

HyComm

Hycomm Wireless Limited

(Incorporated in Bermuda with limited liability)



**INTERIM REPORT
2004**

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 2004 together with the comparative figures for the previous corresponding period are as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2004	2003
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	4,512	26,787
Other revenue		478	577
Operating costs		(7,586)	(38,005)
Staff costs		(3,760)	(3,657)
Amortisation of goodwill		(1,106)	(7,114)
		<hr/>	<hr/>
Loss from operations	3	(7,462)	(21,412)
Finance costs	4	(1,895)	(1,735)
Share of results of associates		7	–
		<hr/>	<hr/>
Loss before taxation		(9,350)	(23,147)
Taxation	5	–	–
		<hr/>	<hr/>
Loss before minority interests		(9,350)	(23,147)
Minority interests		605	24
		<hr/>	<hr/>
Loss for the period		(8,745)	(23,123)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share – basis	6	(0.29) cents	(0.81) cents
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CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	7	129,500	126,500
Property, plant and equipment		8,432	10,257
Properties under development		23,000	23,000
Interest in associates		1,409	945
Goodwill		3,318	4,424
Investments in securities		5,645	5,645
Other investment		3,000	3,000
		<u>174,304</u>	<u>173,771</u>
CURRENT ASSETS			
Inventories		17	19
Receivables, deposits and prepayments	8	3,051	12,176
Bank balances and cash		4,209	2,167
		<u>7,277</u>	<u>14,362</u>
CURRENT LIABILITIES			
Amount due to a director		–	–
Payables and accrued charges	9	22,060	20,557
Deposits received		783	364
Amounts due to former shareholders		4,295	4,295
Taxation		1,648	1,648
Borrowings – due within one year	10	21,887	14,289
		<u>50,673</u>	<u>41,153</u>
NET CURRENT LIABILITIES		(43,396)	(26,791)
TOTAL ASSETS LESS CURRENT LIABILITIES		130,908	146,980
NON-CURRENT LIABILITIES			
Borrowings – due after one year	10	84,859	91,581
Deferred taxation		4,148	4,148
Minority interests		1,308	1,913
		<u>90,315</u>	<u>97,642</u>
		<u>40,593</u>	<u>49,338</u>
CAPITAL AND RESERVES			
Share capital	11	298,064	298,064
Share premium and reserves		(257,471)	(248,726)
		<u>40,593</u>	<u>49,338</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Surplus account <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 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	–	–	–	(23,123)	(23,123)
	<u>298,064</u>	<u>504,062</u>	<u>255,025</u>	<u>(937,578)</u>	<u>119,573</u>
At 30 September 2003	<u>298,064</u>	<u>504,062</u>	<u>255,025</u>	<u>(937,578)</u>	<u>119,573</u>
At 1 April 2004	298,064	491,426	255,025	(995,177)	49,338
Loss for the period	–	–	–	(8,745)	(8,745)
	<u>298,064</u>	<u>504,062</u>	<u>255,025</u>	<u>(1,003,922)</u>	<u>40,593</u>
At 30 September 2004	<u>298,064</u>	<u>504,062</u>	<u>255,025</u>	<u>(1,003,922)</u>	<u>40,593</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	4,168	(10,195)
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES	(3,000)	23,301
NET CASH (OUTFLOW) INFLOW FROM FINANCING	<u>(4,413)</u>	<u>7,850</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,245)	20,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>(3,189)</u>	<u>(10,052)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>(6,434)</u></u>	<u><u>10,904</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	4,209	10,913
Bank overdrafts	<u>(10,643)</u>	<u>(9)</u>
	<u><u>(6,434)</u></u>	<u><u>10,904</u></u>

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 Institute of Certified Public 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 2004.

(2) Segmental information

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

	Turnover		Contribution to	
	Six months ended		loss from operations	
	30 September		Six months ended	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sale of properties	–	21,760	–	(8,301)
Gross rental income from				
investment properties	2,978	3,937	(22)	2,742
Income from short message services	1,510	916	(816)	(61)
Sales of goods and services	24	174	(1,520)	(1,134)
	4,512	26,787	(2,358)	(6,754)
Unallocated other revenue			450	178
Unallocated corporate expenses			(4,448)	(7,722)
Amortisation of goodwill			(1,106)	(7,114)
Loss from operations			(7,462)	(21,412)

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	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of properties sold	–	30,000
Directors' remuneration	2,544	2,604
Depreciation and amortisation	1,825	619
	<u>1,825</u>	<u>619</u>

(4) Finance costs

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs comprise of:		
Interest expense on:		
Bank borrowings wholly repayable within five years	1,629	626
Bank borrowings wholly repayable more than five years	266	1,109
	<u>1,895</u>	<u>1,735</u>

(5) Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 17.5%) 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\$8,745,000 (2003: HK\$23,123,000) and on the weighted average number of 2,980,639,015 shares (2003: 2,871,606,228 shares) in issue during the period.

Diluted loss per share for the six months ended 30 September 2004 and 2003 has not been presented because no potential dilutive ordinary share existed during the period.

(7) Investment properties

During the period, the Group recorded approximately HK\$3 million on additions to investment properties. At 30 September 2004, the directors have considered that the carrying amount of the Group's investment properties do not differ significantly from those which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognized in the current period.

(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\$38,000 (31 March 2004: HK\$46,000). The aging analysis of trade debtors is as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
Current	38	46
Over 1 month but less than 3 months	-	-
Over 3 months	-	-
	38	46
	38	46

Included in receivables, deposits and prepayments at 30 September 2004 are amounts due from Plotio Investment (HK) Limited and Sure Smart Development Limited, both the related companies in which Mr. Lai Yiu Keung, a director of the Company has beneficial interest, amounting to approximately HK\$nil and HK\$nil respectively. Particulars of the amounts due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	Balance at 30 September 2004 (Unaudited) HK\$'000	Balance at 1 April 2004 (Unaudited) HK\$'000	Maximum amount outstanding during the period (Unaudited) HK\$'000
Plotio Investment (HK) Limited	-	230	230
Sure Smart Development Limited	-	1,785	1,785
	-	2,015	2,015
	-	2,015	2,015

(9) Payables and accrued charges

Included in payables and accrued charges are trade creditors of HK\$9,408,000 (31 March 2004: HK\$9,652,000). The aging analysis of trade creditors is as follows:

	As at 30 September 2004 (Unaudited) <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
Current	—	—
Over 1 month but less than 3 months	—	—
Over 3 months	9,408	9,652
	<u>9,408</u>	<u>9,652</u>

(10) Borrowings

	As at 30 September 2004 (Unaudited) <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
Bank loans, secured	96,103	100,515
Bank overdrafts, secured	10,643	5,355
	<u>106,746</u>	<u>105,870</u>
The maturity of borrowings is as follows:		
Within one year or on demand	21,887	14,289
More than one year, but not exceeding two years	10,993	19,569
More than two years, but not exceeding five years	58,117	35,294
More than five years	15,749	36,718
	<u>106,746</u>	<u>105,870</u>
Amount due within one year or on demand included in current liabilities	<u>(21,887)</u>	<u>(14,289)</u>
Amount due after one year	<u>84,859</u>	<u>91,581</u>

(11) Share capital

	As at 30 September 2004	
	Number of shares	(Unaudited) HK\$'000
Authorised:		
Shares of HK\$0.10 each	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2004 and 30 September 2004	2,980,639,015	298,064

(12) Related party transactions

The Group entered into the following transactions with related parties during the six months ended 30 September 2004:

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Rental paid to:		
Plotio Investment (HK) Limited	(450)	(450)
Service fee (paid to) received from:		
Keung Kee Cleaning Services Company Limited	1	-
Keung Kee Cleaning Services Company Limited	(13)	(14)
Lee Wai Engineering Company Limited	(61)	(3)
Monchase Underwriters Limited	(34)	(42)
Plotio Development Consultants Limited	(105)	-
Plotio Property and Management Company Limited	21	82
Plotio Property and Management Company Limited	(171)	(106)
Plotio Property Consultants Limited	(194)	(72)

Note:— Plotio Investment (HK) Limited, Keung Kee Cleaning Services Company Limited, Lee Wai Engineering Company Limited, Monchase Underwriters Limited, Plotio Development Consultants 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.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 September 2004 (2003: nil).

REVIEW AND PROSPECTS

During the six months ended 30 September 2004, 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\$4.5 million and loss for the period of approximately HK\$8.7 million.

Business review

During the period under review, the decrease in turnover by about HK\$22 million is mainly attributable to the disposal of investment properties occurred in last corresponding period but no such item occurred during this period. The decrease in loss for the period by about HK\$14 million was mainly due to loss on disposal of investment properties occurred in last corresponding period. 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 of Hong Kong Limited ("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), Tekson International Telecom Limited, Megacom Holdings Limited, Hycomm Technology Incorporated, Mobidog Inc. and Global Edge Technology Limited are still retained as long-term investments of the Group.

Liquidity and financial resources, pledge of assets and contingent liabilities

The Group has bank and cash balance of approximately HK\$4,209,000 as at 30 September 2004. The Group's bank borrowings outstanding at 30 September 2004 amounted to approximately HK\$107 million, representing an increase of approximately HK\$1 million as compared with the amounts outstanding at 31 March 2004. 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 2.81 at 31 March 2004 to 3.47 at 30 September 2004. The bank borrowings outstanding at 30 September 2004 is secured by certain properties held by the Group and denominated in Hong Kong dollar. As at 30 September 2004, 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 2004, the Group had 17 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 discretion 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.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2004, 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	Corporate (<i>Note 1</i>)	240,700,000		
	Personal	151,000,000	391,700,000	13.14%
Madam Chung Lai Ha	Family (<i>Note 1 and 2</i>)	391,700,000	391,700,000	13.14%

Notes:

- 210,700,000 shares are registered in the name of United Man's Limited, a company incorporated in the British Virgin Islands and the remaining 30,000,000 shares are registered in the name of Justgood Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of these two companies is beneficially owned by Mr. Lai Yiu Keung.
- 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.

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 2004:–

Name of director	Name of member of the Group	Number of non-voting 5 per cent. deferred shares
Mr. Lai Yiu Keung	Billtech Limited	2,000
	Oriental Gain Properties Limited	3,710

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 2004, 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 2004, 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.

Name	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Ng Wo Sui, Norman (<i>Note 1</i>)	365,480,005	12.26%
Mr. Khamhoon Khamseng (<i>Note 1</i>)	365,480,005	12.26%
Lintech Telecom Limited (<i>Note 2</i>)	374,519,995	12.57%
Lintech Limited (<i>Note 2</i>)	374,519,995	12.57%
Guangdong Telecom Industry Group Corporation (<i>Note 2</i>)	374,519,995	12.57%

Notes:

- 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.
- These shares are beneficially held by Guangdong Telecom Industry Group Corporation through its 95% owned subsidiary, Lintech Limited and the wholly owned subsidiary of Lintech Limited, Lintech Telecom Limited. The entire issued share capital of Lintech Telecom Limited is held by Lintech Limited and 95% of the issued share capital of Lintech Limited is held by Guangdong Telecom Industry Group Corporation.

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 three 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 2004, 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 2004