated in Hong Kong with limited liability on 25 July 2001 and a wholly owned subsidiary of the Company, upon restructuring of the Group in early 2002 has been functioning as a holding company owning all the subsidiaries, including Holy (HK) and Telecom Plus Technology Ltd., which carry out information technology business of the Company in the PRC.

TPTHL is a company with limited liability incorporated in Hong Kong on 25 July 2001. Accordingly, no financial information is available for the year ended 31 March 2001.

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## LETTER FROM THE BOARD

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Based on the unaudited management accounts for the year ended 31 March 2002, TPTHL's profit before and after taxation were approximately HK\$24,906,000 and HK\$23,022,000 respectively, contributing 140% and 145% of the Company's total profit before and after taxation amounting to approximately HK\$17,748,000 and HK\$15,864,000 respectively.

Based on the unaudited management accounts for the six months ended 30 September 2002, TPTHL's loss before and after taxation were approximately HK\$5,991,000 and HK\$5,601,000 respectively, contributing 26% and 25% of the Company's total loss before and after taxation amounting to approximately HK\$22,924,000 and HK\$22,534,000 respectively.

TPTHL does not have any consolidated net tangible assets as at both dates. Based on the unaudited management accounts of TPTHL as at 30 September 2002 and 31 March 2002, its net liabilities were approximately HK\$4,218,000 and HK\$8,736,000 respectively.

With reference to the unaudited consolidated results as at 30 September 2002, TPTHL is expected to have a gearing ratio of about 0.77 times calculated on the combined liabilities of approximately HK\$117.9 million and on the combined assets of approximately HK\$153.7 million of the enlarged share capital upon BARING's full exercise of the Subscription Right as compared to a gearing ratio of about 0.95 times calculated on the combined liabilities of approximately HK\$117.9 million and on the combined assets of approximately HK\$123.7 million prior to the exercise of the Subscription Right.

Having considered that (i) the loss suffering by TPTHL; (ii) the improvement of the gearing ratio; and (iii) the business potential of the new markets to be jointly explored by BARING and the Company, the Directors believe that the subscription price of HK\$0.01 per share for 3,000 million TPTHL Preferred Stock to be subscribed by BARING, is fair and reasonable so far as the Independent Shareholders are concerned.

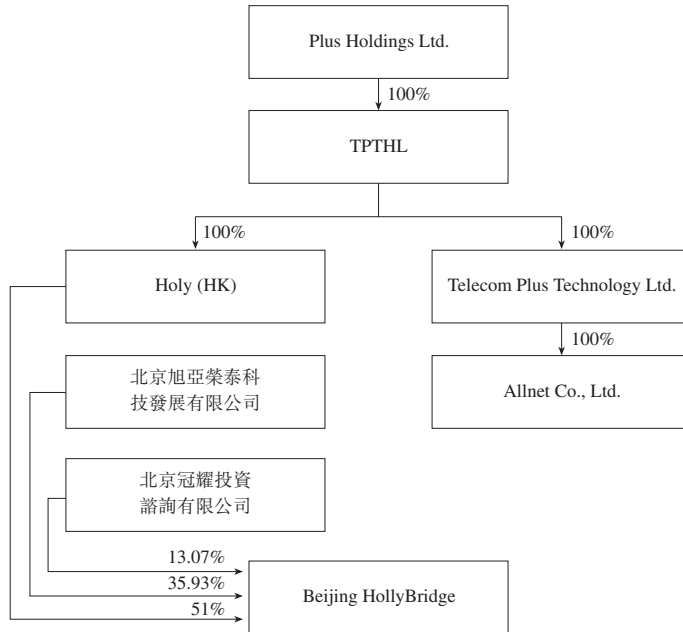
Assuming that the entering into the Subscription Rights Agreement and the contemplated transactions thereunder are approved, TPTHL would become a non wholly-owned subsidiary of the Company upon BARING's partial or full exercise of the Subscription Right pursuant to the Subscription Rights Agreement. A maximum of 3,000 million shares of the Preferred Stock of TPTHL, representing approximately 42% of the enlarged issued share capital of TPTHL will be issued to BARING. The shareholding of the Company in TPTHL will be diluted from the current level of 100% to 58%.

In view of the current financial position of the Group and any borrowings may incur interest expenses, the Directors consider that the dilution of the shareholding interest in TPTHL arisen from the exercise of the Subscription Right is acceptable.

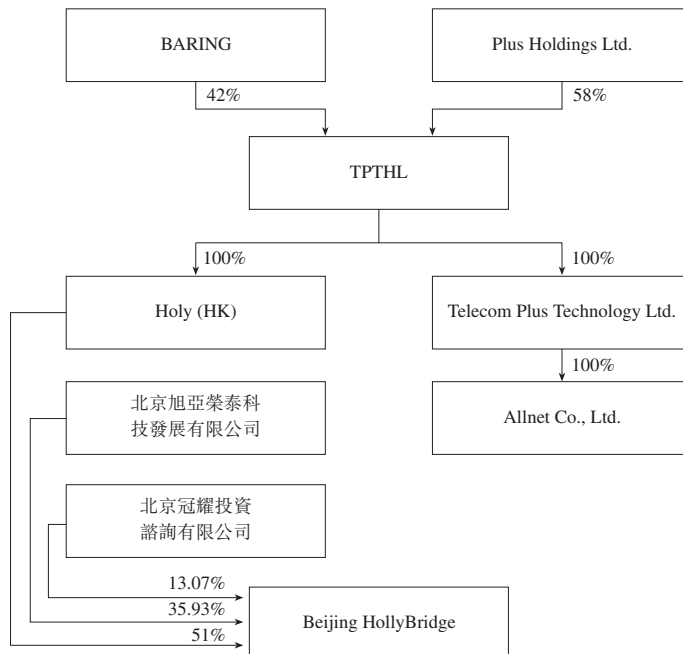
The total cash proceeds of HK\$30,000,000 which may be received by the Group upon full exercise of the Subscription Right by BARING will be used as the general working capital of the Group. As at the Latest Practicable Date, the Group has no particular plan in respect of the use of the proceeds.

## LETTER FROM THE BOARD

### Corporate structure of TPTHL before BARING's exercise of the Subscription Right



### Corporate structure of TPTHL upon full exercise of the Subscription Right by BARING



Both 北京冠耀投資諮詢有限公司 and 北京旭亞榮泰科技發展有限公司 are incorporated in PRC.

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## LETTER FROM THE BOARD

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Mr. Ma Hongyao who is an Executive Director of the Company is the sole director and holding 80% stake of 北京冠耀投資諮詢有限公司. The shareholder of the remaining 20% of 北京冠耀投資諮詢有限公司 and directors and shareholders of 北京旭亞榮泰科技發展有限公司 are not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

### SGM

A notice of the SGM to be held at 10:00 a.m. on 25 June 2003 at Salisbury Room, 7th Floor, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong is set out on page 90 of this circular.

A form of proxy is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the share registrar of the Company in Hong Kong, Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and delivery of the proxy form will not prevent you from attending, and voting at the SGM if you so wish.

The Subscription Rights Agreement constitutes a major transaction for the Company under the Listing Rules. The Subscription Rights Agreement, the grant of the Subscription Right contemplated thereunder and the issue of the Preferred Stock by TPTHL to BARING shall be subject to the approval of the Independent Shareholders of the Company at the general meeting to be convened. BARING and their respective associates (as defined in the Listing Rules) will abstain from voting in respect of the resolution to be proposed at the SGM.

### RECOMMENDATION

The Directors consider the investment of BARING into TPTHL will bring the following benefits to the Group:

1. Introduction of additional working capital by the cash proceeds payable by BARING for the Preferred Stocks of TPTHL;
2. Reduce further borrowings that may incur more interest expenses;
3. A good opportunity to develop the Bancassurance related business with BARING to enhance the Group's earning base.

In view of the aforementioned benefits, the Directors consider that the entering into the Subscription Rights Agreement is in the best interest of the Company, and that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. As stated

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## LETTER FROM THE BOARD

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in the section headed “Working Capital Statement” in Appendix II to the Circular, the Directors are of the opinion that, the strategic investment of BARING into TPTHL will alleviate the liquidity problem of the Group and is in the interests of the Group and the Shareholders as a whole. The Directors therefore recommend you to vote in favour of the resolutions.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices and the notice of the SGM set out in this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Plus Holdings Limited**  
**Zou Yishang**  
*Director*

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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### A. SHARE CAPITAL OF THE COMPANY

#### (a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

*Authorised:*

<i>No of shares '000</i>		<i>HK\$'000</i>
<u>3,000,000</u>	ordinary shares of HK\$0.10 each	<u>300,000</u>

*Issued and fully paid up*

<u>1,271,163</u>	ordinary shares of HK\$0.10 each	<u>127,116</u>
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122,780,000 shares have been issued since 31 March 2002 being the end of the last audited financial year of the Company and up to the Latest Practicable Date. All the issued Shares rank pari passu in all respects including as to dividends, voting rights and capital.

#### (b) Listing

The Shares are listed and traded on the Stock Exchange. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange.

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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**B. FINANCIAL INFORMATION**
**(a) Summary of audited results for the three years ended 31 March 2002**

The following is a summary of the audited combined results for the three years ended 31 March 2002 of the Group extracted from its audited consolidated financial statements:

	<b>2002</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover			
Continuing operations	323,763	30,628	–
Discontinued operations	–	472	159,276
	<u>323,763</u>	<u>31,100</u>	<u>159,276</u>
Cost of sales			
Continuing operations	(264,705)	(24,030)	–
Discontinued operations	–	(430)	(132,517)
	<u>(264,705)</u>	<u>(24,460)</u>	<u>(132,517)</u>
Gross profit			
Continuing operations	59,058	6,598	–
Discontinued operations	–	42	26,759
	<u>59,058</u>	<u>6,640</u>	<u>26,759</u>
Other operating income	10,325	283,197	15,617
Selling and distribution expenses	(14,226)	(12)	(11,399)
Administrative expenses	(31,351)	(41,722)	(61,615)
Other operating expenses	(460)	(1,935)	(72,357)

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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	<b>2002</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) from operating activities			
Continuing operations	23,346	5,839	–
Discontinued operations	–	240,329	(102,995)
	<u>23,346</u>	<u>246,168</u>	<u>(102,995)</u>
Finance costs	(5,598)	(8,741)	(47,278)
	<u>17,748</u>	<u>237,427</u>	<u>(150,273)</u>
Profit/(Loss) before taxation	17,748	237,427	(150,273)
Taxation	(1,884)	–	–
	<u>15,864</u>	<u>237,427</u>	<u>(150,273)</u>
Profit/(Loss) before minority interest	15,864	237,427	(150,273)
Minority interest	(6,649)	–	–
	<u>9,215</u>	<u>237,427</u>	<u>(150,273)</u>
Profit/(Loss) attributable to shareholders	<u>9,215</u>	<u>237,427</u>	<u>(150,273)</u>
Earnings/(Loss) per share			
Basic	<u>0.88 cents</u>	<u>40.08 cents</u>	<u>(34.24 cents)</u>
Diluted	<u>0.85 cents</u>	<u>34.40 cents</u>	<u>N/A</u>

**(b) Summary of audited financial results for the two years ended 31 March 2002**

The audited consolidated income statement of the Group for each of the two years ended 31 March 2002, the audited consolidated balance sheets of the Group as at 31 March 2002 and 2001 and the audited consolidated cash flow statements of the Group for the two years ended 31 March 2002 have been extracted from the audited consolidated financial statements of the Company for the year ended 31 March 2002 and set out below.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**


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**Consolidated Income Statement**

		<b>2002</b>	<b>2001</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover			
Continuing operations	4	323,763	30,628
Discontinued operations		–	472
		<u>323,763</u>	<u>31,100</u>
Cost of sales			
Continuing operations		(264,705)	(24,030)
Discontinued operations		–	(430)
		<u>(264,705)</u>	<u>(24,460)</u>
Gross profit			
Continuing operations		59,058	6,598
Discontinued operations		–	42
		<u>59,058</u>	<u>6,640</u>
Other operating income	6	10,325	283,197
Selling and distribution expenses		(14,226)	(12)
Administrative expenses		(31,351)	(41,722)
Other operating expenses		(460)	(1,935)
Profit from operating activities	7		
Continuing operations		23,346	5,839
Discontinued operations		–	240,329
		<u>23,346</u>	<u>246,168</u>
Finance costs	9	(5,598)	(8,741)
Profit before taxation		17,748	237,427
Taxation	10	(1,884)	–
Profit before minority interest		15,864	237,427
Minority interest		(6,649)	–
Profit attributable to shareholders		<u>9,215</u>	<u>237,427</u>
Earnings per share	11		
Basic		<u>0.88 cents</u>	<u>40.08 cents</u>
Diluted		<u>0.85 cents</u>	<u>34.40 cents</u>

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

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**Consolidated Statement of Recognised Gains and Losses**

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange differences arising from translation of financial statements of operations in the People's Republic of China ("PRC")	27	–
Deficit on revaluation of property, plant and equipment	–	(1,121)
Profit attributable to shareholders	<u>9,215</u>	<u>237,427</u>
Total recognised gains	<u><u>9,242</u></u>	<u><u>236,306</u></u>

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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**Consolidated Balance Sheet**

	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	<i>12</i>	11,288	677
Development costs	<i>13</i>	8,142	–
Goodwill	<i>14</i>	28,402	20,228
Interest in an associate	<i>16</i>	–	–
		<u>48,895</u>	<u>20,905</u>
Current assets			
Inventories	<i>17</i>	34,580	–
Trade and other receivables	<i>18</i>	101,299	43,749
Other investments	<i>19</i>	8,051	–
Amount due from an associate		932	–
Pledged bank deposits	<i>32</i>	4,446	–
Bank balances and cash		8,127	5,901
		<u>175,435</u>	<u>49,650</u>
Current liabilities			
Trade and other payables	<i>20</i>	77,096	35,421
Amount due to a relate company	<i>37</i>	–	20,390
Amounts due to shareholders		–	3,789
Taxation payable		1,131	–
Deferred taxation	<i>21</i>	1,229	–
Bank and other borrowings – due within one year	<i>22</i>	51,390	25,340
Convertible bonds – due within one year	<i>23</i>	14,040	7,008
		<u>144,886</u>	<u>91,948</u>
Net current assets/(liabilities)		<u>12,549</u>	<u>(42,298)</u>
Total assets less current liabilities		<u>60,381</u>	<u>(21,393)</u>
Minority interest		<u>12,379</u>	<u>–</u>
Non-current liabilities			
Bank and other borrowings – due after one year	<i>22</i>	8,710	11,314
Convertible bonds – due after one year	<i>23</i>	7,020	21,023
		<u>15,730</u>	<u>32,337</u>
<b>NET ASSETS/(LIABILITIES)</b>		<b><u>32,272</u></b>	<b><u>(53,730)</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>24</i>	114,838	89,151
Reserves	<i>26</i>	(82,566)	(142,881)
<b>SHAREHOLDERS' FUNDS/(DEFICIENCY IN SHAREHOLDERS' FUNDS)</b>		<b><u>32,272</u></b>	<b><u>(53,730)</u></b>

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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**Consolidated Cash Flow Statement**

	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	27	(7,867)	(110,565)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(4,566)	(384)
Interest received		246	126
		<hr/>	<hr/>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4,320)	(258)
		<hr/>	<hr/>
TAXATION			
Taxation paid in PRC		(499)	–
Hong Kong Profits Tax paid		–	(76)
		<hr/>	<hr/>
CASH OUTFLOW FROM TAXATION		(499)	(76)
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Deposits paid to an independent third party		(14,151)	–
Purchase of other investments		(9,905)	–
Acquisition of a subsidiary, net of cash and cash equivalents acquired	28	(9,170)	5,568
Additions of development costs		(8,142)	–
Purchase of property, plant and equipment		(4,643)	(739)
Increase in pledged bank deposits		(4,446)	–
Repayment of amounts due to shareholders		(3,789)	–
Proceeds from disposal of other investments		2,518	–
Proceeds from disposal of property, plant and equipment		448	3,145
Advances from shareholders		–	3,789
Disposal of subsidiaries, net of cash and cash equivalents disposed of	29	–	(701)
		<hr/>	<hr/>
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(51,280)	11,062
		<hr/>	<hr/>

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		<u>(63,966)</u>	<u>(99,837)</u>
FINANCING ACTIVITIES	<i>31</i>		
Issue of new shares		64,800	63,500
New borrowings raised		45,328	132,806
Repayments of bank and other borrowings		(21,362)	(13,768)
Repurchase of shares		(9,703)	–
Share issue expenses		<u>(1,030)</u>	<u>(603)</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>78,033</u>	<u>181,935</u>
INCREASE IN CASH AND CASH EQUIVALENTS		14,067	82,098
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>(16,847)</u>	<u>(98,945)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>(2,780)</u></u>	<u><u>(16,847)</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		8,127	5,901
Bank overdrafts		–	(2,195)
Other borrowings		<u>(10,907)</u>	<u>(20,553)</u>
		<u><u>(2,780)</u></u>	<u><u>(16,847)</u></u>

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**


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**Balance Sheet**

	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Plant and equipment	<i>12</i>	37	51
Interest in subsidiaries	<i>15</i>	10	10
		<u>47</u>	<u>61</u>
Current assets			
Other receivables		109	118
Amounts due from subsidiaries		3,591	–
		<u>3,700</u>	<u>118</u>
Current liabilities			
Other payables		12,753	33,024
Amounts due to a shareholder		–	1,870
Amounts due to subsidiaries		15	501
Bank and other borrowings			
– due within one year	<i>22</i>	4,287	4,502
Convertible bonds – due within one year	<i>23</i>	14,040	7,008
		<u>31,095</u>	<u>46,905</u>
Net current liabilities		<u>(27,395)</u>	<u>(46,787)</u>
Total assets less current liabilities		<u>(27,348)</u>	<u>(46,726)</u>
Non-current liabilities			
Bank and other borrowings – due after one year	<i>22</i>	8,483	11,021
Convertible bonds – due after one year	<i>23</i>	7,020	21,023
		<u>15,503</u>	<u>32,044</u>
<b>NET LIABILITIES</b>		<b><u>(42,851)</u></b>	<b><u>(78,770)</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>24</i>	114,838	89,151
Reserves	<i>26</i>	(157,689)	(167,921)
<b>DEFICIENCY IN SHAREHOLDERS' FUNDS</b>		<b><u>(42,851)</u></b>	<b><u>(78,770)</u></b>

## **Notes to Financial Statements**

### **1.      General**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the 'Stock Exchange').

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the financial statements.

### **2.      Adoption of Statements of Standard Accounting Practice**

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ('SSAP(s)') issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has not resulted in any major changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

### **3.      Significant accounting policies**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of other investments, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March, each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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On disposal of a subsidiary or an associate, the attributable of unamortised goodwill is included in the determination of the profit or loss on disposal.

### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	2% to 4%
Leasehold improvements	20% or over the terms of the lease, whichever is the shorter
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### **Development costs**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

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An internally-generally intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity. The resultant asset is amortised systematically over its useful life by using the unit of production method.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

### **Other investments**

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventory is based on the specific identification cost formula and comprises all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

### **Operating lease**

Annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

### **Revenue recognition**

Sales of goods are recognised when the goods are delivered and title has passed.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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Integration service, services income and contract income are recognised upon receipt of acceptance from outside customers.

Consultancy income is recognised when services are provided.

Interest income from bank deposit is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### **Foreign currencies**

Transactions in currencies other than Hong Kong dollar are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollar are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of operations outside Hong Kong are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with through the exchange reserve.

### **Retirement benefit schemes**

The retirement benefit costs charged in the income statement represent the contribution payable in respect of the year to the Group's defined contribution schemes.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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### 4. Turnover

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Continuing operations:		
– sales and integration service	291,283	30,628
– services income	26,652	–
– contract income	5,828	–
	<u>323,763</u>	<u>30,628</u>
Discontinued operations ( <i>note 5</i> ):		
– sales of toy products	–	472
	<u>–</u>	<u>472</u>
	<u><u>323,763</u></u>	<u><u>31,100</u></u>

### 5. Business and geographical segments

#### Business segments

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

Principal activities are as follows:

#### Continuing operations

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

#### Discontinued operations

The Group was involved in the manufacture and sales of toy products. As the Group's production facilities in the PRC were seized under court orders in prior years, the Group had discontinued its business of manufacture and sales of toy products thereafter.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

Segmental information about these businesses is presented below.

	Year ended 31 March 2002				
	Sales and integration service	Services income	Contract income	Unallocated corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<u>291,283</u>	<u>26,652</u>	<u>5,828</u>	<u>–</u>	<u>323,763</u>
RESULT					
Segment results	<u>17,720</u>	<u>10,898</u>	<u>(688)</u>	<u>–</u>	27,930
Unallocated corporate expenses					<u>(4,584)</u>
Profit from operations					23,346
Finance costs	(4,044)	(501)	(110)	(943)	<u>(5,598)</u>
Profit before taxation					17,748
Taxation					<u>(1,884)</u>
Profit before minority interest					15,864
Minority interest					<u>(6,649)</u>
Profit attributable to shareholders					<u>9,215</u>

### OTHER INFORMATION

	Sales and integration service	Services income	Contract income	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Capital additions	10,942	396	87	1,360
Depreciation and amortization	<u>2,973</u>	<u>275</u>	<u>60</u>	<u>1,103</u>	<u>4,411</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### BALANCE SHEET

	<b>As at 31 March 2002</b>			
	<b>Sales and integration service <i>HK\$'000</i></b>	<b>Services income <i>HK\$'000</i></b>	<b>Contract income <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>ASSETS</b>				
Segment assets	142,352	6,757	9,069	158,178
Unallocated corporate assets				47,089
Consolidated total assets				<u>205,267</u>
<b>LIABILITIES</b>				
Segment liabilities	103,171	8,343	3,550	115,064
Unallocated corporate liabilities				45,552
Consolidated total liabilities				<u>160,616</u>
	<b>Year ended 31 March 2001</b>			
	<b>Sales and integration service <i>HK\$'000</i></b>	<b>Toy products (discontinued) <i>HK\$'000</i></b>	<b>Unallocated corporate <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
TURNOVER	<u>30,628</u>	<u>472</u>	<u>–</u>	<u>31,100</u>
RESULT				
Segment results	<u>5,615</u>	<u>102,666</u>	<u>–</u>	108,281
Unallocated corporate expenses				(11,173)
Gain on disposal of subsidiaries				149,060
Profit from operations				246,168
Finance costs	(320)	(347)	(8,074)	(8,741)
Profit before taxation				237,427
Taxation				–
Profit attributable to shareholders				<u>237,427</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### OTHER INFORMATION

	Sales and integration service <i>HK\$'000</i>	Toy products (discontinued) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	739	–	–	739
Depreciation and amortisation	<u>270</u>	<u>5,712</u>	<u>3,228</u>	<u>9,210</u>

### BALANCE SHEET

	As at 31 March 2001		
	Sales and integration service <i>HK\$'000</i>	Toy products (discontinued) <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	60,292	248	60,540
Unallocated corporate assets			<u>10,015</u>
Consolidated total assets			<u>70,555</u>
<b>LIABILITIES</b>			
Segment liabilities	40,942	399	41,341
Unallocated corporate liabilities			<u>82,944</u>
Consolidated total liabilities			<u>124,285</u>

### Geographical segments

No geographical segment analysis is provided as substantially all of the Group's turnover and contribution to results were derived from the PRC.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and development costs, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and development costs	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Hong Kong	73,844	70,072	48	366
PRC	<u>131,423</u>	<u>483</u>	<u>12,737</u>	<u>373</u>
	<u>205,267</u>	<u>70,555</u>	<u>12,785</u>	<u>739</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 6. Other operating income

Included in other operating income are the following:

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of subsidiaries ( <i>note 29</i> )	–	149,060
Gain on disposal of other investments	231	–
Gain on waiver of bank and other borrowings ( <i>note 31 (a)</i> )	–	101,442
Gain on waiver of former directors' emoluments	1,551	–
Gain on waiver of obligations under finance leases ( <i>note 31 (b)</i> )	–	13,356
Consultancy income	1,259	–
Interest income	246	126
Rental income	245	125
Unrealised gain on other investments	433	–
Write-back of provision for guarantee	–	5,904
Write-back of over accrued interest	–	5,231
Write-back of long outstanding trade and other payables	2,659	–
Others	3,701	7,953
	10,325	283,197
	10,325	283,197

### 7. Profit from operations

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived after charging:		
Auditors' remuneration	820	900
Amortisation of goodwill (including in administrative expenses)	1,861	256
Depreciation	2,550	8,954
Loss on disposal of property, plant and equipment	103	495
Loss on write-off on net assets of a subsidiary	–	386
Write-off of obsolete property, plant and equipment	–	43
Staff costs including directors' emoluments	17,006	8,901
Contributions to retirement benefit schemes	445	30
	17,451	8,931
	17,451	8,931

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 8. Directors' and employees' emoluments

Particulars of the emoluments of the directors and the five highest paid individuals for the year were as follows:

#### (a) Directors' emoluments

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	–	2,397
Other emoluments:		
Salaries and other benefits	2,983	2,483
Contributions to retirement benefit schemes	18	6
	3,001	2,489
Total emoluments	3,001	4,886

No fees or other emoluments were paid to independent non-executive directors during the year.

The emoluments of the directors were within the following bands:

	<b>Number of directors</b>	
	<b>2002</b>	<b>2001</b>
HK\$1,000,000 or below	7	8
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
	1	–

#### (b) Employees' emoluments

The five highest paid individuals included two (2001: five) directors, details of their emoluments are set out above. The emoluments of the remaining three (2001: Nil) individuals are as follows:

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,871	–
Contributions to retirement benefit schemes	36	–
	1,907	–

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The emoluments of the employees were within the following bands:

	Number of directors	
	2002	2001
HK\$1,000,000 or below	3	–

### 9. Finance costs

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on:		
bank loans and overdrafts wholly repayable within one year	739	2,269
Convertible bonds	857	4,931
Other borrowings	2,970	667
Finance leases	–	206
	4,566	8,073
Finance charges	1,032	668
	<u>5,598</u>	<u>8,741</u>

### 10. Taxation

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises		
Taxation in PRC	655	–
Deferred taxation ( <i>note 21</i> )	1,229	–
	<u>1,884</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 years.

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

Details of deferred taxation are set out in note 21.

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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**11. Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders and earnings for the purposes of basic earnings per share	9,215	237,427
Effect of dilutive potential ordinary shares:		
– interest on convertible bonds	857	4,931
Earnings for the purposes of diluted earnings per share	<u>10,072</u>	<u>242,358</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,052,996,000	592,407,000
Effect of dilutive potential ordinary shares:		
– convertible bonds	115,191,000	112,124,000
– options	14,183,000	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,182,370,000</u>	<u>704,531,000</u>
Earnings per share		
Basic	<u>0.88 cents</u>	<u>40.08 cents</u>
Diluted	<u>0.85 cents</u>	<u>34.40 cents</u>

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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**12.      Property, plant and equipment**

	<b>Buildings</b>	<b>Leasehold</b>	<b>Furniture, fixtures and office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE GROUP</b>					
<b>COST</b>					
At 1 April 2001	–	384	447	94	925
Exchange adjustments	–	5	4	–	9
Additions	–	738	3,523	382	4,643
Acquired on acquisition of a subsidiary	2,103	1,135	4,784	1,040	9,062
Disposals	–	(9)	(70)	(666)	(745)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2002	<u>2,103</u>	<u>2,253</u>	<u>8,688</u>	<u>850</u>	<u>13,894</u>
<b>DEPRECIATION</b>					
At 1 April 2001	–	85	69	94	248
Exchange adjustments	–	1	1	–	2
Provided for the year	83	754	1,613	100	2,550
Eliminated on disposals	–	(6)	(15)	(173)	(194)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2002	<u>83</u>	<u>834</u>	<u>1,668</u>	<u>21</u>	<u>2,606</u>
<b>NET BOOK VALUES</b>					
At 31 March 2002	<u>2,020</u>	<u>1,419</u>	<u>7,020</u>	<u>829</u>	<u>11,288</u>
At 31 March 2001	<u>–</u>	<u>299</u>	<u>378</u>	<u>–</u>	<u>677</u>

The buildings are situated in the PRC and the Group is in the process of obtaining the building ownership certificate.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

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**Furniture, fixtures and  
office equipment**  
*HK\$'000***THE COMPANY**

## COST

At 1 April 2001 and 31 March 2002 71

## DEPRECIATION

At 1 April 2001 20

Provided for the year 14

At 31 March 2002 34

## NET BOOK VALUES

At 31 March 2002 37

At 31 March 2001 51

**13. Development costs****THE GROUP**  
*HK\$'000*

## COST

Additions during the year and 31 March 2002 8,142

Development costs represent cost incurred for developing a broadband network system and a call centre system. Amortisation will commence when the assets are available for use.

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## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

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### 14. Goodwill

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
At 1 April 2001	20,484
Arising on acquisition of a subsidiary	10,035
	30,519
 <b>AMORTISATION</b>	
At 1 April 2001	256
Charge for the year	1,861
	2,117
 <b>NET BOOK VALUES</b>	
At 31 March 2002	28,402
At 31 March 2001	20,228

The amortisation period adopted for goodwill is between 10 to 20 years.

### 15. Investments in subsidiaries

	<b>THE COMPANY</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	108,202	109,202
<i>Less: Impairment loss</i>	(108,192)	(109,192)
	10	10

Particulars of the Company's subsidiaries as at 31 March 2002 are set out in note 38.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 16. Interest in an associate

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	—	—

Details of the Group's associate at 31 March 2002 are as follows:

Name of entity	Country of establishment	Principal place of operation	Percentage of equity interest held by the Group	Nature of business
北京合力紅帆自動化技術有限公司	PRC	PRC	25.5%	Provide technical development and consulting service

The Group has no further commitment to invest in this associate.

### 17. Inventories

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Materials and consumables	959	—
Work in progress	33,621	—
	34,580	—

The raw materials and consumables are carried at net realisable value.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 18. Trade and other receivables

According to the contracts entered into with trade customers, an average of 80% of the contract revenue is normally repayable within 90 days from the date of receipt of customers' acceptance, whereas the remaining 20% trade receivables represent retentions held by customers which are normally due for settlement within one year. The following is an aged analysis of trade receivables included in trade and other receivables at the balance sheet date:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trade receivables:		
Within 30 days	37,782	13,230
Over 30 days but within 90 days	9,871	16,285
Over 90 days but within 180 days	32,680	10,761
	<u>80,333</u>	<u>40,276</u>
Other receivables ( <i>note</i> )	20,966	3,473
	<u>101,299</u>	<u>43,749</u>

*Note:* Included in other receivables are deposits paid to an independent third party of HK\$14,151,000 (equivalent to RMB15,000,000) (2001: Nil) for certain proposed investments including but not limited to projects as set out in note 36 (e) and (f).

### 19. Other investments

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at market value	<u>8,051</u>	<u>–</u>

Other investments represents 3,390,000 shares of Dynamic Holdings Limited ("Dynamic"). Dynamic is engaged in property investment and development business in the PRC and Hong Kong.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

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**20. Trade and other payables**

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

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
Within 90 days	20,939	–
Over 90 days but within 180 days	12,931	–
Over 180 days	–	462
	<hr/>	<hr/>
	33,870	462
Other payables	43,226	34,959
	<hr/>	<hr/>
	77,096	35,421
	<hr/> <hr/>	<hr/> <hr/>

**21. Deferred taxation**

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charge for the year and balance as at 31 March	1,229	–
	<hr/> <hr/>	<hr/> <hr/>

The amount mainly represented the tax effect arising from the timing difference in revenue recognition for accounting and tax reporting purposes.

Neither the Group nor the Company had any other significant unprovided deferred taxation for the year or at the balance sheet date.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 22. Bank and other borrowings

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank and other borrowings				
comprise:				
Bank loans	14,151	457	–	457
Bank overdrafts	–	2,195	–	1,949
Other borrowings	45,949	34,002	12,770	13,117
	<u>60,100</u>	<u>36,654</u>	<u>12,770</u>	<u>15,523</u>
Analysed as:				
Secured	1,126	–	–	–
Unsecured	58,974	36,654	12,770	15,523
	<u>60,100</u>	<u>36,654</u>	<u>12,770</u>	<u>15,523</u>
Bank and other borrowings are repayable as follows:				
Bank loans and overdrafts are repayable within one year	14,151	2,652	–	2,406
Other borrowings are repayable:				
Within one year	37,239	22,688	4,287	2,406
More than one year but not exceeding two years	2,604	2,604	2,538	2,538
More than two years but not exceeding five years	6,106	7,813	5,945	7,614
After five years	–	897	–	869
	<u>45,949</u>	<u>34,002</u>	<u>12,770</u>	<u>13,117</u>
	60,100	36,654	12,770	15,523
Less: Amount repayable within one year and shown under current liabilities	51,390	25,340	4,287	4,502
Amount due after one year	<u>8,710</u>	<u>11,314</u>	<u>8,483</u>	<u>11,021</u>

Details of the assets of the Group pledged to secure bank and other borrowings are set out in note 32.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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During the year ended 31 March 2001, the Group had rearranged the terms of the finance lease obligations with the respective lessors and it was agreed that all the finance lease charges would be waived. Accordingly, finance lease obligations of HK\$13,449,000 and HK\$13,117,000 originally stated in the 2001 financial statements of the Group and the Company, respectively, have been reclassified as other borrowings. At 31 March 2002, balances of other borrowings of the Group and the Company reclassified from finance lease obligations were HK\$11,314,000 and HK\$11,021,000, respectively. Excluding these finance lease obligations, other borrowings bear interest at rates ranging from 8% to 12% per annum.

### 23. 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).

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 June 2003. The conversion price has been revised to HK\$0.25 per share, subject to adjustment under certain 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 (*note 24(g)*). 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) (*note 24(g)*).

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The movements of the convertible bonds are as follows:

	<i>USD'000</i>	<i>HK\$'000 equivalent</i>
Balance as at 1 April 2000 and 31 March 2001	3,600	28,031
Exchange adjustments	–	49
Conversion into ordinary shares on 28 December 2001	(900)	(7,020)
	<u>2,700</u>	<u>21,060</u>
Balance as at 31 March 2002	<u>2,700</u>	<u>21,060</u>

As at 31 March 2002, the outstanding convertible bonds will be converted into the ordinary shares of the Company as follows:

	<i>USD'000</i>	<i>HK\$'000 equivalent</i>
Within one year	1,800	14,040
More than one year but not exceeding two years	900	7,020
	<u>2,700</u>	<u>21,060</u>
	<u>2,700</u>	<u>21,060</u>

### 24. Share Capital

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2000	1,000,000	100,000
Increase on 24 November 2000 ( <i>note a</i> )	500,000	50,000
	<u>1,500,000</u>	<u>150,000</u>
At 1 April 2001	1,500,000	150,000
Increase on 12 July 2001 ( <i>note b</i> )	1,500,000	150,000
	<u>3,000,000</u>	<u>300,000</u>
At 31 March 2002	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 April 2000	438,900	43,890
Issued in consideration for the acquisition of Holy (Hong Kong) Universal Limited ( <i>note c</i> )	60,000	6,000
Issued on private placements ( <i>note d</i> )	190,000	19,000
Conversion of debts ( <i>note e</i> )	202,608	20,261
	<u>891,508</u>	<u>89,151</u>
At 1 April 2001	891,508	89,151
Issued on private placements ( <i>note f</i> )	240,000	24,000
Conversion of debts ( <i>note g</i> )	39,625	3,962
Shares repurchased and cancelled ( <i>note h</i> )	(22,750)	(2,275)
	<u>1,148,383</u>	<u>114,838</u>
At 31 March 2002	<u>1,148,383</u>	<u>114,838</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

*Notes:*

- (a) On 24 November 2000, the authorised share capital of the Company was increased from 1,000,000,000 to 1,500,000,000 ordinary shares of HK\$0.10 each by the creation of an additional 500,000,000 ordinary shares of HK\$0.10 each.
- (b) On 12 July 2001, the authorised share capital of the Company was increased from 1,500,000,000 to 3,000,000,000 ordinary shares of HK\$0.10 each by the creation of an additional 1,500,000,000 ordinary shares of HK\$0.10 each.
- (c) On 8 January 2001, pursuant to a shareholders' resolution, the Company allotted 60,000,000 new ordinary shares as consideration of the acquisition of Holy (HK), which was HK\$24,000,000.
- (d) During the year ended 31 March 2001, the Company allotted new ordinary shares through private placements and details are as follows:

Issue date	Number of issued ordinary shares	Issue price HK\$
17 July 2000	80,000,000	0.35
14 August 2000 ( <i>note</i> )	50,000,000	0.35
2 March 2001	60,000,000	0.30
	190,000,000	

*Note:* The allotment of these shares was made to Able Technology Limited, a substantial shareholder of the Company, and not in proportion to other shareholders of the Company. Such allotment had not been specifically authorised by the shareholders. These shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 31 May 2000.

- (e) During the year ended 31 March 2001, the Company converted certain of its debts into subscription shares and details are as follows:

Date of conversion	Number of ordinary shares	Issue price HK\$
20 December 2000	69,106,376	1.00
2 January 2001	19,797,041	1.00
9 January 2001 ( <i>note</i> )	2,925,171	1.00
17 January 2001 ( <i>note</i> )	41,651,428	approximately 0.35
19 January 2001 ( <i>note</i> )	69,128,171	approximately 0.35
	202,608,187	

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

*Note:* These shares were allotted pursuant to a general mandate granted by the shareholders at the special general meeting of the Company held on 3 November 2000.

- (f) During the current year, arrangements were made for private placements and details are as follows:

Issue date	Number of ordinary shares	Issue price HK\$
5 June 2001 ( <i>note i</i> )	160,000,000	0.18
19 December 2001 ( <i>note ii</i> )	80,000,000	0.45
	240,000,000	

*Notes:*

- (i) During the year, the Company entered into two private placements with two independent third parties. The proceeds were used to finance the acquisition by the Group of 51% interest in Beijing HollyBridge and provide additional working capital for the Group. These new shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 22 January 2001.
- (ii) The allotment of these shares was made to Able Technology Limited, a substantial shareholder of the Company, and not in proportion to other shareholders of the Company. Such allotment has not been specifically authorised by the shareholders. The proceeds were used to provide additional working capital for the Group. These new shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 21 September 2001.
- (g) During the current year, the Company converted certain of its debts into subscription shares and details are follows:

Date of conversion	Number of ordinary shares	Issue price HK\$
11 June 2001 ( <i>note</i> )	1,600,000	approximately 0.305
29 June 2001 ( <i>note</i> )	427,000	approximately 1.000
22 August 2001 ( <i>note 23</i> )	6,880,000	approximately 2.110
28 December 2001 ( <i>note 23</i> )	30,717,692	0.2366
	39,624,692	

*Note:* During the current year, the Company entered into two debt-equity conversion agreements with its other creditors, resulting in an issue of 1,600,000 and 427,000 ordinary shares of HK\$0.10 each at issue prices of approximately HK\$0.305 and approximately HK\$1.00 each respectively.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

These new shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 22 January 2001.

All the issued shares rank pari passu with other existing shares in issue in all respects.

- (h) During the year, a subsidiary of the Company repurchased certain shares of the Company through the Stock Exchange and these shares were cancelled as follows:

Month/year	No of share repurchased	Price share		Aggregate price paid
		Lowest HK\$	Highest HK\$	(before expenses) HK\$'000
December 2001	19,750,000	0.405	0.450	8,362
January 2002	3,000,000	0.435	0.435	1,305
	<u>22,750,000</u>			<u>9,667</u>

An amount of approximately HK\$36,000, representing the brokerage expenses on the aforesaid repurchase, was charged against share premium account.

### 25. Share Option Scheme

The Company's Scheme was adopted pursuant to a resolution passed on 22 January 2001.

#### Summary of the Scheme

##### (a) Purpose of the Scheme

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group and to retain the services of the employees who will continue to make valuable contribution to the Group.

##### (b) Participants of the Scheme

Pursuant to the Scheme, the board of directors of the Company (the 'Board') may grant options to any full-time employees of the Company or of its subsidiaries, including executive directors in fulltime employment of the Company or any subsidiary, to subscribe for shares in the Company.

##### (c) Total number of shares available for issue under the Scheme

As at 31 March 2002, the total number of shares of the Company available for issue under the options granted pursuant to the Scheme was 96,584,000, representing approximately 8.41% and 7.6% of the issued share capital of the Company as at 31 March 2002 and 26 July 2002 respectively.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time.

(d) *Maximum entitlement of each participant*

No participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

(e) *Time of exercise of options*

Pursuant to the Scheme, an option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee and in any event shall not exceed 10 years from the date of offer of the option.

(f) *Payment on acceptance of option*

Pursuant to the Scheme, HK\$1 is payable by each grantee to each Company on acceptance of the option within the period to be notified by the Board.

(g) *Basis of determining the subscription price*

The subscription price per share under the Scheme is determined by the directors of the Company and notified to the grantee and shall be no less than the higher of:

- (i) 80% of the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (ii) the nominal value of the share of the Company.

Effective from 1 September 2001, in accordance with the new rule 17.03 of the Listing Rules, the subscription price of the share options must not be less than the higher of (i) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant and (ii) the closing price of the Company's shares as quoted on the Stock Exchange on the date of grant and (iii) the nominal value of the share of the Company.

(h) *Remaining life of the Scheme*

The Scheme will remain valid until 21 January 2011.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### Share Options

The following share options were outstanding under the Scheme during the year:

Name and category of participants	Number of share options			At 31 March 2002	Date of grant of share options	Exercise period of share options	Subscription price per share
	At 1 April 2001	Granted during the year	Lapsed during the year				
<b>Directors</b>							
Mr. Zou Yishang	-	20,000,000	-	20,000,000	29 August 2001	29 August 2001 to 28 August 2011 <i>(Note a)</i>	0.3520
Mr. Ma Hongyao	-	15,000,000	-	15,000,000	29 August 2001	29 August 2001 to 28 August 2011 <i>(Note a)</i>	0.3520
Mr. Chen Jian	-	17,000,000	-	17,000,000	29 August 2001	29 August 2001 to 28 August 2011 <i>(Note a)</i>	0.3520
	-	52,000,000	-	52,000,000			
Other employees in aggregate	-	4,500,000	-	4,500,000	3 August 2001	3 August 2001 to 2 August 2011 <i>(Note b)</i>	0.3672
	-	40,670,000	(586,000)	40,084,000	29 August 2001	29 August 2001 to 28 August 2011 <i>(Note a)</i>	0.3520
	-	45,170,000	(586,000)	44,584,000			
	-	97,170,000	(586,000)	96,584,000			

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

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

During the year, no options were cancelled by the Company or exercised by the grantees. An aggregate of 586,000 options has lapsed upon termination of employment of the relevant employees with the Group.

The closing price of the Company's share immediately before 3 August 2001 and 29 August 2001, the dates of grant, was HK\$0.455 and HK\$0.440 respectively.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the shares options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are lapsed or cancelled prior to their exercise date are deleted from the register of outstanding share options.

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

At balance sheet date, a total of 96,584,000 (2001: nil) share options granted in August 2001 remained outstanding. These share options entitle the holders thereof to subscribe for shares of HK\$0.10 each in the Company at a subscription price of HK\$0.3672 and HK\$0.3520 per share for option granted on 3 August 2001 and 29 August 2001 respectively during the exercisable period at any time for ten years commencing on the date the options are granted.

### 26. Reserves

	Share premium HK\$'000	Property, plant and machinery revaluation HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
At 1 April 2000	115,918	7,741	–	(668,464)	(544,805)
Premium on issue of shares	172,841	–	–	–	172,841
Share issue expenses	(603)	–	–	–	(603)
Disposal of subsidiaries	–	(3,376)	–	–	(3,376)
Write-off of plant and machinery	–	(3,244)	–	–	(3,244)
Revaluation decrease	–	(1,121)	–	–	(1,121)
Profit for the year	–	–	–	237,427	237,427
At 1 April 2001	288,156	–	–	(431,037)	(142,881)
Exchange differences arising from translation of financial statements of operations in the PRC	–	–	27	–	27
Premium on issue of shares	59,531	–	–	–	59,531
Share issue expenses	(1,030)	–	–	–	(1,030)
Premium on repurchase of shares	(7,428)	–	–	–	(7,428)
Profit for the year	–	–	–	9,215	9,215
At 31 March 2002	<u>339,229</u>	<u>–</u>	<u>27</u>	<u>(421,822)</u>	<u>(82,566)</u>

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>				
At 1 April 2000	115,918	107,992	(435,077)	(211,167)
Premium on issue of shares	172,841	–	–	172,841
Share issue expenses	(603)	–	–	(603)
Loss for the year	–	–	(128,992)	(128,992)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2001	288,156	107,992	(564,069)	(167,921)
Premium on issue of shares	59,531	–	–	59,531
Share issue expenses	(1,030)	–	–	(1,030)
Premium on repurchase of shares	(7,428)	–	–	(7,428)
Loss for the year	–	–	(40,841)	(40,841)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	<u>339,229</u>	<u>107,992</u>	<u>(604,910)</u>	<u>(157,689)</u>

The contributed surplus of the Company represents the difference between the fair value of the consolidated net assets of Chun Tai (BVI) Limited acquired and the nominal value of the Company's shares issued in exchange therefore. Under the Bermuda Companies Act, the contributed surplus less accumulated losses is distributable to the shareholders of the Company, which the Company does not currently meet.

The Company did not have any reserve available for distribution to shareholders for both years.

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## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

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### 27. Reconciliation of profit before taxation to net cash outflow from operating activities

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	17,748	237,427
Interest income	(246)	(126)
Interest expense	4,566	8,741
Depreciation	2,550	8,954
Amortisation of goodwill	1,861	256
Gain on disposal of other investments	(231)	–
Unrealised gain on other investments	(433)	–
Loss on disposal of property, plant and equipment	103	495
Gain on disposal of subsidiaries	–	(149,060)
Write-back of provision for guarantee	–	(5,905)
Write-off of obsolete property, plant and equipment	–	43
Gain on waiver of bank and other borrowings	–	(101,442)
Gain on waiver of obligations under finance leases	–	(13,356)
Loss on write-off of net assets of a subsidiary	–	386
Increase in trade and other receivables	(15,690)	(8,600)
(Increase) /decrease in inventories	(2,801)	212
Increase in amount due from an associate	(932)	–
Increase/ (decrease) in trade and other payables	6,028	(83,344)
Decrease in amount due to a related company	(20,390)	(5,246)
	(7,867)	(110,565)
Net cash outflow from operating activities	(7,867)	(110,565)

### 28. Acquisition of a subsidiary

During the year ended 31 March 2002, the Group acquired 51% of the registered capital of Beijing HollyBridge for a cash consideration of HK\$16,000,000. This acquisition has been accounted for by the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$10,035,000.

## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

During the year ended 31 March 2001, the Group acquired the entire share capital of Holy (HK) for a consideration of HK\$24,000,000 by the allotment of 60,000,000 ordinary shares of HK\$0.10 each at HK\$0.40 each.

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET ASSETS ACQUIRED</b>		
Property, plant and equipment	9,062	–
Interest in an associate	–	–
Inventories	31,779	–
Trade and other receivables	27,662	24,591
Bank balances and cash	6,830	5,568
Trade and other payables	(51,342)	(1,007)
Taxation payable	(975)	–
Bank and other borrowings ( <i>note 31</i> )	(11,321)	–
Amounts due to related companies	–	(25,636)
Minority interest	(5,730)	–
	5,965	3,516
Goodwill	10,035	20,484
	16,000	24,000
<b>SATISFIED BY:</b>		
Shares allotted	–	24,000
Cash	16,000	–
	16,000	24,000

Net cash (outflow)/inflow arising on acquisition:

	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration	(16,000)	–
Bank balances and cash acquired	6,830	5,568
	(9,170)	5,568

The subsidiary acquired during the current year contributed HK\$15,313,000 (2001: HK\$20,288,000) to the Group's net operating cash flows, paid HK\$2,387,000 (2001: HK\$315,000) in respect of the net returns on investments and servicing of finance, paid HK\$499,000 (2001: Nil) in respect of taxation, utilised HK\$8,581,000 (2001: Nil) for investing activities and raised HK\$23,683,000 (2001: Nil) in respect of financing operations.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The subsidiary acquired during the year contributed HK\$220,775,000 (2001: HK\$30,375,000) to the Group's turnover, and HK\$6,921,000 (2001: HK\$5,501,000) to the Group's profit from operations.

### 29. Disposal of subsidiaries

On 25 September 2000, Chun Tai Industries Limited ("CTI"), a former wholly-owned subsidiary of the Group, was wound up under a court order. The disposal of CTI and its subsidiaries contributed HK\$149,060,000 to gain on disposal of subsidiaries.

	2001 HK\$'000
NET LIABILITIES DISPOSED OF	
Property, plant and equipment	102,631
Inventories	5,166
Trade and other receivables	1,399
Bank balances and cash	701
Trade and other payables	(203,593)
Amounts due to group companies	(38,468)
Obligations under finance leases	(813)
Taxation payable	(207)
Bank and other borrowings	(12,500)
	<u>(145,684)</u>
Revaluation reserve released	(3,376)
Gain on disposal	149,060
	<u>                    </u>
Total consideration	<u>                    </u>
SATISFIED BY:	
Cash	<u>                    </u>
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(701)
	<u>                    </u>
	<u>                    </u>

### 30. Non-cash transactions

During the current year, the Company entered into several debt-equity conversion agreements with its financial and other creditors. Accordingly, other payables and interest payable for the Bonds of approximately HK\$915,000 and HK\$14,510,000 were settled by the allotment of the Company's ordinary shares (note 24(g)).

In addition, convertible bonds of HK\$7,020,000 is converted into shares of the Company during the current year (note 23).

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 31. Analysis of changes in financing during the year

	Minority interest <i>HK\$'000</i>	Share capital and premium <i>HK\$'000</i>	Bank and other borrowings <i>HK\$'000</i>
At 1 April 2000	–	159,808	153,581
Issue of shares	–	63,500	–
Share issue expense	–	(603)	–
Disposal of subsidiaries	–	–	(13,313)
Conversion of debts	–	130,602	(130,602)
Acquisition of a subsidiary ( <i>note 28</i> )	–	24,000	–
Waiver of bank and other borrowings ( <i>note a</i> )	–	–	(101,442)
Waiver of obligations under finance leases ( <i>note b</i> )	–	–	(13,356)
New borrowings raised	–	–	132,806
Repayments during the year	–	–	(13,768)
	<hr/>	<hr/>	<hr/>
At 1 April 2001	–	377,307	13,906
Issue of shares	–	64,800	–
Share issue expenses	–	(1,030)	–
Repurchase of shares ( <i>note 24(h)</i> )	–	(9,703)	–
Conversion of debts	–	22,693	–
Acquisition of a subsidiary ( <i>note 28</i> )	–	–	11,321
New borrowings raised	–	–	45,328
Repayments during the year	–	–	(21,362)
Share of pre-acquisition reserve by minority interest	5,730	–	–
Share of profits of subsidiary by minority interest	6,649	–	–
	<hr/>	<hr/>	<hr/>
At 31 March 2002	<u>12,379</u>	<u>454,067</u>	<u>49,193</u>

*Notes:*

- (a) On 14 June 2000, the Company made an offer to 16 financial creditors concerning the restructuring of certain outstanding indebtedness owed by the Group to these financial creditors. Pursuant to the offer, the outstanding indebtedness owed by the Group to 9 of the 16 financial creditors was fully settled by paying 20% thereof. These agreements reduced the debts of the Group by a total HK\$101,442,000.
- (b) During the year ended 31 March 2001, the Group entered into agreements with three of its finance lessors. Pursuant to these arrangements, these financial lessors agreed to accept payments of 20% of the outstanding indebtedness owed by the Group as a final settlement of the debts. These agreements reduced the bank and other borrowings of the Group by HK\$13,356,000.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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### 32. Pledge of assets

As at 31 March 2002, bank deposits of HK\$4,446,000 (2001: Nil) were pledged to a bank to secure banking facilities granted to the Group.

In addition, other investments of HK\$5,035,000 (2001: Nil) were pledged to secure other borrowings of the Group.

### 33. Operating lease arrangements

#### As lessee

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments paid under operating leases during the year	3,164	921

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>THE GROUP</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,976	1,094
In the second to fifth year inclusive	4,811	146
	9,787	1,240

Operating lease payments represent rentals payable by the Group for certain of its office premises. Rentals are negotiated and fixed for an average lease term of 2 years. No arrangement has been entered into for contingent rental payments.

#### As lessor

Property rental income earned during the year was HK\$245,000 (2001: HK\$125,000). The Group's buildings with a net book value of HK\$2,020,000 was temporarily leased out and have committed tenants for the next year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments of HK\$192,000 which fall due within one year.

At 31 March 2002, the Company had no commitments under non-cancellable operating leases (2001: Nil).

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 34. Contingent liabilities

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantee given to a bank in respect of bills of exchange discounted with recourse	13,756	–	13,756	–
Guarantee given in respect of other loans granted to a former subsidiary	36,184	35,514	36,184	35,514
Guarantee given in respect of other loans granted to a subsidiary	–	–	20,853	–
Guarantee given to a bank in respect of warranty bonds issued to a customer	543	–	–	–
	<u>50,483</u>	<u>35,514</u>	<u>70,793</u>	<u>35,514</u>

### 35. Retirement benefit schemes

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

During the year the total amount contributed by the Group to the MPF Scheme amounted to approximately HK\$126,000 (2001: HK\$30,000).

The Group is also required to make contributions to state pension schemes in the PRC based on a certain percentage of the monthly salaries of the employees of its PRC subsidiaries. The Group has no other obligation under the state pension schemes in the PRC other than the contribution payment.

The Group has provided approximately HK\$319,000 (2001: Nil) for the year to cover the contributions payable to the state pension schemes.

### 36. Post balance sheet events

- (a) On 2 April 2002, Telecom Plus Investment Limited entered into three acquisition agreements to acquire 15,046,000 ordinary shares of Dynamic, representing approximately 6.87% interest of the entire issued capital of Dynamic at a consideration of HK\$40,624,200, which shall be satisfied by the issue of 90,276,000 ordinary shares of the Company. These new shares were allotted pursuant to

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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a specific mandate granted by the shareholders at a special general meeting of the Company held on 19 June 2002. Together with the Group's equity interests in Dynamic as at 2 April 2002, the Group would hold 8.42% in aggregate of the entire issued capital of Dynamic upon completion of this acquisition. The transaction was completed on 24 June 2002.

- (b) On 21 April 2002, Telecom Plus Technology Limited signed a memorandum to increase the registered capital of Allnet Co., Ltd. (formerly known as Telecom Plus Technology (Shenzhen) Limited) from HK\$2,000,000 to HK\$20,000,000 by increasing HK\$18,000,000 of the registered capital. HK\$2,700,000 and HK\$15,300,000 will be paid within 3 months and within 2 years from 8 May 2002, the date of approval of the new registered capital, respectively.
- (c) On 22 April 2002, Telecom Plus Technology Holdings Limited has entered into a conditional sale and purchase agreement with shareholders of Glory Choice Investments Limited ("Glory Choice") to acquire the entire issued capital of Glory Choice at a consideration of HK\$44 million which would be satisfied by the issue of 80 million ordinary shares of the Company and a cash payment of HK\$8 million. This acquisition was approved by the shareholders at a special general meeting of the Company held on 19 June 2002 and new shares would be allotted pursuant to a specific mandate granted by the shareholders. The transaction has not yet been completed as of 26 July 2002.
- (d) On 4 July 2002, approximately 32.5 million ordinary shares of the Company were issued at a conversion price of HK\$0.2236 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 HK\$248,000).
- (e) On 22 July 2002, the Group entered into a letter of intent with Shenzhen Xili Lake Holiday Resort in respect of the proposed investment on further development of Xili Lake Holiday Resort in Shenzhen, the PRC.
- (f) On 22 July 2002, the Group entered into a letter of intent with Poly Southern Group Company Limited in respect of the proposed investment on development of hotel, movie theatre and commercial complex in Shenzhen, the PRC.

### 37. Related party disclosures

The Group entered into the following significant transactions with related parties:

- (a) On 12 February 2001, Holy (HK) entered into an acquisition agreement with the shareholders (the "Vendors") of Beijing HollyBridge to acquire a 51% interest in Beijing HollyBridge at a consideration of HK\$16 million. On 2 April 2001 and 14 May 2001 respectively, Holy (HK) and the Vendors entered into two supplementary agreements. Mr. Ma Hongyao and Mr. Chen Jian, being executive directors of the Company, and Mr. Ma Zhixuan, the son of Mr. Ma Hongyao (therefore an associate of Mr. Ma Hongyao), were three of the Vendors. The transaction was completed on 12 June 2001.
- (b) On 20 April 2001, Able Technology Limited, a substantial shareholder, entered into a conditional agreement with the Company that if the proposed placing of shares of the Company to potential independent investors for a total consideration nearest to but not less than HK\$20 million at a minimum price of HK\$0.155 per share was not completed before the holding of the special general

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## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

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meeting convened for approving the acquisition by the Group of 51% interest in Beijing HollyBridge, Able Technology Limited would subscribe for 130,000,000 new shares at HK\$0.155 per share for a total consideration of HK\$20,150,000 before the completion of the acquisition of Beijing HollyBridge. The purpose of the proposed subscription was to raise funds for the said acquisition. On 30 May 2001, the Company entered into two subscription agreements with 2 independent placees respectively, pursuant to which an aggregate of 160,000,000 new shares were issued and allotted by the Company to the placees for an aggregate consideration of HK\$28.8 million at HK\$0.18 per share. As such, the proposed subscription by Able Technology Limited mentioned above did not proceed.

- (c) As stated in note 23, the Bondholder, Able Technology Limited and the Company entered into an agreement (the “Agreement”) on 7 June 2001 in relation to the restructuring of the convertible bonds of the Company with outstanding principal amount of US\$3,600,000 held by the Bondholder. As a part and parcel of the restructuring of the convertible bonds, Able Technology Limited and the Bondholder agreed to enter into a share purchase agreement (the “Share Purchase Agreement”) upon completion of the Agreement, pursuant to which Able Technology Limited would agree to purchase from the Bondholder up to approximately 113.2 million shares of the Company at HK\$0.25 each, subject to adjustment, pursuant to the Share Purchase Agreement.
- (d) On 5 December 2001, Able Technology Limited entered into a placing agreement with ICEA Capital Limited (“ICEA”), pursuant to which ICEA agreed to place 80,000,000 existing shares held by Able Technology Limited at HK\$0.45 per share. On the same date, Able Technology Limited entered into a subscription agreement with the Company pursuant to which Able Technology Limited agreed to subscribe for 80,000,000 new shares at HK\$0.45 per share. The subscription was completed on 19 December 2001.
- (e) The Group’s deposits paid to an independent third party of HK\$14,151,000 (equivalent to RMB15,000,000) are guaranteed by Able Technology Limited.
- (f) Mr. Chen Jian pledged 48,000,000 shares of the Company to secure other borrowings of the Group.

The above transactions were carried out in accordance with terms determined and agreed by both parties.

The amount due to a related company at 31 March 2001 represented the balance due to Beijing HollyBridge. The balance was unsecured, non-interest bearing and repayable on demand. Beijing HollyBridge is now a subsidiary of the Company after completion of the acquisition during 2002 (*note 28*).

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 38. Subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued share/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Allnet Co., Ltd. (formerly known as Telecom Plus Technology (Shenzhen) Company Limited) <i>(Note)</i>	The PRC	HK\$2,000,000	–	100%	Development and trading of communication and electronic Products
Beijing HollyBridge System Integration Company Limited <i>(Note)</i>	The PRC	RMB20,000,000	–	51%	Provide solutions, software and service
Chun Tai (BVI) Limited	The British Virgin Islands	US\$100	100%	–	Investment holding
Chun Tai Novelty Company Limited	Hong Kong	HK\$10,000	–	100%	Inactive
Chun Tai Printing Limited	Hong Kong	HK\$10,000	–	90%	Investment holding
Full Hope Enterprises Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
Holy (Hong Kong) Universal Limited	Hong Kong	HK\$300,000	–	100%	Trading of communication products
Telecom Plus Education Limited	Hong Kong	HK\$2	100%	–	Inactive
Telecom Plus Investment Limited	Hong Kong	HK\$2	100%	–	Investment holding
Plus Investment & Management Consulting Company Limited <i>(Note)</i>	The PRC	HK\$1,500,200	–	100%	Inactive
Telecom Plus Technology Holdings Limited	Hong Kong	HK\$2	100%	–	Investment holding
Telecom Plus Technology Limited	Hong Kong	HK\$1,000,000	–	100%	Investment holding

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## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

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Name of subsidiary	Place of incorporation/ establishment and operations	Issued share/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Up Hill Investments Limited	The British Virgin Islands	US\$1	100%	–	Inactive
Zhongshan Modern Colour Printing and Packaging Products Factory Company Limited ( <i>Note</i> )	The PRC	HK\$11,000,000	–	90%	Inactive

None of the subsidiaries had any debt securities in issue at the end of the year.

*Note:* The English name is directly translated from the Chinese name shown in the business license.

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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**(B) Unaudited interim results for the six months ended 30 September 2002**

The Company's unaudited interim report 2002 is reproduced in the following:

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

**Condensed Consolidated Income Statement**

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

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**


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**Condensed Consolidated Statement of Changes in Equity**

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### Condensed Consolidated Balance Sheet

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

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**

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**Condensed Consolidated Cash Flow Statement**

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

# APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

## Notes to the Condensed Financial Statements

### 1. Principal accounting policies

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

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

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

### 2. Segmental information

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

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

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**


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	<b>Unaudited</b>				
	<b>Six months ended 30 September 2001</b>				
	<b>Sales and integration service</b>	<b>Services income</b>	<b>Contract income</b>	<b>Unallocated corporate</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	<u>123,684</u>	<u>7,095</u>	<u>7,075</u>	<u>–</u>	<u>137,854</u>
RESULT					
Segment results	<u>13,387</u>	<u>5,260</u>	<u>864</u>	<u>–</u>	19,961
Unallocated corporate expenses					<u>(2,224)</u>
Profit from operations					17,737
Finance costs	(1,340)	(17)	(17)	(1,050)	<u>(2,424)</u>
Profit before taxation					15,313
Taxation					<u>(1,388)</u>
Profit before minority interest					13,925
Minority interest					<u>(3,706)</u>
Profit attributable to shareholders					<u>10,219</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 3. (Loss)/Profit from operations

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

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

### 4. Taxation

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 5. (Loss)/Earnings per share

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

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

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

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

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

### 6. Trade and other receivables

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

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

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## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

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### 7. Trade and other payables

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

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

### 8. Share Capital

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

### 9. Related party disclosures

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

### 10. Contingent liabilities

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

**C. NET TANGIBLE ASSETS**

The unaudited consolidated net tangible assets of the Group as at 30 September 2002 amounted to approximately HK\$12,448,000, equivalent to HK\$0.01026 per Share.

**D. STATEMENT OF INDEBTEDNESS**

At the close of business on 27 May 2003, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured bank borrowings of approximately HK\$4.72 million, other borrowings of approximately HK\$48.61 million, amount due to a related company of approximately HK\$9.43 million and convertible bonds of approximately HK\$14.04 million. As at the same date, the Group has provided guarantees in respect of bills of exchange discounted with recourse for a subsidiary with an amount approximately HK\$2 million, guarantees in respect of other loans granted to a former subsidiary with an amount of approximately HK\$26 million and guarantees to a bank in respect of warranty bonds issued to a customer of a subsidiary with an amount approximately HK\$1 million.

Save as aforesaid of as otherwise disclosed herein, and apart from intra-group liabilities, none of the companies comprising the Group had outstanding at the close of business on 27 May 2003 any mortgages, charges debentures or other loan capital, issued and outstanding or agreed to be issued, bank loans or other similar indebtedness, finance lease commitments or other material contingent liabilities.

**E. WORKING CAPITAL STATEMENT**

The Company is now experiencing liquidity problem and in the course of negotiating with creditors to reschedule the repayment of liabilities. The solutions of overcoming the cash flow issue lies on the successful implementation of the business plan and full utilization of the Group's financial resources, including:

- i. internally generated funds
- ii. available banking facilities

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## APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP

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- iii.    the Placing Subscription obtained from the Placing took place on 27 May 2003
  
- iv.    strategic investment in TPTHL by the Subscription Rights Agreement and the further investment into TPTHL pursuant to information disclosed in this Circular or other subsidiaries of the Group

The Directors are of the opinion that, upon the formal consent of the creditors in relation to the acceptance of the proposed debt restructuring and successful completion of the aforementioned capital raising exercises, the Group has sufficient working capital for its present requirement in the absence of unforeseen circumstances.

$$\frac{S}{S+L} \times \frac{(S+L)}{V} \times 100$$

Where:

“S” equals the aggregate amount of the subscription price payable pursuant to the relevant exercise of the Subscription Right;

“L” equals the aggregate amount of the outstanding Loan to be converted mandatorily under Clause 3(C)(a) of the Subscription Rights Agreement; and

“V” equals the valuation of TPTHL determined in the section headed “Valuation of TPTHL” below, provided that the sum of (S + L) is less than “V”,

if however, (i) the sum of (S + L) is not less than “V”, or (ii) if “V” equals zero, then in either case, the fraction of:

$$\frac{(S+L)}{V}$$

shall be deemed to be equal to 9,999/10,000.

### **Valuation of TPTHL**

The fully diluted post money valuation of TPTHL will be based on the Price-Earnings ratio of 5.5 times the Earnings of TPTHL for the financial year ended 31 March 2003. Fully diluted post money valuation means the capitalisation of TPTHL (including the shares of Preferred Stock and any other classes of shares, stock or securities on an as converted basis) assuming the conversion in full of the outstanding Loan, the exercise in full of the Subscription Right to Preferred Stock, the exercise in full of any option for shares of Preferred Stock granted to BARING from time to time, the exercise in full of all options to subscribe for TPTHL Shares, shares of Preferred Stock and other classes of shares, stock or securities convertible into TPTHL Shares granted or which TPTHL agreed to grant pursuant to the Scheme or other incentive scheme(s) or arrangement(s) of TPTHL (if any) and the issuance of TPTHL Shares, shares of Preferred Stock and any other classes of shares, stock or securities convertible into TPTHL Shares pursuant to the outstanding warrants and convertible debt of TPTHL (if any). Earnings is defined as the net profit after tax & minority

interest of TPTHL based on (i) the final Audited Financial Statements of TPTHL for the financial year ended 31 March 2003, or at the option of BARING in its discretion (ii) the final Audited Financial Statements of TPTHL for the financial year ended 31 March 2004, provided that the final Audited Financial Statements of TPTHL for the financial year ended 31 March 2004 has been prepared and issued, on condition that:–

- (i) the operating losses incurred by Allnet Co., Ltd. may be reversed and added back to the amount of net profit for calculating the valuation;
- (ii) the relevant amount of the operating losses must be shown as a separate item in the relevant Audited Financial Statements; and
- (iii) up to an aggregate amount of HK\$8 million of the operating losses incurred by Allnet Co., Ltd. may be reversed.

**RIGHTS OF THE PREFERRED STOCK*****Liquidation Preference:***

In the event of any liquidation or winding up of TPTHL, the holders of Preferred Stock will be entitled to receive, in preference to any distribution to the holders of TPTHL Shares, an amount equal to the subscription price of such Preferred Stock, plus declared but unpaid dividends, if any. After such payment, any remaining balance shall be shared proportionately among all of the holders of the TPTHL Shares and Preferred Stock (on an as-converted basis).

***Liquidation Event:***

Unless BARING gives its written consent to the relevant event, each of the following events shall be considered a liquidation event which shall entitle the holders of the Preferred Stock to payment of the amounts described above:

- (i) a consolidation or merger of, or reorganization involving any of the TPTHL Group Companies or the sale of all or substantially all of the assets of any of the TPTHL Group Companies;
- (ii) any transaction (including secondary sales of stock) pursuant to which any person or group becomes the beneficial owner of a majority of the voting power of the capital stock of any of the TPTHL Group Companies;
- (iii) any winding up or liquidation of any TPTHL Group Company or the appointment of any receiver, administrator or similar officer;
- (iv) any of the TPTHL Group Companies sells all or substantially all of its assets and/or undertaking;
- (v) there is an initial public offering of the shares of any of the TPTHL Group Companies; or
- (vi) there is an issuance of equity securities (or any securities convertible into, exchangeable for or which confer rights to purchase or acquire equity securities)

of any of the TPTHL Group Companies exceeding 25 per cent of the equity share capital of any of the TPTHL Group Companies in issue as at the date of the Subscription Rights Agreement, other than (a) shares or stock issued pursuant to an approved employee share option program approved by TPTHL and (b) the issuance of shares of Preferred Stock under the Subscription Rights Agreement.

A consent given by BARING, as referred to in the first paragraph of this definition, to any of the events referred to above shall be binding on the holders of all the Preferred Stock and, if given, shall have the effect that the relevant event shall not be considered a liquidation event in respect of any of the Preferred Stock then outstanding.

***Redemption Right:***

The Preferred Stock shall be redeemed, in whole or in part, upon the demand of the holder of Preferred Stock after five years of the date of the issue of the Preferred Stock, at cost together with any accrued but unpaid dividends.

***Dividend Right:***

The holder of each Preferred Stock shall be entitled to dividends payable on the TPTHL Shares on an as converted basis.

***Conversion/Exchange Rights:***

The holder of the Preferred Stock shall have the option, at any time within 5 years from the allotment of the Preferred Stock to exchange or to convert each share of Preferred Stock into one TPTHL Share, (but subject to customary adjustments as referred in the Subscription Rights Agreement). The maturity date of such conversion / exchange rights shall expire within 5 years from the issuance date of the Preferred Stock.

***Anti-dilution Protection:***

The conversion ratio referred to under “Conversion/Exchange Rights” above will be subject to adjustment for stock splits, reverse stock splits, and similar events.

If at any time, TPTHL issues additional shares at a purchase price less than HK\$0.01, the conversion ratio will be subject to a full ratchet adjustment.

Main adjustment events:

- (i) Consolidation or sub-division
- (ii) Capitalization of profits or reserves
- (iii) Capital distribution
- (iv) Rights issues of shares or options
- (v) Rights issue of other securities
- (vi) Other offers to shareholders of the Company or TPTHL (as applicable).

***Board Seat:***

BARING will be entitled to appoint a representative to act as a board observer of TPTHL; and additionally, upon becoming a holder of Preferred Stock, BARING shall be entitled to appoint such number of Directors of TPTHL which when expressed as a percentage of the total number of Directors of TPTHL is equal to the nearest percentage of the issued share capital of TPTHL (on an as converted basis) held by BARING from time to time. In any case, the maximum number of Directors of TPTHL shall be 5 at all times (unless otherwise agreed by BARING). The number of Directors of TPTHL which BARING is entitled to appoint shall be rounded up to the nearest integer at all times. The number of Directors of TPTHL which BARING is entitled to appoint shall be reviewed and adjusted accordingly, if and when there are any transfers or issues of Preferred Stock from time to time. In the event that any of the Preferred Stock held by BARING is converted into TPTHL Shares, BARING shall be entitled to maintain such number of Directors of TPTHL appointed by BARING as a holder of Preferred Stock.

Notwithstanding the above, the majority of the directors will be appointed by the Company given that the Company remains the controlling shareholder of TPTHL, holding at least 58% of the issued share capital of TPTHL

***Protective Covenants:***

So long as BARING holds at least 17% of the issued share capital of TPTHL (on an as-converted basis), TPTHL will not, in each case without the prior consent by BARING:

- (1) make any acquisition or disposal of any material asset or investment, (where for the purposes of this provision, “material” in respect of asset or investment, means the value of an asset or investment exceeding HK\$200,000) or any acquisition or consolidation or merger with, or the sale or other disposition of all or substantially all of its assets or assets of any of the TPTHL Group Companies, or set up or substantially expand any new business not related to its existing core business or discontinue or substantially reduce any existing business except, in the case of a disposal of asset or investment or a discontinuance and substantial reduction of a business, the asset, investment or business concerned does not contribute to a significant portion of the profit of the TPTHL Group Companies;
- (2) fix or vary the terms of any share incentive scheme of any of the TPTHL Group Companies;
- (3) change the core business of TPTHL or the TPTHL subsidiaries;
- (4) enter into any connected transaction (as defined in the Listing Rules) (except any transaction with a member of the TPTHL Group, the Company and its subsidiaries entered into the ordinary course of business of the respective companies);
- (5) declare any dividend, dividend in specie or other distribution in respect of the TPTHL Shares or other class of shares of TPTHL;
- (6) the purchase, redemption or acquisition by TPTHL of any shares or securities of TPTHL;

- (7) the entering into of any contract of a material nature outside the normal course of business of any TPTHL Group Company;
- (8) the incurring of any debt by any of the TPTHL Group Companies (except for short term loan facilities with a term of less than one year);
- (9) the creation or granting of any mortgage, charge, lien or other encumbrance over any assets of any TPTHL Group Companies;
- (10) the amendment of the memorandum or articles of association of TPTHL;
- (11) the issuance of additional TPTHL Shares or Preferred Stock, other than the issuance of shares or Preferred Stock pursuant to rights granted or obligations assumed by TPTHL prior to the creation of the Preferred Stock as a share class of TPTHL; and
- (12) the approval of or the issuance of equity or debt by any TPTHL Group Company other than short term loan facilities with a term of less than one year for the purposes of normal working capital and operating needs of the business of the TPTHL Group.

***Right of First Refusal:***

Each of the Company and BARING shall have a right of first refusal in respect of any Shares that any other holder of Shares may seek to sell. The right of first refusal must be exercised within 5 Business Days after the date of the notice for the exercise of the right of first refusal.

***Right of Co-Sale:***

As long as BARING holds at least 17% of the issued share capital of TPTHL (on an as-converted basis), BARING shall have a right of co-sale (based on BARING's percentage of the shareholding in the outstanding issued share capital of TPTHL) in the event that the Company wishes to sell any of the Shares to a third party. The Company shall have the same rights of co-sale in respect of Shares held by the Company provided that the Company holds at least 17% of the issued share capital of TPTHL (on an as-converted basis).

***Drag Along Right:***

- (i) Subject to paragraph (iv) below, in the event that BARING proposes to sell all or any of the Sale Shares to any third party on normal commercial terms, BARING may at its option require the Company to sell or procure the sale of Relevant Number of Shares calculated as referred to below held by or for the account of the Company to the relevant purchaser at the Drag Along Sale Price and on the Drag Along Sale Terms as those offered to BARING. Provided always that the Drag Along Sale Price shall be payable in the form of cash or cash equivalent (which, for the avoidance of doubt, shall include without limitation liquid shares listed on a recognised stock exchange which are widely held and any part of such shares are not subject to any lock up period or moratorium exceeding 3 months). The Relevant Number of Shares shall be such number of Shares as bears the same proportion to the total number of Shares held by or for the account of the Company at the relevant time as the number of Sale Shares bears to the total number of Shares held by BARING at the relevant time.
- (ii) If BARING elects to compel the Company or its nominee to sell their Shares, it shall deliver to the Company the Drag Along Notice specifying: (a) the Drag Along Sale Price, (b) the Drag Along Sale Terms and (c) the Relevant Number of Shares.
- (iii) BARING shall be required to participate in such sale on the Drag Along Sale Terms and to tender its Shares on such terms. Any proposed sale pursuant to this section for “Drag Along Right” shall be in compliance with all applicable laws and regulations, including, without limitation, all securities laws and such proposed sale shall be completed within 60 Business Days from the delivery of the Drag Along Notice; provided that if the sale of such Shares is subject to any prior regulatory approval or consent, completion of such sale may be extended (but not to exceed 120 Business Days in the aggregate from the date of

execution of the relevant agreement) until the expiration of 10 Business Days after all such approvals and consents shall have been received. BARING and the Company shall use their respective reasonable endeavours to obtain such consents and approvals as may be required in order for them to comply with the provisions of this section for “Drag Along Right”.

- (iv) BARING shall have the right to exercise the Drag Along Right provided that:
  - (a) BARING holds at least 17% of the issued share capital TPTHL (on an as-converted basis);
  - (b) the valuation of TPTHL is at least HK\$150 million at the time of sale; and
  - (c) a written consent is given by the Company as to such Drag Along Sale Terms where the Drag Along Sale Price consists of any shares that are subject to a lock up period or moratorium exceeding 3 months.

***Voting Right:***

A holder of Preferred Stock shall have the right to vote on an as converted basis. Each share of Preferred Stock shall have such number of vote(s) equal to the vote(s) attached to the TPTHL Share(s) converted from one share of Preferred Stock in accordance with the provisions contained herein.

***Pre-emption Right on new issuances:***

A holder of Preferred Stock shall have rights of pre-emption in relation to any proposed new issues of securities or the opportunity to advance shareholders loans or other facility to TPTHL; provided that no holder of Preferred Stock shall be obliged to participate in any such new issue or other funding.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares and debentures of the Company and its associated corporation (within the meaning of the SFO and the short position within the meaning of the SFO of such persons in the shares of the Company and the associated corporation which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8, stipulated in Section 341 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have 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 Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (i) Interests in Shares

Director	Nature of Interests	Number of shares and Approximate percentage of Shares interested
Mr. Zou Yishang ( <i>Note 1</i> )	Corporate	258,130,790 (20.3%)
Ms. Cui Xia ( <i>Note 2</i> )	Family	406,000 (0.03%)
Mr. Zhang Keqiang	Personal	54,754,000 (4.3%)
Miss Chow King Lin Theresa	Personal	6,000 (0.0%)

*Notes:*

- These 258,130,790 Shares are beneficially owned by Able Technology Limited, which is wholly-owned by Mr. Zou Yishang.

Pursuant to the Share Purchase Agreement dated 7 June 2001 in which Able Technology Limited has the right to purchase 58.1 million Sales Shares, at HK\$0.25 each (subject to the adjustment which were detailed in the circular to Shareholders dated 8 June 1998). Upon completion of the Share Purchase Agreement, the interest of Able Technology Limited in the Company resulting from the purchase of the Sales Shares will be increased, representing approximately 25% and 24% of the existing and enlarged issued share capital of the Company respectively.

- These 406,000 Shares are beneficially owned by Ms. Cui Xia, the spouse of Mr. Zou Yishang.

**(ii) Directors' right to acquire Shares**

Pursuant to the terms of the Scheme adopted by the Company on 22 January 2001, the Directors are authorized, at their absolute discretion, to grant options to full-time employees, including any executive Directors of any companies in the Group. Options for subscribing the Shares has been granted as follows:–

Name or category of participant	Number of share options outstanding as at the Latest Practicable Date	Date of grant	Exercise period of share options	Exercise price per share* (HK\$)
<i>Directors</i>				
Mr. Zou Yishang	20,000,000	29 Aug 2001	29 Aug 2001 to 28 Aug 2011 ( <i>Note a</i> )	0.3520
Mr. Ma Hongyao	15,000,000	29 Aug 2001	29 Aug 2001 to 28 Aug 2011 ( <i>Note a</i> )	0.352
Mr. Chen Jian	17,000,000	29 Aug 2001	29 Aug 2001 to 28 Aug 2011 ( <i>Note a</i> )	0.352
Ms Chow King Lin Theresa	1,000,000	3 Aug 2001	3 Aug 2001 to 2 Aug 2011 ( <i>Note b</i> )	0.3672
	1,000,000	29 Aug 2001	29 Aug 2001 to 28 Aug 2011 ( <i>Note a</i> )	0.3520
	<hr/> 54,000,000			
Other employees in aggregate	3,500,000	3 Aug 2001	3 Aug 2001 to 2 Aug 2011 ( <i>Note b</i> )	0.3672
	36,453,000	29 Aug 2001	29 Aug 2001 to 28 Aug 2011 ( <i>Note a</i> )	0.3520
	<hr/> 39,953,000			
	<hr/> <b>93,953,000</b>			

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

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

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No option was exercised under the Scheme up to the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 or Part XV of the SFO (including interests or short positions which they are taken or deemed to have 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 Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**(iii) Substantial shareholders as defined in the SFO**

As at the Latest Practicable Date, shareholders (other than the Directors or chief executive of the Company) who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:–

<b>Name</b>	<b>Number and approximate Percentage of Shares Interested</b>
Able Technology Limited ( <i>Note 3</i> )	258,136,790 (20.3%)
Continental Mariner Investment Co., Ltd.	117,636,000 (9.3%)
Kenwin Investments Limited	106,552,000 (8.4%)
BAPEF Investments II Limited ( <i>Note 4</i> )	120,137,995 (9.45%)

*Note:*

- The interests of Mr. Zou Yishang in Able Technology Limited have been stated in Notes 1 and 2 above.
- Pursuant to the supplemental agreement dated 7 June 2001 made between the Company, BARING and Able Technology Limited for the restructuring of the 2% convertible bonds due on 30 June 2001 issued by the Company to Baring Asia Investments II B.V. on 30 June 1998 as disclosed in

the circular of the Company dated 16 July 2001, the Company will allot and issue approximately 58.1 million new shares of the Company (“Conversion Shares”) at the conversion price of HK\$0.25 per share (subject to the adjustments which were detailed in the circular to Shareholders dated 8 June 1998) to BARING upon exercise in full of the conversion rights attaching to the outstanding Convertible Bonds and settlement of the administrative charges relating thereto for an aggregate amount of approximately US\$1.87 million due on 30 June 2003.

The 58.1 million new shares of the Company to be issued before 30 June 2003, together with the 61,995,547 issued ordinary shares currently held by BARING represents approximately 9.45% and 8.63% of the Company’s existing and enlarged issued share capital respectively.

Able Technology Limited and BARING has entered into the Share Purchase Agreement dated 7 June 2001 of which Able Technology Limited has the right to purchase the Conversion Shares from BARING before 30 June 2003 at HK\$0.25 (subject to the adjustments which were detailed in the circular to Shareholders dated 8 June 1998).

Save as disclosed herein, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any person (other than the Directors or chief executive of the company) who has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or who is interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

### 3. EXPERT

The following is the qualification of the expert who has given opinion in respect of the statement of working capital sufficiency contained in this circular:

<b>Name</b>	<b>Qualification</b>
Tanrich Capital Limited	a deemed licensed corporation for types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, save for contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

## 5. LITIGATION

Showa Leasing (Hong Kong) Limited (“Showa Leasing”), a hire purchase creditor to which the Company owed indebtedness with an amount approximately HK\$6.1 million with related interest approximately HK\$0.1 million as at the date of the circular, has filed a winding-up petition against the Company which is scheduled to be heard on 18 June 2003. The Company is seeking the consent of Showa Leasing to settle the principal amount and related interest payable by 50 monthly installments starting July 2003. According to the recent discussions with Showa Leasing, the Company has a good prospect to dismiss the winding-up petition. Further announcement will be issued once the winding-up petition is dismissed or as and when appropriate.

On 25 November 2002, Sino Link (Technology) Trading and Development Company Limited (“Sinolink Technology”), issued legal proceedings against the Company in respect of a dispute regarding the services rendered and materials supplied to the Company. The High Court of the Hong Kong Special Administrative Region ruled in favour of Sinolink Technology and ordered that the unsettled claim of approximately HK\$2.6 million together with related interest of HK\$0.2 million and legal fee of approximately HK\$0.1 million be returned by the Company. The Company and Sinolink Technology have agreed in principle to settle the outstanding claims and interest by end of 2003.

On 18 March 2003, Deloitte Touche Tohmatsu, issued legal proceedings against the Company in respect of a dispute amount of approximately HK\$1,340,000 for the services rendered to the Company. The company is in discussion with Deloitte Touche Tohmatsu to settle the amount mutually agreed. Further announcement will be issued once the legal action is discharged or as and when appropriate.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or claim of material importance that would have a material adverse impact on the financial position of the Company taken as a whole and there is no litigation or claim of material importance which would have a material adverse impact on the financial position of the Group taken as a whole known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into during the ordinary course of business carried on by the Group, have been entered into by members of the Group within the two years immediately preceding the date of this circular, and are or may be material:–

- (i) Three Placing Agreements were entered by the Company and each of Mr. Zhang Wenbei, Mr. Yuan Canxin and Mr. Jin Jicheng respectively, on 27 May 2003 in respect of the placing of 50,000,000 new Shares, 30,000,000 new Shares and 20,000,000 new Shares respectively at HK\$0.10 per Share.

- (ii) The Subscription Rights Agreement dated 6 March 2003.
- (iii) The Supplemental Agreement to the Subscription Rights Agreement dated 11 April 2003 to extend the timing and date of the fulfillment of the Condition Precedent under the Subscription Rights Agreement from 5:00 p.m. on 11 April 2003 to 5:00 p.m. on 31 July 2003.
- (iv) The cancellation agreement dated 25 November 2002 entered into by and between the shareholders of Glory Choice and TPTHL to waive their rights to claim against each other consequent on the lapse of the sale and purchase agreement.
- (v) The sale and purchase agreement dated 22 April 2002 entered into between the shareholders of Glory Choice Investments Limited (“Glory Choice”) as vendors and TPTHL as purchaser in respect of the sale and purchase of the entire issued share capital of Glory Choice. The total consideration payable by TPTHL to the Glory Choice vendors was HK\$44 million to be satisfied by 1) HK\$8 million in cash and 2) the allotment and issue of 80 million new shares at an issue price of HK\$0.45 each to Glory Choice vendors.
- (vi) The sale and purchase agreement dated 24 December 2002 entered into by and between TPTHL as purchaser and Glory Choice as vendor for the sale and purchase of 80% equity interest in Guangzhou Polywise Technology Limited (廣州保利威科技有限公 司) (“Polywise”), and since the Company has not been able to fulfill the conditions of the said sale and purchase agreement on the completion date, namely the passing of ordinary resolutions by the Shareholders at the general meeting to approve the proposed acquisition of 80% equity interest in Polywise, as a result of which the said sale and purchase agreement lapse on 17 February 2003.
- (vii) The Dynamic Acquisition Agreements dated 2 April 2002 as detailed in the circular of the Company dated 31 May 2002.
- (viii) The subscription agreement dated 5 December 2001 entered into between the Company and Able Technology in respect of the subscription of 80,000,000 shares by Able Technology at the subscription price of HK\$0.45 per share.
- (ix) The supplemental agreement dated 7 June 2001 made between the Company, BAPEF Investments II Limited and Able Technology for the restructuring of the 2% convertible bonds due on 30 June 2001 issued by the Company to Baring Asia Investments II B.V., on 30 June 1998.

- (x) The subscription agreements dated 30 May 2001 entered into by the Company with New Industries Investment Consultants (HK) Limited and Wireless Asia Limited respectively in respect of the subscription of 100,000,000 Shares and 60,000,000 Shares respectively at HK\$0.18 per share.
  
- (xi) The subscription agreement dated 20 April 2001 entered into between the Company and Able Technology in respect of the subscription of 130,000,000 Shares at HK\$0.155 per Share for a total consideration of HK\$20,150,000, as amended by the supplementary agreement dated 9 May 2001 to extend the completion date of the proposed subscription from on or before 15 May 2001 to on or before 12 June 2001.

## **7. MATERIAL CHANGE**

The Directors are not aware of any material adverse change in financial or trading position of the Group since 31 March 2002, the date to which the latest published audited financial statements of the Group have been made up.

## **8. GENERAL**

As at the Latest Practicable Date, none of the Directors has or has had any direct or indirect material interest in any assets which have been, since 31 March 2002, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors has entered or is proposing to enter into a service contract with the Company or any of its subsidiaries, save for contracts expiring or determinable within one year without payment of compensation other than statutory compensation.

The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The branch share registrar of the Company in Hong Kong is Tengis Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 01A, 24/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on any week day (except public holidays) up to and including 20 June 2003:

- (a) the memorandum and bye-laws of the Company;
- (b) the Subscription Rights Agreement;
- (c) the audited financial statements of the Group for each of the two financial years ended 31 March 2001 and 31 March 2002, respectively;
- (d) interim results of the Group for the six months ended 30 September 2002, the text of which is set out in Appendix I to this Circular;
- (e) the annual report of the Company for the year ended 31 March 2002;
- (f) the material contracts referred to in paragraph 6 of this Appendix; and
- (g) all circulars issued by the Company since the date of the latest published audited accounts.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
- (b) The branch share registrar of the Company in Hong Kong is Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
- (c) The English text of this document and of the Form of Acceptance shall prevail over the Chinese text.

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## NOTICE OF SGM

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### Plus Holdings Limited

普納集團有限公司\*

(the “Company”)

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of Plus Holdings Limited (the “Company”) will be held at 10:00 a.m. on 25 June 2003 at Salisbury Room, 7th Floor, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

**“THAT**

- (a) The grant of right to subscribe the Preferred Stock (as defined in the announcement of the Company dated 29 April 2003 (the “Announcement”), a copy of which has been produced to the SGM marked “A” and signed by the chairman of the meeting for the purpose of identification) pursuant to the Subscription Rights Agreement (as defined in the Announcement), a copy of which has been produced to the SGM marked “B” and signed by the chairman of the meeting for the purpose of identification, be and is hereby approved;
- (b) The Subscription Rights Agreement be and is hereby approved; and
- (c) The Directors be and are hereby authorized for and on behalf of the Company, amongst other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, and to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the grant of right to subscribe the Preferred Stock pursuant to the Subscription Rights Agreement, and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Subscription Rights Agreement as they may in their discretion consider to be desirable and in the interest of the Company.”

By Order of the Board  
**Zou Yishang**  
*Director*

Hong Kong, 31 May 2003

\* *For identification purpose only*

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## NOTICE OF SGM

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*Principal place of business:*

Unit 01A, 24/F

Bank of America Tower

12 Harcourt Road, Central

Hong Kong

*Notes:*

A shareholder of the Company (the “Shareholder”) who is the holder of two or more shares (the “Shares”) in the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

The instrument appointing proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be lodged with the share registrar of the Company in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholder from attending and voting in person at the SGM or any adjournment thereof should the Shareholder so wish.