

HyComm

HyComm Wireless Limited
華脈無線通信有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 499)



Interim Report
2008

The Board of Directors (the "Board") of HyComm Wireless Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2008 together with comparative figures for the previous corresponding period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September 2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Turnover	2	8,099	5,641
Other revenue	3	2,798	12,811
Operating costs		(8,773)	(6,519)
Staff costs		(1,377)	(2,793)
Profit from operating activities	4	747	9,140
Deficit arising on revaluation of investment properties	9	(7,898)	–
Impairment loss recognised in respect of available-for-sale financial assets	10	(40,750)	–
Gain/(loss) on disposal of subsidiaries	5	4,943	(42)
Finance costs	6	(4,361)	(3,013)
Share of results of associates		–	1
(Loss)/profit before taxation		(47,319)	6,086
Taxation	7	(38)	238
(Loss)/profit for the period		(47,357)	6,324
Attributable to:			
Equity shareholders of the Company		(47,856)	5,946
Minority interests		499	378
		(47,357)	6,324
(Loss)/earnings per share – basic	8	(5.57) cents	0.96 cents
– diluted	8	(3.65) cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	Notes	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
ASSETS			
Non-current assets			
Investment properties	9	94,800	189,900
Properties, plant and equipment		3,481	5,844
Interests in leasehold land held for own use under operating leases		–	13,175
Interests in associates		2,378	1,965
Available-for-sale financial assets	10	21,058	61,808
		<u>121,717</u>	<u>272,692</u>
Current assets			
Receivables, deposits and prepayments	11	30,760	54,698
Bank and cash balance		270,999	201,917
		<u>301,759</u>	<u>256,615</u>
LIABILITIES			
Current liabilities			
Payables and accrued charges	12	14,466	20,075
Deposits received		11,345	22,902
Amounts due to a director		11,355	11,805
Bank borrowings – due within one year	13	18,177	60,802
Taxation		369	1,422
		<u>55,712</u>	<u>117,006</u>
Net current assets		<u>246,047</u>	<u>139,609</u>
Total assets less current liabilities		<u>367,764</u>	<u>412,301</u>
Non-current liabilities			
Bank borrowing – due after one year	13	20,448	59,030
Deferred tax liabilities		759	3,759
Convertible notes	14	141,363	137,674
		<u>162,570</u>	<u>200,463</u>
NET ASSETS		<u>205,194</u>	<u>211,838</u>
CAPITAL AND RESERVES			
Issued capital	15	6,241	416,064
Share Premium and reserves		195,297	(207,383)
		<u>201,538</u>	<u>208,681</u>
Minority interests		3,656	3,157
TOTAL EQUITY		<u>205,194</u>	<u>211,838</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 September 2007 (unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Surplus Account HK\$'000	Capital reserve HK\$'000	Fair value reserve HK\$'000	Deficits HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2007	298,064	491,426	255,025	-	10,772	(942,068)	2,283	115,502
Issue of placing shares	32,000	7,513	-	-	-	-	-	39,513
Issue of consideration shares	27,000	-	-	-	-	-	-	27,000
Changes in fair value of available-for-sale financial assets	-	-	-	-	3,942	-	-	3,942
Realisation changes in fair value of available-for-sales financial assets	-	-	-	-	(4,944)	-	-	(4,944)
Profit for the period	-	-	-	-	-	5,946	378	6,324
At 30 September 2007	<u>357,064</u>	<u>498,939</u>	<u>255,025</u>	<u>-</u>	<u>9,770</u>	<u>(936,122)</u>	<u>2,661</u>	<u>187,337</u>

For the six months ended 30 September 2008 (unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Surplus Account HK\$'000	Capital reserve HK\$'000	Fair value reserve HK\$'000	Deficits HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2008	416,064	498,941	255,025	9,877	-	(971,226)	3,157	211,838
Capital Reduction	(411,903)	-	-	-	-	411,903	-	-
Issue of offer shares	2,080	38,633	-	-	-	-	-	40,713
Loss for the period	-	-	-	-	-	(47,856)	499	(47,357)
At 30 September 2008	<u>6,241</u>	<u>537,574</u>	<u>255,025</u>	<u>9,877</u>	<u>-</u>	<u>(607,179)</u>	<u>3,656</u>	<u>205,194</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash inflow/(outflow) generated from operations	10,282	(7,605)
Net cash inflow/(outflow) from investing activities	57,940	(26,458)
Net cash inflow from financing activities	923	36,452
INCREASE IN CASH AND CASH EQUIVALENTS	69,145	2,389
Cash and cash equivalents at beginning of period	190,051	(11,315)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	259,196	(8,926)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	270,999	3,074
Bank overdrafts	(11,803)	(12,000)
	259,196	(8,926)

Notes :

1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the 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 preparation are followed in these interim financial statements as compared with the published annual financial statements for the year ended 31 March 2008 except for the adoption of the new/revised Hong Kong Financial Reporting Standards, interpretations and HKASs (“new/revised HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2008. The adoption of the new/revised HKFRSs has had no material impact on the accounting policies and the methods of computation in these condensed consolidated interim financial statements.

The Group has not yet applied the new/revised HKFRSs that have been issued but not yet been effective. The directors of the Company anticipated that the application of these new/revised HKFRSs will have no material impact on the financial statements of the Group.

2 Segmental information

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

	Turnover six months ended 30 September		Contribution to profit/(loss) from operating activities six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Gross rental income from investment properties	2,177	2,396	(178)	(153)
Income from short message services	2,947	3,151	1,200	946
Leasing of car parking spaces	1,754	–	(267)	–
Provision of loan financing	1,197	–	745	–
Sales of goods and services	24	94	(559)	(772)
	8,099	5,641	941	21
Unallocated other revenue			2,798	21
Gain on disposal of available-for-sale financial assets			–	12,613
Unallocated corporate expenses			(2,992)	(3,515)
Profit from operating activities			747	9,140

Most of the property activities of the Group are based in Hong Kong and most of the Group’s turnover and the profit from operating activities are derived from Hong Kong.

3 Other revenue

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	2,395	–
Exchange gains, net	236	–
Gain on disposal of available-for-sale financial assets	–	12,613
Others	167	198
	2,798	12,811

4 Profit from operating activities

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit from operating activities is arrived at after charging:		
(a) Staff cost		
Salaries, bonus and awards (including directors' emoluments)	1,340	2,753
Contributions to defined contribution plan	36	37
Staff welfare	1	3
	1,377	2,793
(b) Other items		
Depreciation	524	977
Operating lease charges in respect of rented premises – other services	2,128	577
and after crediting:		
Rental income, net of outgoing	1,214	1,098

5 Gain/(loss) on disposal of subsidiaries

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net assets disposed of:		
Investment properties	100,900	18,000
Properties, plant and equipment	1,839	–
Interest in leasehold land held for own use under operating leases	13,175	–
Debtors and prepayment	116	2
Bank and cash balances	65	40
Payable and accrued charges	(51,286)	–
	<hr/>	<hr/>
Net assets disposed of	64,809	18,042
Gain/(loss) on disposal	4,943	(42)
	<hr/>	<hr/>
Total consideration	69,752	18,000

The disposed subsidiaries during the six months ended 30 September 2008 contributed a loss of HK\$191,000 (2007: loss HK\$561,000) to the Group's operating results.

6 Finance costs

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance costs comprise:		
Interest expenses on:		
Bank borrowings wholly repayable within 5 years	295	2,770
Bank borrowings wholly repayable more than five years	491	228
Other borrowings	365	15
Convertible notes	3,210	–
	<hr/>	<hr/>
	4,361	3,013
	<hr/>	<hr/>

7 Taxation

Six months ended
30 September
2008 2007
HK\$'000 HK\$'000
(unaudited) (unaudited)

The (charge)/credit comprises :

Hong Kong Profits Tax	(38)	–
Deferred tax	–	238
	(38)	238

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) of the estimated assessable profit arising in Hong Kong during the period.

8 (Loss)/earnings per share

(a) Basic (loss)/ earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company for the period of loss HK\$47,856,000 (2007: profits HK\$5,946,000) and the weighted average of 864,132,718 (2007: 620,732,199) shares in issue during the period.

The comparative basic (loss)/earnings per share amounts have been adjusted to reflect the share consolidation as further detailed in note 15 to the financial statements.

(b) Diluted (loss)/ earnings per share

The calculation of diluted loss per share for the period ended 30 September 2008 is based on the adjusted loss for the period of HK\$44,138,531 as adjusted for the interest savings arising from the conversion of the convertible notes into ordinary shares of the Company that would have been in issue during the period assuming convertible notes of the Company were converted into ordinary shares of the Company at the beginning of the period.

Diluted earnings per share for the period ended 30 September 2007 have not been presented as there will be no potentially dilutive ordinary shares in existing during the period.

9 Investment properties

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
At valuation		
At beginning of the period	189,900	216,000
Disposal (Note 5)	(100,900)	(18,000)
Acquisition	13,698	–
Deficit arising from revaluation	(7,898)	(8,100)
	94,800	189,900
At the end of the period	94,800	189,900

10 Available-for-sale financial assets

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Unlisted (Note (a))	27,000	27,000
Less : Fair value adjustment	(27,000)	(4,500)
Listed shares in Hong Kong (Note (b))	62,239	62,239
Less : Fair value adjustment	(41,181)	(22,931)
Fair value of individually impaired available-for-sale financial assets	21,058	61,808
Market value of listed shares	21,058	39,308

Notes:

- (a) The above unlisted equity security represents an investment in a private company incorporated in the British Virgin Islands which is principally engaged in the business of provision of outdoor media advertising and broadcasting network. During the period of six months ended 30 September 2008, the Group assessed whether there was any objective evidence that the fair value would be impaired. In view of current unfavorable economic environment, adverse financial market and the financial performance of the investment, the Group adopted a prudent approach to make a further impairment of HK\$22.5 million.
- (b) The Group holds approximately 6% of nominal value of issued share capital of Tomorrow International Holdings Limited which is listed on The Stock Exchange of Hong Kong on 8 August 1995 with Stock Code 760.

11 Receivables, deposits and prepayments

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables (Note (a))	344	242
Loan receivables	14,000	–
Deposits and prepayments	3,470	1,094
Other receivables	12,832	52,920
Amounts due from related companies	114	442
	30,760	54,698

Note (a): The Group maintains defined credit policies. For the sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The aging analysis of trade receivables is as follows:

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Current	263	168
One to three months overdue	64	43
Over three months overdue	17	31
	344	242

12 Payables and accrued charges

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	1,343	4,819
Accrued charges	8,605	9,174
Amounts due to related companies	223	1,787
Amounts due to former shareholders	4,295	4,295
	<hr/> 14,466 <hr/>	<hr/> 20,075 <hr/>

The aging analysis of trade payables is as follows:

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within one month	213	4
Over one month but less than three months	122	-
Over three months	1,008	4,815
	<hr/> 1,343 <hr/>	<hr/> 4,819 <hr/>

13 Bank and other borrowings

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Bank loans, secured	26,822	71,966
Bank overdrafts, secured	11,803	11,866
Other borrowings	–	36,000
	38,625	119,832
The borrowings are repayable as follows:		
Within one year or on demand	18,177	60,802
More than one year, but not exceeding two years	6,369	13,588
More than two years, but not exceeding five years	14,079	45,032
More than five years	–	410
	38,625	119,832
Less : Amount due within one year or on demand included in current liabilities	(18,177)	(60,802)
Amount due after one year	20,448	59,030

14 Convertible notes

HK\$150,000,000 secured convertible notes were issued by the Company on 4 February 2008. Upon the share consolidation of five shares consolidated into one consolidated share and the open offer on the basis of one offer share for every two consolidated shares became effective on 28 August 2008 and 17 September 2008 respectively, the conversion price of the shares to be issued under the convertible notes was adjusted to HK\$0.43 per share and the total number of shares to be issued under the convertible notes was adjusted to 348,837,209 shares. Conversion may occur at any time between 4 February 2008 and 3 February 2011.

The convertible notes contain two components identified as the liability and equity elements. The equity component is reported in the equity section under the heading "Capital Reserve". The effective interest rate for the liability component is 5.291%.

An analysis of the movements in the liability component of the convertible notes during the six months ended 30 September 2008 are set out below:

	As at	
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Proceeds of issue	150,000	150,000
Equity component	(9,877)	(9,877)
	140,123	140,123
Transaction cost	(3,451)	(2,872)
Interest expense	4,212	1,002
	141,463	137,674

The Company can redeem the convertible notes at a value equal to 105% of the principal amount. Interest of 5% per annum will be paid annually in arrear. Partial outstanding principal amount of HK\$42,000,000 of the convertible notes was redeemed on 26 November 2008 and the balance of the outstanding principal amount of the convertible notes of HK\$108,000,000 will be fully redeemed on or before 27 February 2009.

15 Share capital

During the period, the movement of share capital of the Company was as follows:-

- (a) Pursuant to the circular dated 8 May 2008, a special resolution for the capital reorganization involving of capital reduction, subdivision and share premium cancellation was passed in special general meeting of the Company held on 2 June 2008. Upon the capital reorganization became effective on 2 July 2008, based on 4,160,639,015 shares in issue, the issued share capital of the Company of HK\$416,063,901.50 was reduced by HK\$411,903,262.485 to HK\$4,160,639.015;
- (b) Pursuant to the circular dated 11 August 2008, an ordinary resolution for share consolidation was passed in special general meeting of the Company held on 27 August 2008. Upon the share consolidation became effective on 28 August 2008, every 5 shares of the Company at HK\$0.001 each was consolidated into 1 consolidated share at HK\$0.005 each. Then the number of issued share capital of the Company became 832,127,803 shares at HK\$0.005 each;
- (c) Upon the share consolidation became effective, the Company proposed to raise approximately of not more than approximately HK\$41,600,000 before expenses, by way of an open offer of not more than 416,063,901 offer shares at a prices of HK\$0.10 per offer share on the basis of one offer share for every two consolidated shares. The open offer became unconditional on 17 September 2008 and 416,063,901 offer shares at HK\$0.005 each were issued. The issued share capital of the Company became HK\$6,241,000, representing 1,248,191,704 shares at HK\$0.005 each.

	Number of shares	Amount HK\$'000
Authorised:		
At 31 March 2008, ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>2,000,000</u>
At 30 September 2008, ordinary shares of HK\$0.005 each	<u>400,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 31 March 2008 (audited)	4,160,639,015	416,064
Capital reduction	-	(411,903)
Consolidation of every 5 shares into 1 share	(3,328,511,212)	-
Issue of offer shares	<u>416,063,901</u>	<u>2,080</u>
At 30 September 2008 (unaudited)	<u>1,248,191,704</u>	<u>6,241</u>

16 Related party transactions

The Group entered into the following transactions with related parties during the six months ended 30 September 2008:

	As at 30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental (paid to):		
Plotio Investment (HK) Limited	(231)	(492)
Service fee (paid to) received from:		
Keung Kee Cleaning Services Company Limited	(4)	(13)
Lee Wai Engineering Company Limited	(34)	(93)
Monchase Underwriters Limited	–	(34)
Plotio Development (HK) Limited	–	1
Plotio Investment (HK) Limited	–	22
Plotio Property and Management Company Limited	(5)	(9)
Plotio Property Consultants Limited	–	11
Plotio Property Consultants Limited	(143)	(216)

Keung Kee Cleaning Services Company Limited, Lee Wai Engineering Company Limited, Monchase Underwriters Limited, Plotio Development (HK) Limited, Plotio Investment (HK) Limited, Plotio Property and Management Company Limited and Plotio Property Consultants Limited are company beneficially held by Mr. Lai Yiu Keung, one of the directors of the Company.

17 Post Balance Sheet Events

- (a) On 16 July 2008, the Group entered into an acquisition agreement, whereby the Group agreed to acquire the entire issued share capital of and the shareholders loan of Million Good Group Limited, which owns a property situated on House 26, Las Pinadas, 33 Shouson Hill Road, Hong Kong, for an aggregate consideration of HK\$37,000,000. Under the acquisition agreement, part of the consideration in sum of HK\$2,000,000 was paid and the balance of the consideration in the sum of HK\$35,000,000 shall pay to the vendors on or before 270 days from the date of completion of the acquisition at the rate of 4% per annum from the date of completion of the acquisition to the date of actual payment. As a security for due payment of the balance of the consideration and the interest, a share charge over the shares of Million Good Group Limited was executed and its shares were pledged in favour of the vendors. Resolution for the acquisition was passed by shareholders of the Company at the special general meeting held on 22 September 2008. The acquisition was completion on 31 October 2008.

- (b) On 8 August 2008, the Group entered into a disposal agreement, whereby the Group agreed to dispose of the entire ordinary shares of and shareholders loans of Oriental Gain Properties Limited, which owns various shops situated on Manly Plaza, Nos. 993 – 997 King’s Road, Quarry Bay, Hong Kong, for an aggregate consideration of HK\$42,900,000. Resolution for the disposal was passed by shareholders of the Company at the special general meeting held on 22 September 2008. However, as additional time was required by the purchaser of the disposal agreement to arrange financing for the completion of the disposal, a deed of variation was entered to extend the completion date to 31 January 2009. In addition, if the purchaser fails to complete on or before 31 January 2009, the purchaser shall pay in aggregate a monthly interest of HK\$150,000 for the first month from 1 February 2009 and HK\$250,000 for each of the second, the third and the fourth month from 1 February 2009 and thereafter at the monthly interest rate of 2.5% on the outstanding amount of the consideration payable for the disposal. To guarantee and secure the due and punctual payment and performance of the purchaser’s obligation under the disposal agreement, Mr. Lai Yiu Keung, an executive director of the Company, entered into a deed of guarantee and indemnity.
- (c) On 24 November 2008, the Company served a redemption notice to each of the holders of the secured convertible notes to redeem partial of the outstanding principal amount of HK\$42,000,000 on 26 November 2008 and the balance of the outstanding principal amount of HK\$108,000,000 on 16 December 2008. However, in order for the Company to maintain a sufficient working capital prior to the completion of the rights issue, a new notice of redemption was served to each of the holders of the convertible notes to extend the date of redemption of the balance of the outstanding principal amount of the convertible notes to on or before 27 February 2009.
- (d) Referred to the announcement dated 1 December 2008, the Board proposed to implement the share consolidation pursuant to which every twenty existing shares of HK\$0.005 each will be consolidated into one consolidated share of HK\$0.1 each. Upon the share consolidation becoming effective, the Company proposed to raise not less than approximately HK\$62.9 million before expenses by way of the rights issue of 436,867,095 rights shares at a price of HK\$0.144 per rights share on the basis of seven rights shares for every consolidated share held on the record date. An underwriting agreement was entered into between Regal Power Investments Limited, Joy Glory Limited and Head & Shoulders Securities Limited as underwriters and the Company. A circular containing, among other things, (i) details of the share consolidation and the rights issue; (ii) a letter of recommendation from the independent board committee of the Company to the independent shareholders in respect of the rights issue; (iii) a letter of advise from the independent financial adviser to the independent board committee of the Company and the independent shareholders on the rights issue; and (iv) a notice to convene the special general meeting to approve the share consolidation and the rights issue will be dispatched to the shareholders as soon as practicable.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2008, the Group was principally engaged in the business of property investment, provision of loan financing, leasing of car parking spaces, short message services and trading of communication products.

Business review and prospects

For the six months ended 30 September 2008, the Group recorded a turnover of HK\$8,099,000 and a loss attributable to equity holders of the Company of HK\$47,856,000 as compared to a turnover of HK\$5,641,000 and a profit attributable to equity holders of the Company of HK\$5,946,000 recorded for the last corresponding period in 2007. The loss attributable to equity holders of the Company for the period under review was mainly due to the deficit arising on revaluation of investment properties and impairment loss recognized in respect of available-for-sale financial assets.

For the period under review, rental income from investment properties and income from the business of short message services ("SMS") recorded a decrease of 9% and 7% respectively as compared to the corresponding period in 2007. To diversify and strengthen the income base of the Group, businesses of leasing of car parking spaces and provision of loan financing have commenced, which in return provide additional income streams for the Group.

Turnover of rental income, SMS business, leasing of car parking spaces, provision of loan financing and trading of communication products recorded of HK\$2,177,000, HK\$2,947,000, HK\$1,754,999, HK\$1,197,000 and HK\$24,000 respectively. Taking into account of interest expenses of property mortgage, staff costs, general administration expenses, corporate expenses and other revenue mainly of bank interest income, the Group recorded a profit from operation of HK\$747,000, compared with a profit of HK\$9,140,000 for the corresponding period last year.

The available-for-sale financial assets of the Group mainly comprises of an investment in the business involved in the provision of outdoor media advertising and broadcasting networks and holding of about 6% issued share capital of Tomorrow International Holdings Limited, which is a company listed on The Stock Exchange of Hong Kong Limited. In consideration of the recent adverse financial market, unfavorable economic environment and the financial performance of the investment, the Group adopted a prudent approach and hence a provision of HK\$22,500,000 was made in relation to the investment in the business of outdoor media advertising and broadcasting network. Moreover, based on the closing price of the listed share as at 30 September 2008, the value of the listed share decreased from HK\$39,308,000 as at 31 March 2008 to approximately HK\$21,058,000. Together with the deficit of HK\$7,898,000 arising on revaluation of investment properties, the Group recorded a loss attributable to equity holders of the Company HK\$47,856,000 (2007: profit HK\$5,946,000) for the period under review.

The global economic conditions have deteriorated significantly in recent months and uncertainties lie ahead. To face with recent financial downturn, the Board will manage its businesses prudently and will review its investment portfolio from time to time so as to strengthen and enhance the value of the Group. It will place the Group in better position to cope with the current uncertain business environment. However, it is also likely that the new opportunities may emerge and the management remains cautiously optimistic about the Group's prospects.

Liquidity and financial review

The Group has bank and cash balance of approximately HK\$259,196,000 as at 30 September 2008 (2007: overdraft HK\$8,926,000). The Group's major liabilities are the convertible notes and bank and other borrowings. The outstanding balance of convertible notes and bank borrowings, at 30 September 2008, amounted to approximately HK\$141,363,000 and HK\$38,625,000 respectively.

The Group's gearing level (total liabilities over equity attributable to the shareholders of the Company) has decreased from 1.49 as at 31 March 2008 to 1.08 as at 30 September 2008. The borrowings outstanding as at 30 September 2008 are secured by certain properties held by the Group and denominated in Hong Kong dollar only. 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.

Contingent liabilities and capital commitments

As at 30 September 2008, the Group had outstanding unlimited guarantees and a corporate guarantee given in favour of bank amounting to approximately HK\$120,000,000 to secure general banking facilities granted to its subsidiaries. The total amount of facilities utilized by the subsidiary as at 30 September 2008 amounted to approximately HK\$39,000,000.

A writ was filed by the seller of the rural land exploitation right to the Company in respect of a claim for non-payment of consideration payment on 17 May 2008. The total consideration for the rural land exploitation right is HK\$58,000,000. On 11 November 2008, a consent order was filed with the High Court of the HKSAR whereby the Company and the seller agreed that the action be dismissed.

As at 30 September 2008, the Group did not have any material capital commitment.

Employees

As at 30 September 2008, the Group had 10 staff. In addition to the basic salary, employees are rewarded with performance-related bonuses, other staff welfare and also a share options scheme will be made available to certain staff of the Group at the discretion of the Board.

DIRECTORS' INTEREST IN SHARES

As at 30 September 2008, the interests and short positions of the directors, the chief executive and their associates in the shares of the Company and its associates (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules on the Stock Exchange were as below:

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 (Note 1)	17,272,000		
	Personal	23,832,000	41,104,000	3.29%
Madam Chung Lai Ha	Family (Note 1 & 2)	41,104,000	41,104,000	3.29%

Notes :

- 17,272,000 shares are registered in the name of United Man's Limited, a company incorporated in the British Virgin Islands, which 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 director beneficially owned non-voting 5% deferred shares in the following subsidiary of the Group as at 30 September 2008:

Name of director	Name of subsidiary	Number of non-voting 5% deferred shares
Mr. Lai Yiu Keung	Oriental Gain Properties Limited	3,710

The non-voting 5% deferred shares carry no rights to dividends, from a practical view point, or to receive notice of or attend or vote at any general meetings of or to participate in the surplus assets of the above-mentioned companies by virtue of or in respect of their holdings of such deferred shares.

Save as disclosed above, as at 30 September 2008, none of the directors or chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and Stock Exchange pursuant to Divisions 7 & 8 of Part XV 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, to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

At a special general meeting held on 15 July 2002, the shareholders of the Company approved to terminate the old share option scheme and adopted the new share option scheme ("New Scheme") on 9 September 2002.

The primary purpose of the New Scheme is to provide incentives to directors and eligible employees and it remains in force for a period of 10 years commencing on 9 September 2002. Under the New Scheme, the directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

- (i) any employees, executives (including any executive directors but excluding any independent non-executive directors and non-executive directors), managers and consultants of the Company, any of its subsidiaries ("Subsidiaries") or any entity ("Invested Entity") in which any members of the Group holds an equity interest;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any Subsidiaries or any Invested Entity;
- (iii) any suppliers of goods or services to any members of the Group or any Invested Entity;
- (iv) any customers of the Group or any Invested Entity;
- (v) any persons or entities that provide research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholders or any members of the Group or any Invested Entity or any holders of any securities issued by any members of the Group or any Invested Entity;
- (vii) any advisors (professional) or consultants to any area of business or business development of any members of the Group or any Invested Entity; and
- (viii) any joint venture partners or business alliances that co-operate with any members of the Group or any Invested Entity in any area of business operations or development.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of offer of the share option to a date to be determined and notified by the directors or, in the absence of such determination, the earlier of the date on which the options lapse or the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, and the nominal value of the Company shares.

There were no outstanding options granted under the New Scheme since its adoption and at the end of the year. In addition, there were no options granted to, or outstanding in respect of the old share option scheme at the balance sheet date.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30 September 2008, none of the directors of the Company had any personal interests in share options to subscribe for shares in the Company granted under the share option schemes of the Company.

No share options were granted to, or exercised by, any directors during the year.

Save as disclosed above, at no time during the year 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 rights to subscribe for securities of the Company or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

In addition to the interests of directors under the heading "Directors' Interests in Shares" above, the substantial shareholders register maintained by the Company pursuant to section 336 of Part XV of the SFO discloses that the following shareholders had an interest representing 5% or more of the issued share capital of the Company as at 30 September 2008:

Long Positions

Name	Capacity	Number of shares	Approximate percentage of issued shares held (Note 5)
Regal Power Investments Limited (Note 1)	Beneficial owner	325,000,000	20.35
Chan Yuen Ming (Note 1)	Beneficial owner/ Interest of controlled corporation	441,279,070	27.63
Billion Gain Development Limited (Note 2)	Beneficial Owner	116,279,070	7.28
Beh Yong Shin (Note 2)	Interest of controlled corporation	116,279,070	7.28
Joy Glory Limited (Note 3)	Beneficial owner	79,069,767	4.95
Lau Chi Yuen Joseph (Note 3)	Beneficial owner/ Interest of controlled corporation	140,069,767	8.77
Tin Ching Industrial Company Limited (Note 4)	Beneficial owner	90,000,000	5.64
Chan Koung Nam (Note 4)	Interest of controlled corporation	90,000,000	5.64
Chan Kwong Yiu William (Note 4)	Interest of controlled corporation	90,000,000	5.64

Notes :

1. Regal Power Investments Limited is wholly and beneficially owned by Mr. Chan Yuen Ming, who is also a director of Regal Power Investments Limited.
2. Billion Gain Development Limited is wholly and beneficially owned by Ms. Beh Yong Shin who is also a director of Billion Gain Development Limited.
3. Joy Glory Limited is wholly and beneficially owned by Mr. Lau Chi Yuen, Joseph, who is also a director of Joy Glory Limited.
4. Tin Ching Industrial Company Limited is held as to 99% by Tin Ching Holdings Limited, a company beneficially owned by each of Chan Koung Nam and Chan Kwong Yiu William as to 50%.
5. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,597,028,913 shares in issue assuming full conversion of the secured convertible notes of the Company issued on February 2008 as disclosed in the announcement of the Company dated 15 October 2007.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the issued share capital of the Company as at 30 September 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

CORPORATE GOVERNANCE

The Board has complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited, except for the following deviations.

CG Code Provision A2.1 states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given its relative size, the Company does not separate the roles of chairman and managing director and Mr. Lai Yiu Keung currently holds both positions. The Board is in the opinion that the combination of the roles of chairman and managing director also ensures the efficient formulation and implementation of the Company's strategies to identify and follow up on business opportunities. Such arrangement is also deemed to facilitate the Company in meeting rapidly changing business environment demands which necessitates prompt and efficient decision making.

CG Code Provision A4 states every director should be appointed for a specific term and be subject to retirement by rotation at least once every three years. According to the Company's bye-laws, at every annual general meeting, one third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office by rotation provided that no director holding the office as chairman and/or managing director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire. The Board is in the opinion that the continuity of office of the chairman or managing director provides the Group with strong and consistent leadership and smoothes operations. The Board considers that sufficient measures will be taken to ensure the corporate governance practice of the Company are not less than those in the CG Code.

CG Code Provision B.1.1 states that companies shall establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the members of the remuneration committee should be independent non-executive directors. The Board is in the opinion that establishment of a remuneration committee as required by this provision does not really provide benefit after due consideration of the size of the Group and the associated costs involved.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS ("MODEL CODE")

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. The Company has made enquiries with the directors that they have complied with the Model Code throughout the period.

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises of three independent non-executive directors. The primary duties of the audit committee are review and advise on the accounting principles and practice adopted by the Group, auditing, financial reporting process and internal control system of the Group, including review of the Group's unaudited interim accounts for the six months ended 30 September 2008.

By Order of the Board

Lai Yiu Keung

Chairman and Managing Director

Hong Kong, 22 December, 2008

As at the date thereof, the executive directors of the Company are Mr. Lai Yiu Keung, Mr. Yeung Sau Chung and Mr. Liu Shun Chuen, the independent non-executive directors are Mr. Ng Wai Hung, Mr. Wu Wang Li and Mr. Jacobsen William Keith.