

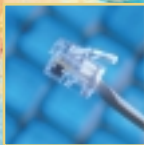
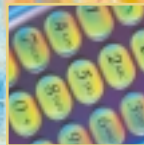
# HyComm

## HyComm Wireless Limited

(Incorporated in Bermuda with limited liability)

interim  
2003

Interim Report 2003



To  
Today  
Average  
\$2-Week  
EPS!

## HyComm Wireless Limited

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

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2003</b>	2002
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>26,787</b>	4,797
Other revenue		<b>577</b>	1,030
Operating costs		<b>(38,005)</b>	(3,983)
Staff costs		<b>(3,657)</b>	(3,564)
Amortisation of goodwill		<b>(7,114)</b>	(6,193)
		<hr/>	<hr/>
Loss from operations	3	<b>(21,412)</b>	(7,913)
Finance costs	4	<b>(1,735)</b>	(2,307)
Share of results of associates		<b>–</b>	(41)
		<hr/>	<hr/>
Loss before taxation		<b>(23,147)</b>	(10,261)
Taxation	5	<b>–</b>	(185)
		<hr/>	<hr/>
Loss before minority interests		<b>(23,147)</b>	(10,446)
Minority interests		<b>24</b>	–
		<hr/>	<hr/>
Loss for the period		<b>(23,123)</b>	(10,446)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share – basis	6	<b>(0.81) cents</b>	(0.59) cents
		<hr/> <hr/>	<hr/> <hr/>

# HyComm Wireless Limited

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2003 (Unaudited) HK\$'000	As at 31 March 2003 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties	7	111,700	141,700
Property, plant and equipment	7	13,428	2,787
Properties under development		26,795	26,735
Interest in associates		–	–
Goodwill		64,029	–
Investments in securities		16,205	16,205
		<u>232,157</u>	<u>187,427</u>
<b>CURRENT ASSETS</b>			
Inventories		178	30
Receivables, deposits and prepayments	8	16,158	34,296
Bank balances and cash		10,913	454
		<u>27,249</u>	<u>34,780</u>
<b>CURRENT LIABILITIES</b>			
Amount due to a director		–	100
Payables and accrued charges	9	21,722	14,336
Deposits received		525	1,033
Amounts due to former shareholders		4,295	4,295
Taxation		1,648	1,647
Borrowings – due within one year	10	8,010	44,779
		<u>36,200</u>	<u>66,190</u>
<b>NET CURRENT LIABILITIES</b>		<u>(8,951)</u>	<u>(31,410)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>223,206</u>	<u>156,017</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings – due after one year	10	97,093	62,971
Deferred taxation		3,000	3,000
		<u>100,093</u>	<u>65,971</u>
<b>MINORITY INTERESTS</b>		<u>3,540</u>	–
		<u>119,573</u>	<u>90,046</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	298,064	245,414
Share premium and reserves		(178,491)	(155,368)
		<u>119,573</u>	<u>90,046</u>

## HyComm Wireless Limited

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital	Share premium	Other property revaluation reserve	Surplus account	Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2002	162,414	498,062	181	255,025	(798,657)	117,025
Issue of shares for cash and premium arising thereon	20,000	6,000	-	-	-	26,000
Issued as consideration for the acquisition of associates	63,000	-	-	-	-	63,000
Deficit arising on revaluation	-	-	(181)	-	-	(181)
Loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,798)</u>	<u>(115,798)</u>
At 31 March 2003	245,414	504,062	-	255,025	(914,455)	90,046
Issued as consideration for the acquisition of subsidiaries	52,650	-	-	-	-	52,650
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,123)</u>	<u>(23,123)</u>
At 30 September 2003	<u>298,064</u>	<u>504,062</u>	<u>-</u>	<u>255,025</u>	<u>(937,578)</u>	<u>119,573</u>

# HyComm Wireless Limited

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(10,195)	3,786
NET CASH INFLOW FROM INVESTING ACTIVITIES	23,301	463
NET CASH INFLOW (OUTFLOW) FROM FINANCING	7,850	(5,767)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,956	(1,518)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(10,052)	(8,863)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,904	(10,381)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	10,913	202
Bank overdrafts	(9)	(10,583)
	10,904	(10,381)

# HyComm Wireless Limited

Notes:—

## (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” issued by Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The same principal accounting policies and basis of presentation are followed in these interim financial statements as compared with the published annual financial statements for the year ended 31 March 2003 except that, in current year, the Group has adopted for the first time the revised SSAP 12 (revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (revised) is deferred taxation. In prior years, partial provision was made for deferred taxation using income statement approach, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of balance sheet approach, whereby deferred taxation is recognized in respect of all temporary differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (revised) has no material effect on the results of the Group in both accounting periods.

## (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 2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000	Six months ended 30 September 2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000
Sale of properties	21,760	–	(8,301)	–
Gross rental income from investment properties	3,937	4,421	2,742	3,363
Income from short message services	916	–	(61)	–
Sales of goods and services	174	376	(1,134)	(1,252)
	<u>26,787</u>	<u>4,797</u>	<u>(6,754)</u>	2,111
Unallocated other revenue			178	–
Unallocated corporate expenses			(7,722)	(3,831)
Amortisation of goodwill			(7,114)	(6,193)
Loss from operations			<u>(21,412)</u>	<u>(7,913)</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.

# HyComm Wireless Limited

## (3) Loss from operations

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

	Six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of properties sold	30,000	–
Directors' remuneration	2,604	2,694
Depreciation and amortisation	619	304
	<u>33,223</u>	<u>3,000</u>

## (4) Finance costs

	Six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance costs comprise of:		
Interest expense on:		
Bank borrowings wholly repayable within five years	626	349
Bank borrowings wholly repayable more than five years	1,109	1,958
	<u>1,735</u>	<u>2,307</u>

## (5) Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions of the PRC.

## (6) Loss per share

The calculation of the basic loss per share is based on the loss for the period of HK\$23,123,000 (2002: HK\$10,446,000) and on the weighted average number of 2,871,606,228 shares (2002: 1,771,024,261 shares) in issue during the period.

Diluted loss per share for the six months ended 30 September 2003 and 2002 has not been presented because no potential dilutive ordinary share existed during the period.

## HyComm Wireless Limited

**(7) Investment properties and property, plant and equipment**

During the period, the Group recorded approximately HK\$13 million on additions to property, plant and equipment upon acquisition of certain subsidiaries and disposed of the investment properties with the carrying value of approximately HK\$30 million.

**(8) Receivables, deposits and prepayments**

The credit terms are negotiated with and entered into under normal commercial terms. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. Included in receivables, deposits and prepayment are trade debtors of HK\$3,855,000 (31 March 2003: HK\$86,000). The aging analysis of trade debtors is as follows:

	<b>As at 30 September 2003 (Unaudited) HK\$'000</b>	<b>As at 31 March 2003 (Audited) HK\$'000</b>
Current	531	86
Over 1 month but less than 3 months	3,118	-
Over 3 months	206	-
	<b>3,855</b>	<b>86</b>

Included in receivables, deposits and prepayments at 30 September 2003 is amount due from Plotio Property and Management Company Limited, a related company in which Mr. Lai Yiu Keung, a director of the Company, has beneficial interest, amounting to approximately HK\$42,000. Particulars of the amounts due from Plotio Property and Management Company Limited, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

<b>Name</b>	<b>Balance at 30 September 2003 (Unaudited) HK\$'000</b>	<b>Balance at 1 April 2003 (Unaudited) HK\$'000</b>	<b>Maximum amount outstanding during the period (Unaudited) HK\$'000</b>
Plotio Property and Management Company Limited	<b>42</b>	<b>25</b>	<b>42</b>



# HyComm Wireless Limited

## (9) Payables and accrued charges

Included in payables and accrued charges are trade creditors of HK\$627,000 (31 March 2003: HK\$502,000). The aging analysis of trade creditors is as follows:

	As at <b>30 September</b> <b>2003</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2003 (Audited) <i>HK\$'000</i>
Current	<b>116</b>	–
Over 1 month but less than 3 months	<b>221</b>	–
Over 3 months	<b>290</b>	502
	<u><b>627</b></u>	<u>502</u>

## (10) Borrowings

	As at <b>30 September</b> <b>2003</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2003 (Audited) <i>HK\$'000</i>
Bank loans, secured	<b>105,094</b>	97,244
Bank overdrafts, secured	<b>9</b>	10,506
	<u><b>105,103</b></u>	<u>107,750</u>
The maturity of borrowings is as follows:		
Within one year or on demand	<b>8,010</b>	44,779
More than one year, but not exceeding two years	<b>9,451</b>	3,540
More than two years, but not exceeding five years	<b>10,413</b>	10,620
More than five years	<b>77,229</b>	48,811
	<u><b>105,103</b></u>	<u>107,750</u>
Amount due within one year or on demand included in current liabilities	<u><b>(8,010)</b></u>	<u>(44,779)</u>
Amount due after one year	<u><b>97,093</b></u>	<u>62,971</u>

# HyComm Wireless Limited

## (11) Share capital

	As at 30 September 2003	
	Number of shares	(Unaudited) HK\$'000
Authorised:		
Shares of HK\$0.10 each	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 April 2003	2,454,139,015	245,414
Issued as consideration for the acquisition of subsidiaries	<u>526,500,000</u>	<u>52,650</u>
At 30 September 2003	<u>2,980,639,015</u>	<u>298,064</u>

During the period, 526,500,000 shares of HK\$0.10 each in the Company were issued at par as considerations for the acquisition of certain subsidiaries.

## (12) Related party transactions

The Group entered into the following transactions with related parties during the six months ended 30 September 2003:

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Rental paid to:		
Plotio Investment (HK) Limited	(450)	(300)
Service fee (paid to) received from:		
Keung Kee Cleaning Services Company Limited	(14)	(46)
Lee Wai Engineering Company Limited	(3)	(35)
Monchase Underwriters Limited	(42)	(66)
Plotio Property and Management Company Limited	82	78
Plotio Property and Management Company Limited	(106)	(66)
Plotio Property Consultants Limited	<u>(72)</u>	<u>(54)</u>

*Note:*— Plotio Investment (HK) Limited, Keung Kee Cleaning Services Company Limited, Lee Wai Engineering Company Limited, Monchase Underwriters Limited, Plotio Property and Management Company Limited and Plotio Property Consultants Limited are companies beneficially held by Mr. Lai Yiu Keung, executive director of the Company.

## (13) Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

# HyComm Wireless Limited

## INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 September 2003 (2002: nil).

## REVIEW AND PROSPECTS

During the six months ended 30 September 2003, the Group was principally engaged in the business of property investment and development, short message services and trading of communication products. The Group recorded turnover for the period of approximately HK\$26.8 million and loss for the period of approximately HK\$23.1 million.

### Business review

During the period under review, the increase in turnover by about HK\$22 million is mainly attributable to the disposal of investment properties during the period. The increase in loss for the period by about HK\$13 million was mainly due to loss on disposal of investment properties. During the period, the investment properties have continued to contribute to the Group and the Group's properties under development are still in a preliminary stage.

The Group's investments in Codebank Limited (listed on the Growth Enterprise Market ("GEM") of the Stock Exchange with stock code 8162 and its shares trading suspended since 14 May 2002), Inno-Tech Holdings Limited (listed on GEM with stock code 8202), Hycomm Technology Incorporated, Mobidog Inc., Megacom Holdings Limited and Tekson International Telecom Limited are still retained as long-term investments.

On 16 November 2002, the Company entered into an agreement with certain vendors and warrantors to acquire the entire issued share capital in Cyberware Communications Limited ("Cyberware") and the interest free shareholders' loan due from Cyberware to the vendors by issue of consideration shares of 340,000,000 new shares of the Company and cash of HK\$24 million. The others terms of this transaction have been disclosed in the Company's announcement dated 19 November 2002. Cyberware group is principally engaged in the provision of operating system for personal digital assistants and will be engaged in the Netphone business. This transaction has been completed in April 2003.

On 27 June 2003, an indirect wholly owned subsidiary of the Company entered into an agreement with certain vendors and warrantors to acquire about 60% of the issued share capital in Global Edge Technology Limited ("GET") by issue of consideration shares of 150,000,000 new shares of the Company with other terms disclosed in the Company's announcement dated 27 June 2003. GET group is principally engaged in the operation, management and development of short message services, technologies and other related services being used by telecom network operators in Hong Kong. This transaction has been completed in August 2003.

## HyComm Wireless Limited

On 19 August 2003, an indirect wholly owned subsidiary of the Company entered into an agreement with the purchaser to dispose of the whole interest in the 12 villa houses erected in Beijing Dragon Villas, 8 Shun An South Road, Shun Yi District, Beijing, the PRC. The others terms of this transaction have been disclosed in the Company's announcement dated 28 August 2003. This transaction has been completed in September 2003.

### **Liquidity and financial resources, pledge of assets and contingent liabilities**

The Group has bank and cash balance of approximately HK\$10,913,000 as at 30 September 2003. The Group's bank borrowings outstanding at 30 September 2003 amounted to approximately HK\$105 million, representing a decrease of approximately HK\$3 million as compared with the amounts outstanding at 31 March 2003. During the period, there is no material change in the level of bank borrowings of the Group and its gearing level (total liabilities over equity) changed from 1.47 at 31 March 2003 to 1.14 at 30 September 2003. The bank borrowings outstanding at 30 September 2003 is secured by certain properties held by the Group and denominated in Hong Kong dollar. As at 30 September 2003, the Group has no material contingent liability and capital commitment. 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 2003, the Group had 15 employees 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**

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. It is believed that the new business strategy will bring to the shareholders greater value created from the new business in the long run.

# HyComm Wireless Limited

## DIRECTORS' INTERESTS IN SHARES

As at 30 September 2003, the interests of directors and their associates in the share capital of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:–

Name of director	Type of interest	Number of shares held	Total number of shares held	Approximate percentage of shareholding in the Company
Mr. Lai Yiu Keung	Family ( <i>Note 1</i> )	210,700,000		
	Corporate ( <i>Note 2</i> )	30,000,000		
	Personal	151,000,000	391,700,000	13.14%
Madam Chung Lai Ha	Family ( <i>Note 1 and 3</i> )	391,700,000	391,700,000	13.14%
Mr. Tsui Tack Kong	Personal	43,397,500	43,397,500	1.46%
Mr. Sun Zheng Quan	Corporate ( <i>Note 4</i> )	374,519,995	374,519,995	12.57%

### 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.
3. Madam Chung Lai Ha is the spouse of Mr. Lai Yiu Keung and is deemed to be interested in those shares of the Company in which Mr. Lai Yiu Keung has an interest.
4. 254,519,995 of these shares are held by Topsino Limited which is beneficially held as to 52% by Mr. Sun Zheng Quan and as to 48% by Ms. Ye Yanping. Under the SFO, Mr. Sun Zheng Quan and Ms. Ye Yanping are deemed to be interested in all the shares held by Topsino Limited. The remaining 120,000,000 of these shares are held by Top Eastern Limited which is beneficially held as to 48% by Mr. Sun Zheng Quan and as to 52% by Ms. Ye Yanping. Under the SFO, Mr. Sun Zheng Quan and Ms. Ye Yanping are deemed to be interested in all the shares held by Top Eastern Limited.

## HyComm Wireless Limited

In addition to the above, the following directors beneficially owned the non-voting 5 per cent. deferred shares of HK\$1 each in the members of the Group as at 30 September 2003:–

<b>Name of director</b>	<b>Name of member of the Group</b>	<b>Number of non-voting 5 per cent. deferred shares</b>
Mr. Lai Yiu Keung	Billtech Limited	2,000
	Oriental Gain Properties Limited	3,710
Mr. Tsui Tack Kong	Oriental Gain Properties Limited	530

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 of or in respect of their holdings of such non-voting 5 per cent. deferred shares.

Save as disclosed above, as at 30 September 2003, 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 corporations within the meaning of Part XV of SFO.

### **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**

Other than the interests of directors under the heading "Directors' Interests in Shares" above, as at 30 September 2003, the following persons had an interest or short position in the share capital of the Company as recorded in the register maintained by the Company pursuant to section 336 of Part XV of the SFO.

<b>Name</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding in the Company</b>
Ms. Ye Yanping ( <i>Note 1</i> )	374,519,995	12.57%
Mr. Ng Wo Sui, Norman ( <i>Note 2</i> )	365,480,005	12.26%
Mr. Khamhoon Khamseng ( <i>Note 2</i> )	365,480,005	12.26%

Interim Report 2003/2004

# HyComm Wireless Limited

*Notes:*

1. 254,519,995 of these shares are held by Topsino Limited which is beneficially held as to 52% by Mr. Sun Zheng Quan and as to 48% by Ms. Ye Yanping. Under the SFO, Mr. Sun Zheng Quan and Ms. Ye Yanping are deemed to be interested in all the shares held by Topsino Limited. The remaining 120,000,000 of these shares are held by Top Eastern Limited which is beneficially held as to 48% by Mr. Sun Zheng Quan and as to 52% by Ms. Ye Yanping. Under the SFO, Mr. Sun Zheng Quan and Ms. Ye Yanping are deemed to be interested in all the shares held by Top Eastern Limited.
2. All of these shares are held by Top Gateway Limited which is beneficially held as to 50% by Mr. Ng Wo Sui, Norman and as to 50% by Mr. Khamkoon Khamseng.

## **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 Board 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 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board

**Lai Yiu Keung**

*Chairman and Managing Director*

Hong Kong, 23 December 2003