

# Simsen International Corporation Limited

Notes:

## 1. Basis of preparation

This interim report is unaudited and has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants except that no comparative figure has been presented for the condensed consolidated cash flow statement according to the transitional provisions as set out in the Listing Rules. The accounting policies and basis of preparation adopted in preparing this interim report are the same as those adopted in preparing the Company's annual financial statements for the year ended 30 April 2000.

## 2. Segmental information

An analysis of the turnover and contribution to the Group's profit from operating activities by principal activity and geographical area of operations for the period is as follows:

	For the six months ended 31 October			
	2000		1999	
	Turnover (Unaudited) HK\$'000	Contribution to operating profits (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution to operating profits (Unaudited) HK\$'000
By principal activity:				
Bullion, securities and futures contracts broking and trading business and margin financing (Note)	20,797	38,149	98,490	69,630
Loan financing	1,925	1,935	–	–
Shipment sales – Metals	2,568	(1,204)	195,762	(9,026)
– Metal scraps	9,783	111	1,155	(796)
– Others	8,508	247	–	–
In-warehouse metals sales	1,353,980	(11,625)	696,577	(7,277)
Property investment	2,559	396	1,230	75
	<b>1,400,120</b>	<b>28,009</b>	993,214	52,606
By geographical area:				
The People's Republic of China (the "PRC"):				
Hong Kong	34,932	42,840	101,296	83,668
Elsewhere	8,508	433	283	(305)
United Kingdom	1,355,490	(14,911)	708,355	(19,609)
Switzerland	–	–	79,516	(1,630)
Others	1,190	(353)	103,764	(9,518)
	<b>1,400,120</b>	<b>28,009</b>	993,214	52,606

Note: The contribution to operating profits included profit on disposal of long term equity investments of HK\$40,901,000 for the six months ended 31 October 2000 (1999: Nil).

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## 3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 31 October	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Directors' remuneration:		
Fees	–	–
Other emoluments	1,536	869
Amortisation charged:		
Intangible assets	622	–
Depreciation charged:		
Leasehold land and buildings	1,217	331
Leasehold improvements	662	508
Furniture, equipment and motor vehicles	1,064	863
	<b>2,943</b>	1,702
Cost of inventories sold	1,388,032	890,568
Operating lease rentals on land and buildings	3,666	3,029
Unrealised holding (profit)/loss on listed investments	5,244	(122,809)
Loss on disposal of fixed assets	5	3
Profit on disposal of long term investments	(40,901)	–
Staff costs (including directors' remuneration):		
Wages and salaries	13,222	9,025
Contribution to defined contribution pension scheme	296	269
Less: Forfeited contributions refunded/offset	–	(16)
Net pension contributions	296	253
Total staff costs	13,518	9,278
Gross rental income	(2,559)	(1,230)
Less: Outgoings	28	29
Net rental income	(2,531)	(1,201)
Dividend income from listed investments	(226)	(304)

## 4. Finance costs

	For the six months ended 31 October	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	10,261	12,413

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## 5. Taxation

	For the six months ended 31 October	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Group:		
Hong Kong	–	13,819
Tax refund relating to prior period	–	(5)
	–	13,814
Share of tax attributable to associates	<b>152</b>	–
Tax charge for the period	<b>152</b>	13,814

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the period.

## 6. Earnings per Share

- (a) The basic earnings per share is calculated based on the unaudited consolidated net profit for the period of HK\$21,119,000 (1999: HK\$30,418,000) and on the weighted average of 1,824,375,652 ordinary shares in issue (1999: 1,356,582,609 ordinary shares).
- (b) No diluted figures for the periods are shown as the exercise of the outstanding share options of the Company would not have a dilution effect on the earnings per share.

## 7. Fixed Assets

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 30 April 2000	63,950	5,884	8,939	78,773
Additions	2,815	460	2,497	5,772
Arising on acquisition of subsidiaries	2,676	–	497	3,173
Disposals	–	–	(8)	(8)
<b>At 31 October 2000</b>	<b>69,441</b>	<b>6,344</b>	<b>11,925</b>	<b>87,710</b>
Accumulated depreciation:				
At 30 April 2000	2,512	2,365	5,713	10,590
Provided during the period	1,217	662	1,064	2,943
Disposals	–	–	(3)	(3)
<b>At 31 October 2000</b>	<b>3,729</b>	<b>3,027</b>	<b>6,774</b>	<b>13,530</b>
Net book value:				
<b>At 31 October 2000</b>	<b>65,712</b>	<b>3,317</b>	<b>5,151</b>	<b>74,180</b>
At 30 April 2000	61,438	3,519	3,226	68,183

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## 8. Long term investments

	<b>As at 31 October 2000 (Unaudited) HK\$'000</b>	As at 30 April 2000 (Audited) HK\$'000 (restated)
Listed equity investment outside Hong Kong, at market value	–	108,613
Listed equity investment in Hong Kong, at market value	<b>36,373</b>	–
Unlisted equity investment at fair value	<b>193,625</b>	34,649
	<b>229,998</b>	143,262

## 9. Trade receivables

The Group has a clear and tight monitoring system on credit control and it normally trades with its customers under the following credit terms:

- (a) cash before or upon delivery;
- (b) letter of credit at sight or usance;
- (c) open credit of 30-90 days.

The ageing of trade receivables as at 31 October 2000 is as follows:

	<b>At 31 October 2000 (Unaudited) HK\$'000</b>	At 30 April 2000 (Unaudited) HK\$'000
0-30 days	<b>78,943</b>	103,703
31-60 days	<b>4,396</b>	2,215
61-90 days	<b>1,018</b>	196
Over 90 days	<b>366</b>	9
	<b>84,723</b>	106,123

## 10. Trade payables

The ageing of trade payables as at 31 October 2000 is as follows:

	<b>At 31 October 2000 (Unaudited) HK\$'000</b>	At 30 April 2000 (Unaudited) HK\$'000
0 – 30 days	<b>35,948</b>	55,997
31 – 60 days	<b>3</b>	3,771
61 – 90 days	<b>4</b>	–
Over 90 days	<b>4,111</b>	46
	<b>40,066</b>	59,814

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## 11. Share capital

### Shares

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each (30 April 2000: 2,000,000,000 shares)	5,000,000	500,000
Issued and fully paid:		
As at 30 April 2000	1,742,800	174,280
Private placements and allotment of shares	319,360	31,936
As at 31 October 2000	2,062,160	206,216

The Group as the purchaser entered into an acquisition agreement dated 26 February 2000, as supplemented and amended by 4 supplemental agreements dated 29 March, 20 April, 30 June and 1 August 2000, respectively, with Mr. Cheung Tak Kwai, Stanley (son of the Chairman of the Company), Mr. Tu Hsin Ming and Mr. Tam Kwok Pui as the vendors to acquire 10% equity interest in StockOnLine Corporation Limited and 5.1% equity interest in Viomax Group Limited at a total consideration of HK\$180,000,000 (the "Acquisition") which was satisfied partly by cash of HK\$128,000,000 (funded by applying part of the net proceeds from the subscription pursuant to a placing and subscription agreement dated 26 February 2000. The balance of HK\$52,000,000 was satisfied by the allotment and issue of 160,000,000 new shares of the Company. The acquisition was completed on 15 September 2000.

### Share options

On 27 January 1994, the Company adopted a share option scheme under which the directors may, at their discretion, make an offer to any employee, including directors, of the Company or its subsidiaries, for the grant of options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10 percent of the issued share capital of the Company from time to time which have been duly allotted and issued. No share options were granted or exercised during the period.

As at 31 October 2000, the Company had the following outstanding share options pursuant to the above share option scheme:

Date of share options granted	Number of share options outstanding as at 31 October 2000	Subscription price per share	Exercisable period
20 January 1997	5,800,000	HK\$0.80	20 July 1997 – 19 January 2007
2 March 1998	100,000,000	HK\$0.28	2 September 1998 – 1 March 2008

The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 105,800,000 additional ordinary shares for a total consideration of HK\$32,640,000 before the related issue expenses.

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## 12. Reserves

Group	Share	Goodwill	Capital	Currency	Long term	Accumulated	Total
	premium			translation	investment		
	account	reserve	reserve	reserve	reserve	losses	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 May 2000	1,023,379	(259,829)	4,176	296	(7,674)	(410,066)	350,282
Private placements	32,668	-	-	-	-	-	32,668
Consideration shares issued on investment	36,000	-	-	-	-	-	36,000
Share issue expenses	(2,990)	-	-	-	-	-	(2,990)
Movement in fair value	-	-	-	-	18,397	-	18,397
Arising on acquisitions	-	(115,067)	-	-	-	-	(115,067)
Exchange realignment	-	-	-	(10)	-	-	(10)
Net profit for the period	-	-	-	-	-	21,119	21,119
Balance at 31 October 2000	1,089,057	(374,896)	4,176	286	10,723	(388,947)	340,399

## 13. Contingent liabilities

At 31 October 2000, there were contingent liabilities not provided for in the condensed financial statements as follows:

	<b>At 31 October 2000 (Unaudited) HK\$'000</b>	At 30 April 2000 (Audited) HK\$'000
Guarantee for banking facilities granted to subsidiaries	<b>14,507</b>	644

## 14. Connected transactions

During the period, the Group had the following connected transactions with Lee Fung Hong (Cheung's) Forex Dealers Limited, a company in which Mr. Haywood Cheung, a director of the Company, is a shareholder:

	<b>For the six months end 31 October 2000 (Unaudited) HK\$'000</b>	1999 (Unaudited) HK\$'000
Rental income received	<b>554</b>	968
Rental expenses paid	<b>230</b>	204

The monthly rental was calculated by reference to open market rates.

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### 15. Related party transactions

- (a) In addition to the connected transactions as set out in note 14 and other inter group transactions, the Group had the following material transactions with related parties during the period:

	Notes	For the six months end 31 October	
		2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Loan interest paid to a related company	(i)	126	104
Management fee paid to a related company	(ii)	110	122
Management fee received from:	(ii)		
a jointly controlled entity		140	140
an associate		180	–
a related company		202	–
Rental income received from a related company	(iii)	90	78
Rental expense paid to a related company	(iii)	398	398

- (i) The interest paid to a related company arose from loans from a related company which is unsecured, bears interest at the London Interbank Offer Rate plus 2 percent per annum and has no fixed terms of repayment.
- (ii) The management fees paid and received were based on actual cost incurred for management services provided.
- (iii) The monthly rental was calculated by reference to open market rates.
- (b) Cheung's Enterprise Holdings Limited, a substantial shareholder of the Company, has provided a corporate guarantee and undertakings in relation to its shareholding in a corporate controlling shareholder of the Company for banking facilities granted to a subsidiary of the Company totalling HK\$191,377,000 as at 31 October 2000 (30 April 2000: HK\$200,944,000).
- (c) Mr. Haywood Cheung, a director of the Company, has guaranteed banking facilities granted to a subsidiary of the Company totalling HK\$35,000,000 (30 April 2000: HK\$35,000,000). Such banking facilities had not been utilized at the balance sheet date.

### 16. Post balance sheet event

The Group as the purchaser entered into a sale and purchase agreement dated 18 October 2000 with Mr. Xiao Zhizhong as the vendor to acquire the entire issued share capital of Chatwell Profits Limited ("Chatwell") for an aggregate consideration of HK\$44,500,000. The consideration was satisfied by the cash payment of HK\$12,000,000 and the issue of 210,000,000 fully paid new ordinary shares of the Company at HK\$0.155 each. The principal business of Chatwell is an application service provider and database service provider to securities brokers and investors in the PRC. The acquisition was completed on 30 November 2000.

### 17. Acquisition of subsidiaries

On 25 September 2000, the Group acquired 59.78% equity interests in a company incorporated in Taiwan at a consideration of HK\$150,400,000. The Group acquired 37% and 13% equity interest in a company, in which the Group has already owned 50% equity interest before the said acquisition, with mining operations in the PRC on 30 September 2000 and 31 October 2000 at considerations of HK\$2,960,000 and HK\$1,040,000 respectively.

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The effect of the acquisition of subsidiaries is summarised as follow:

	<b>HK\$'000</b>
Net assets acquired	39,570
Goodwill arising on acquisitions	115,067
Cash consideration	<u>154,637</u>
Net cash outflow arising on acquisitions	
Cash consideration	(154,637)
Bank balances and cash acquired	37,739
	<u>(116,898)</u>

The companies acquired did not make any significant contributions to the results of the Group during the interim period.

### **18. Comparative figures**

Due to the introduction of new SSAPs during the current period, the presentation of the condensed consolidated profit and loss account, the condensed consolidated statement of recognised gains and losses, the condensed consolidated balance sheet and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.