

HyComm

HYCOMM WIRELESS LIMITED

(Incorporated in Bermuda with limited liability)

Interim Report 2001



The Board of Directors (the "Directors") of HyComm Wireless Limited (the "Company") announces that the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2001 together with the comparative figures for the previous corresponding period are as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Turnover	2	35,545	32,865
Other revenue		1,806	1,562
Operating costs		(23,120)	(28,292)
Staff costs		(6,663)	(6,667)
Provision for impairment loss of properties under development		-	(5,057)
Provision for impairment loss of investments in securities		(9,318)	-
Loss from operations	3	(1,750)	(5,589)
Finance costs	4	(5,528)	(11,622)
Loss on disposal of subsidiaries		(24,563)	-
Share of results of associates		-	(1,515)
Share of result of a jointly controlled entity		-	-
Loss before taxation		(31,841)	(18,726)
Taxation	5	(123)	(128)
Net loss for the period		<u>(31,964)</u>	<u>(18,854)</u>
Loss per share	6	<u>(2.28) cents</u>	<u>(1.80) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 September 2001 (Unaudited) HK\$'000	As at 31 March 2001 (Audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		153,220	202,220
Property, plant and equipment		1,399	21,210
Properties under development		91,790	112,612
Interest in associates		–	–
Investments in securities		50,552	57,814
		<hr/> 296,961	<hr/> 393,856
CURRENT ASSETS			
Properties held for sale		–	53,268
Properties under development for sale		–	50,000
Inventories		1,272	1,307
Amounts due from customers for contract work		–	1,290
Debtors, deposits and prepayments	7	13,538	35,627
Consideration receivable from a director on disposal of subsidiaries		14,949	–
Pledged bank deposits		–	16,169
Bank balances and cash		320	16,261
		<hr/> 30,079	<hr/> 173,922
CURRENT LIABILITIES			
Amounts due to customers for contract work		–	5,343
Creditors and accrued charges	8	12,978	54,732
Deposits received on disposal of subsidiaries		–	19,500
Amounts due to former shareholders		4,295	4,295
Taxation		973	13,032
Borrowings – due within one year	9	100,090	210,297
Obligations under hire purchase contracts – due within one year		–	137
		<hr/> 118,336	<hr/> 307,336
NET CURRENT LIABILITIES		<hr/> (88,257)	<hr/> (133,414)

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

		As at 30 September 2001 (Unaudited) HK\$'000	As at 31 March 2001 (Audited) HK\$'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		208,704	260,442
NON-CURRENT LIABILITIES			
Borrowings - due after one year	9	36,878	52,138
Obligations under hire purchase contracts			
- due after one year		-	64
Convertible debentures		-	11,312
Deferred taxation		3,000	3,000
		<u>168,826</u>	<u>193,928</u>
CAPITAL AND RESERVES			
Share capital	10	148,393	133,393
Share premium and reserves	11	20,433	60,535
		<u>168,826</u>	<u>193,928</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

		Six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Net loss for the period		(31,964)	(18,854)
Realised upon disposal of subsidiaries			
Other property revaluation reserve		163	-
Capital reserve		(7,773)	-
		<u>(39,574)</u>	<u>(18,854)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,010	11,189
CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(6,450)	(14,728)
CASH OUTFLOW FROM TAXATION	(1,318)	(9)
NET CASH INFLOW FROM INVESTING ACTIVITIES	<u>37,267</u>	<u>1,344</u>
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING	34,509	(2,204)
NET CASH (OUTFLOW) INFLOW FROM FINANCING	<u>(17,435)</u>	<u>26,923</u>
INCREASE IN CASH AND CASH EQUIVALENTS	17,074	24,719
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>(42,266)</u>	<u>(42,421)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>(25,192)</u></u>	<u><u>(17,702)</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	320	3,273
Fixed deposits	-	15,000
Bank overdrafts	<u>(25,512)</u>	<u>(35,975)</u>
	<u><u>(25,192)</u></u>	<u><u>(17,702)</u></u>

Notes to Condensed Consolidated Interim Financial Statements

(1) Significant accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting". The same principal accounting policies and basis of presentation are followed in these interim financial statements as compared with the most recent published annual financial statements for the year ended 31 March 2001 except that the Group has changed certain of its accounting policies following the adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	Events after balance sheet date
SSAP 14 (revised)	Lease (effective for period commencing on or after 1 July 2000)
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The major changes to and effect of the Group's accounting policies are set out below:

Segment reporting

In note (2) below, the Group has disclosed segmental information as defined under SSAP 26. According to the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format. Certain comparative figures have been reclassified to conform with current period presentation.

Goodwill/negative goodwill

According to SSAP 30, goodwill arising on acquisitions after 1 April 2001 is capitalized and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1 April 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

Under the Group's previous accounting policy, goodwill arising from acquisitions was taken directly to reserves. However, the Group has written off all the carrying amount of goodwill to the income statement last year. By adopting the new SSAP 30, the change in accounting policy has no effect to the interim financial statements for the period.

(2) Segmental information

The Group's turnover and contribution therefrom for the period is analysed as follows:

	Turnover		Contribution to loss from operations	
	Six months ended 30 September		Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Sale of properties	16,540	-	3,180	-
Gross rental income from investment properties	5,156	5,073	1,886	2,132
Property management service income	3,931	6,680	819	1,229
Construction and decoration service	9,468	20,821	3,575	2,177
Property agency fee	132	291	(376)	(1,393)
Sales of goods and services	318	-	310	-
	<u>35,545</u>	<u>32,865</u>	<u>9,394</u>	<u>4,145</u>
Unallocated corporate expenses			(1,826)	(4,677)
Provision for impairment loss of properties under development			-	(5,057)
Provision for impairment loss of investments in securities			<u>(9,318)</u>	<u>-</u>
Loss from operations			<u>(1,750)</u>	<u>(5,589)</u>

All of the activities of the Group are based in the People's Republic of China (the "PRC") and all of the Group's turnover and the loss from operations are derived from the PRC, including Hong Kong.

(3) Loss from operations

The Group's loss from operations is arrived at after charging:

	Six months ended 30 September	
	2001	2000
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of properties sold	12,737	-
Directors' remuneration	2,670	2,520
Depreciation and amortisation	<u>388</u>	<u>404</u>

(4) Finance costs

	Six months ended 30 September	
	2001	2000
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Finance costs comprise of:		
Interest expense on:		
Bank borrowings wholly repayable within five years	1,941	7,233
Bank borrowings wholly repayable more than five years	1,402	-
Other borrowing wholly repayable within five years	-	407
Convertible debentures	289	255
Hire purchase contracts	6	7
Amortisation of expenses incurred in connection with the issue of convertible debentures	681	3,720
Premium paid on redemption of convertible debentures	<u>1,209</u>	<u>-</u>
	<u>5,528</u>	<u>11,622</u>

(5) Taxation

Hong Kong Profits Tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period.

(6) Loss per share

The calculation of the basic loss per share is based on the net loss for the period of HK\$31,964,000 (2000: HK\$18,854,000) and on the weighted average number of 1,401,959,002 shares (2000: 1,046,890,427 shares) in issue during the period.

Diluted loss per share for the six months ended 30 September 2000 has not been presented as the exercise of the Company's outstanding options, warrants and convertible debentures would result in a decrease in net loss per share.

(7) Debtors, deposits and prepayments

The credit terms are negotiated with and entered into under normal commercial terms. Monthly rent is payable in advance by the tenants. Included in debtors, deposits and prepayment are trade debtors of HK\$312,000 (31 March 2001: HK\$25,124,000). The aging analysis of trade debtors is as follows:

	As at 30 September 2001 (Unaudited) HK\$'000	As at 31 March 2001 (Audited) HK\$'000
Current	312	19,621
Over 1 month but less than 3 months	-	3,942
Over 3 months	-	1,561
	<u>312</u>	<u>25,124</u>
Total	<u>312</u>	<u>25,124</u>

(8) Creditors and accrued charges

Included in creditors and accrued charges are trade creditors of HK\$238,000 (31 March 2001: HK\$34,466,000). The aging analysis of trade creditors is as follows:

	As at 30 September 2001 (Unaudited) HK\$'000	As at 31 March 2001 (Audited) HK\$'000
Current	238	11,160
Over 1 month but less than 3 months	-	5,556
Over 3 months	-	17,750
	<u>238</u>	<u>34,466</u>
Total	<u>238</u>	<u>34,466</u>

(9) Borrowings

	As at 30 September 2001 (Unaudited) HK\$'000	As at 31 March 2001 (Audited) HK\$'000
Bank loans, secured	111,456	203,908
Bank overdrafts, secured	25,512	58,320
Bank overdrafts, unsecured	—	207
	<u>136,968</u>	<u>262,435</u>
The maturity of borrowings is as follows:		
Within one year or on demand	100,090	210,297
More than one year, but not exceeding two years	4,578	42,425
More than two years, but not exceeding five years	13,734	4,446
More than five years	18,566	5,267
	<u>136,968</u>	<u>262,435</u>
Amount due within one year or on demand included in current liabilities	<u>(100,090)</u>	<u>(210,297)</u>
Amount due after one year	<u>36,878</u>	<u>52,138</u>

(10) Share capital

	As at 30 September 2001 Number of shares	(Unaudited) HK\$'000
Authorised:		
Shares of HK\$0.10 each	3,000,000,000	300,000
Issued and fully paid:		
At beginning of the period	1,333,926,215	133,393
Issued for the subscription of the new shares	<u>150,000,000</u>	<u>15,000</u>
At end of the period	<u>1,483,926,215</u>	<u>148,393</u>

During the period, the Company received subscription monies of totally HK\$15,000,000 for allotment and issue of new shares of the Company to Mr. Lai Yiu Keung, a director and substantial shareholder of the Company ("Mr. Lai"), pursuant to a subscription agreement entered into between the Company and Mr. Lai on 18 May 2001.

(11) Share premium and reserves

	Share premium HK\$'000	Other property revaluation reserve HK\$'000	Surplus account HK\$'000	Capital reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
At beginning of the period	498,427	729	255,025	7,773	(701,419)	60,535
Share issue expenses	(365)	-	-	-	-	(365)
Realised upon disposal of subsidiaries	-	(163)	-	(7,773)	163	(7,773)
Net loss for the period	-	-	-	-	(31,964)	(31,964)
At end of the period	<u>498,062</u>	<u>566</u>	<u>255,025</u>	<u>-</u>	<u>(733,220)</u>	<u>20,433</u>

(12) Disposal of subsidiaries

On 30 June 2001, the Group disposed of its 100% interest in certain subsidiaries, which are principally, through their wholly owned subsidiaries, engaged in property development and related services including construction and decoration, property management, property agency and money lending businesses, to Mr. Lai at the minimum cash consideration of HK\$34,449,000. Loss amounting to approximately HK\$24,563,000 arose from the disposal of those subsidiaries.

The results of those subsidiaries for the interim reporting period were as follows:

	Three months ended 30 June 2001 (Unaudited) HK\$'000	Six months ended 30 September 2000 (Unaudited) HK\$'000
Turnover	30,121	28,099
Other revenue	1,176	1,562
Operating costs	(19,978)	(23,662)
Staff costs	(2,775)	(3,539)
Provision for impairment loss of properties under development	-	(5,057)
Profit (loss) from operations	8,544	(2,597)
Finance costs	(1,698)	(4,978)
Profit (loss) before taxation	6,846	(7,575)
Taxation	-	(85)
Profit (loss) for the period	<u>6,846</u>	<u>(7,660)</u>

(13) Related party transactions

The Group entered into the following transactions with related parties during the six months ended 30 September 2001:

	<i>Notes</i>	Six months ended	
		30 September	
		2001	2000
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Rental income received from			
King Alliance Limited	<i>a</i>	480	480
Service fee received from			
T.K. Tsui & Associates	<i>b</i>	362	-
		<u>362</u>	<u>-</u>

Notes:-

- a. King Alliance Limited is an associate of the Group.
- b. T.K. Tsui & Associates is a company directly held by Mr. Tsui Tack Kong, non-executive director of the Company.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: nil).

BUSINESS REVIEW AND PROSPECTS

During the six months ended 30 September 2001, the Group was principally engaged in the business of property development, property investment, property management, property agency and construction and decoration services and trading of communication products while the Group continued to re-engineer its businesses. The Group recorded turnover for the period of approximately HK\$35.5 million and net loss for the period of approximately HK\$32 million. Net loss for the period is mainly attributable to loss on disposal of subsidiaries and provision for impairment loss on investments in securities during the period under review. However, the Group's other business sectors were maintained at a steady level throughout the period.

Business review

During the period under review, the turnover attributable to the property related services and certain property development projects continued to contribute to the Group up to 30 June 2001 when the conditions precedent in respect of the Disposal (as defined below) has been fulfilled.

On 30 June 2001, the conditions precedent in relation to a disposal agreement entered into between the Company and Mr. Lai on 2 June 2000 for disposal of the entire issued share capital in five wholly owned subsidiary companies, which own certain property investment subsidiaries and property related service subsidiaries, to Mr. Lai at a minimum cash consideration of about HK\$34 million ("Disposal") have been fulfilled and the Disposal has been completed in early July 2001 accordingly. Upon completion, the Group continues to be engaged in property investment business and development of remaining four property projects in Hong Kong. The development of remaining development projects is still in the preliminary stage and the construction work will commence only at a later stage.

The Group's technology-related and communication investments in Hycomm Technology Incorporated, Codebank Limited ("Codebank") and CyberLiving Holdings Limited are retained as long-term investments. On 21 December 2001, Codebank has succeeded to be listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange") at initial price of HK\$0.50 per share and the Company, as Codebank's substantial shareholder, holds about 10% of its entire issued share capital.

On 29 October 2001, a wholly owned subsidiary of the Company entered into an agreement with certain vendors to acquire about 57.07% of the issued share capital in Mobidog Inc. by issue of consideration shares of 133,536,000 new shares of the Company. Mobidog Inc. group is principally engaged in the development and marketing of wireless data service products including software and hardware in Hong Kong, Macau, Taiwan, China and Singapore.

Liquidity and financial resources

The Group has bank and cash balance of approximately HK\$320,000 as at 30 September 2001. Following the completion of the Disposal, the Group's bank borrowing outstanding at 30 September 2001 amounted to HK\$137 million, representing a sharp decrease of HK\$125 million as compared with the amounts outstanding at 31 March 2001. During the period, the Company has redeemed all remaining outstanding 2% convertible debentures due 2003 of US\$1.55 million by utilization of subscription monies received pursuant to an agreement for subscription of new shares made on 18 May 2001. With bank and cash and other current assets as well as the Group's available banking facilities, the Group has sufficient financial resources to satisfy its financial commitments and working capital requirements.

Employee

As at 30 September 2001, the Group employed 16 staff in Hong Kong. In addition to basic salary, employees are rewarded with performance-related bonuses, other staff welfare and also a share option scheme will be made available to certain staff of the Group at the discretionary of the board.

Prospects

The Disposal is a milestone for the business re-engineering of the Group. Gradual shift of its business strategy from property investment and development to technology-related and communication businesses allows the Group to focus its resources on technology-related and communication businesses in an attempt to broaden its earning base and catch new opportunities in the long run. By adopting a prudent approach in its new business development and financial strategy, the Group hopes to take advantage of new business opportunities with strong market momentum and potential. We believe our new business strategy will bring to the shareholders greater value created from the new business in the long run.

SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER

On 18 May 2001, the Company entered into a subscription agreement with Mr. Lai for subscription of 150,000,000 new shares of the Company at issue price of HK\$0.10 per share. The subscription was completed on 10 July 2001 and the net proceeds amounting to about HK\$14.6 million have been used for redeeming the outstanding 2% convertible debentures due 2003 with balance for general working capital purposes.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2001, the interests of directors and their associates in the share capital of the Company or any of its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:-

Name of director	Type of interest	Number of shares
Mr. Lai Yiu Keung	Family (<i>Note 1</i>)	280,700,000
	Corporate (<i>Note 2</i>)	30,000,000
	Personal	160,810,000
Madam Chung Lai Ha	Family (<i>Note 1 and 2</i>)	471,510,000
Mr. Tsui Tack Kong	Personal	43,397,500

Notes:

- 1 These shares are beneficially held by Justwell Limited through its wholly owned subsidiary, United Man's Limited. The entire issued share capital of Justwell Limited is held by a trustee for the benefit of a discretionary trust the beneficiaries of which include certain other family members of Mr. Lai Yiu Keung and Madam Chung Lai Ha.
- 2 These shares are registered in the name of Justgood Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Lai Yiu Keung.

In addition to the above, the following directors beneficially owned the non-voting 5 per cent. deferred shares in the members of the Group as at 30 September 2001:—

Name of director	Name of member of the Group	Number of non-voting 5 per cent. deferred shares of HK\$1 each
Mr. Lai Yiu Keung	Bestful Development Limited	8,000
	Billtech Limited	2,000
	Great Centre Limited	20,000
	Newborn Development Limited	10,000
	Nicecity Holdings Limited	8,000
	Oriental Gain Properties Limited	3,710
	Plotio Development (HK) Limited	9,500
	Plotio Investment (HK) Limited	9,500
	Total Busy Development Limited	40,500
Madam Chung Lai Ha	Plotio Development (HK) Limited	500
	Plotio Investment (HK) Limited	500
Mr. Tsui Tack Kong	Bestful Development Limited	2,000
	Great Centre Limited	5,000
	Nicecity Holdings Limited	2,000
	Oriental Gain Properties Limited	530
	Total Busy Development Limited	4,500

The non-voting 5 per cent. deferred shares practically carry no rights to dividends or to receive notice of or attend or vote at any general meeting of the Companies or to participate in the surplus assets of the above-mentioned companies by virtue or in respect of their holdings of such non-voting 5 per cent. deferred shares.

Save as disclosed above, as at 30 September 2001, none of the directors, chief executives or any of their associates had any interest in the shares of the Company or any of its associated corporation as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDER

Saved as disclosed above, as at 30 September 2001, none of shareholders of the Company was interested in 10 per cent. or more of the share capital of the Company as recorded in the register required to be kept under Section 16 of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company comprises of two independent non-executive directors. The primary duties of the audit committee are review and advice on the accounting principles and practice adopted by the Group, auditing, financial reporting process and internal control system of the Group.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

By Order of the Board
Lai Yiu Keung
Chairman and Managing Director

Hong Kong, 27 December 2001