



Interim Report 2005 / 2006

SIMSEN INTERNATIONAL
C O R P O R A T I O N L I M I T E D
(incorporated in Bermuda with limited liability)

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CORPORATE INFORMATION



HONORARY CHAIRMAN

Mr. CHEUNG Yan Lung CBE, OStJ, JP

DIRECTORS

Executive Directors

Mr. Haywood CHEUNG (*Chairman*)
Mr. CHAN Hok Ching (*Acting Managing Director*)
Mr. Felipe TAN
Mr. CHEUNG Tak Kwai, Stanley
Mr. SO Pak Kwai
Dr. CHANG Si-Chung

Independent Non-Executive Directors

Mr. CHAN Ka Ling, Edmond
Mr. HONG Po Kui, Martin
Mr. WONG Yu Choi

COMPANY SECRETARY

Ms. KO Yuen Kwan

QUALIFIED ACCOUNTANT

Ms. LAU Yun Fong, Carman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Hang Seng Bank Limited
Wing Lung Bank Limited
DBS Kwong On Bank Limited
Liu Chong Hing Limited

SOLICITORS

Chiu & Partners

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

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CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2005

	Notes	For the six months ended 31 October	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Restated)
Turnover	2		
Continuing operations		41,437	15,473
Discontinued operations		–	5,810
		41,437	21,283
Cost of sales		(169)	(5,775)
Gross profit		41,268	15,508
Other revenue and gains		532	1,270
Selling and distributions costs		–	(340)
Administrative expenses		(19,577)	(17,400)
Gain/(loss) on disposal of subsidiaries		5,501	(4)
Gain on disposal of investments in securities		–	1,111
Other operating expenses		164	(4)
Profit from operating activities	3	27,888	141
Finance costs, net	4	(380)	(1,434)
Share of results of:			
Jointly-controlled entities		(2,169)	260
Associates		11,418	10,721
Amortisation of goodwill		–	(625)
Gain on disposal of associates		7,915	181
Profit before taxation		32,425	1,163
Continuing operations		12,247	8,081
Discontinued operations		44,672	9,244
Tax	5	–	(868)
Continuing operations		–	(868)
Discontinued operations		(1,886)	(1,387)
		(1,886)	(2,255)
Profit attributable to shareholders		42,786	6,989
Earnings per share	6		
– Basic		7.04 cents	1.69 cents
– Diluted		N/A	1.08 cents
Dividend per share	7	0.50 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 October 2005



	Notes	31 October 2005 HK\$'000 (Unaudited)	30 April 2005 HK\$'000 (Restated)
Non-current assets			
Fixed assets		15,444	17,078
Investment properties		6,650	6,650
Prepaid land premium		13,929	14,096
Interests in jointly-controlled entities		13,101	14,607
Interests in associates		1,810	39,346
Intangible assets		2,163	2,163
Available-for-sale investments	8	278	278
Other long term assets		4,366	4,307
		57,741	98,525
Current assets			
Financial assets at fair value through profit and loss	9	54,274	4,464
Trade receivables	10	21,296	28,179
Prepayments, deposits and other receivables		19,990	3,092
Gold on hand		263	245
Bank trust account balances		15,309	13,757
Pledged bank deposits		3,000	3,000
Cash and cash equivalents		31,192	7,492
		145,324	60,229
Current liabilities			
Trade payables	11	40,348	41,173
Tax payable		8,753	8,362
Other payables and accrued liabilities		6,105	8,571
Obligations under finance leases		228	269
Bank and other borrowings		9,950	13,935
		65,384	72,310
Net current assets/(liabilities)		79,940	(12,081)
Total assets less current liabilities		137,681	86,444
Non-current liabilities			
Bank and other borrowings		13,624	3,215
Obligations under finance leases		256	373
Provision for long service payments		3,266	3,669
Deferred tax		327	348
Due to directors		110	170
		17,583	7,775
		120,098	78,669
Capital and reserves			
Issued capital	12	6,076	6,076
Reserves		110,984	72,593
Interim dividend	7	3,038	–
		120,098	78,669

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2005

	For the six months ended	
	31 October	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Net cash (outflow)/inflow from operating activities	(3,611)	2,213
Net cash inflow from investing activities	17,079	6,236
Net cash inflow/(outflow) from financing activities	10,232	(729)
Increase in cash and cash equivalents	23,700	7,720
Cash and cash equivalents at beginning of year	10,492	6,093
Cash and cash equivalents at end of period	34,192	13,813
Analysis of balances of cash and cash equivalents		
Cash and bank balances	31,192	12,813
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	3,000	1,000
	34,192	13,813

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2005



(Unaudited)	Reserve							Sub-total	Total
	Issued share capital	Share premium account	Contributable surplus	General reserve	Currency translation reserve	Non-trading investment revaluation reserve	Retained earnings/ losses (accumulated)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2005	6,076	269,608	-	2,702	73	-	(199,790)	72,593	78,669
Release of reserve upon disposal									
of interest in an associate	-	-	-	(1,752)	(35)	-	-	(1,787)	(1,787)
Transfer to (from) reserve	-	(269,608)	5,232	-	-	-	264,376	-	-
Exchange realignment	-	-	-	-	430	-	-	430	430
Net profit for the period	-	-	-	-	-	-	42,786	42,786	42,786
Dividend	-	-	-	-	-	-	(3,038)	(3,038)	(3,038)
At 31 October 2005	6,076	-	5,232	950	468	-	104,334	110,984	117,060
At 1 May 2004	4,126	254,516	-	1,478	55	60	(193,304)	62,805	66,931
Release of reserve upon disposal									
interest in an associate	-	-	-	(102)	19	-	-	(83)	(83)
Movement in fair value	-	-	-	-	-	9	-	9	9
Net profit for the period	-	-	-	-	-	-	6,989	6,989	6,989
At 31 October 2004	4,126	254,516	-	1,376	74	69	(186,315)	69,720	73,846

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial statements are prepared in compliance 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 accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting”. The basis of preparation and accounting policies adopted in the preparation of the interim financial statements are the same as those adopted in the Company’s annual financial statements for the year ended 30 April 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements and certain comparative figures previously reported have been restated to comply with the new requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the length of Lease Term in respect of Hong Kong Land Leases

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005



1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The adoption of above HKASs 1, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 31, 33, 34, 37, 40 and HK-Int 4 has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRS is summarised as follows:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost or valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has no effect on the condensed consolidated income statement and retained earnings. The comparative figures on the condensed consolidated balance sheet for the year ended 30 April 2005 has been restated to reflect the reclassification of leasehold land.

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments

Equity securities

In prior periods, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is include in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include reference to the current market value of another instrument which is substantially the same.

When the fair value of unlisted equity securities cannot be reliably measured because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets (“loss events”), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. The amount of the loss recognised in the profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the profit and loss account.

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005



1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments (continued)

Equity securities (continued)

The adoption of HKASs 32 and 39 does not have any significant impact on the Group's condensed consolidated interim financial statements in respect of the recognition and measurement of these securities. The comparative on the condensed consolidated balance sheet for the year ended 30 April 2005 has been restated to reflect the reclassification of its investments in equity securities.

(c) HKAS 38 – Intangible Assets

In prior periods, certain exchange participation rights were amortised on the straight-line basis over their estimated lives of 20 years. Upon adoption of HKAS 38, the estimated useful lives were changed to indefinite useful life. Accumulated amortisation at 30 April 2005 has been eliminated with a corresponding decrease in the cost of these intangible assets.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 May 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business. Goodwill arising on acquisitions on or after 1 May 2001 is capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets (continued)

The transitional provisions of HKFRS 3 require that the goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The adoption of HKFRS 3 and HKAS 36 does not have any significant impact on the Group's condensed consolidated interim financial statements.

2. SEGMENTAL INFORMATION

(a) Business segment

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the Group's business segments are as follows:

- the securities segment represents the securities, futures and options broking and dealing, provision of margin financing, and gain or loss on investment holding and proprietary trading of securities;
- the bullion segment represents the bullion and forex contracts broking and dealing;
- the corporate and other segment represents the holding of investment properties, provision of management and consultancy services, provision of financing services, together with other corporate income and expenses items; and
- the shipment sales segment represents the shipment sale which was discontinued in prior year.

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005



2. SEGMENTAL INFORMATION (continued)

(a) Business segment (continued)

The following table presents revenue and results for the Group's primary segments.

For the six months ended 31 October

	Continuing operations						Discontinued operations		Consolidated	
	Securities		Bullion		Corporate and Other		Shipment Sales			
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue:										
Sales to external customers	39,431	8,481	1,429	6,615	577	377	-	5,810	41,437	21,283
Other revenue and gains	220	1,090	-	-	128	167	-	13	348	1,270
Total revenue	39,651	9,571	1,429	6,615	705	544	-	5,823	41,785	22,553
Segment results	27,117	(3,843)	(1,521)	4,612	2,640	585	-	(76)	28,236	1,278
Unallocated gains									184	76
Unallocated expenses									(532)	(1,213)
Profit from operating activities									27,888	141
Finance costs, net									(380)	(1,434)
Share of results of										
- jointly-controlled entities	-	-	(2,449)	-	280	260	-	-	(2,169)	260
- associates	-	-	-	-	(829)	2,746	12,247	7,975	11,418	10,721
Amortisation of goodwill	-	-	-	-	-	(625)	-	-	-	(625)
Gain on disposal of associates	-	-	-	-	7,915	181	-	-	7,915	181
Profit before tax									44,672	9,244
Tax									(1,886)	(2,255)
Net Profit attributable to shareholders									42,786	6,989

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005

2. SEGMENTAL INFORMATION (continued)

(b) Geographical segment

The following table presents revenue for the Group's geographical segments.

For the six months ended 31 October

	Hong Kong		Canada		Others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Sales to external								
customers:	9,245	24,821	32,192	-	-	(3,538)	41,437	21,283

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	
	2005	2004
	HK\$'000	HK\$'000
Amortisation	167	239
Cost of inventories sold and other direct expenses	169	5,775
Depreciation	1,579	1,598
Dividend income from listed investments	-	(1)
Exchange (gain)/losses	223	(8)
Net rental income	(201)	(102)
(Profit)/loss on disposal of fixed assets	16	(13)
Profit on disposal of investment in securities	-	(1,111)
Provision/(write-back of provision) for bad and doubtful debts	(180)	4
Staff costs	9,148	7,965
Unrealised holding gain on trading securities	(31,767)	(612)

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005



4. FINANCE COSTS

	For the six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	159	92
Interest on bank loans, overdrafts and other loans wholly repayable over five years	221	–
Interest on convertible note	–	80
Interest on convertible bonds	–	3,188
Expenses in relation to issue of convertible bonds	–	750
Rental income pledged against the convertible bonds interests	–	(2,676)
	380	1,434

5. TAXATION

	For the six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Current –		
Hong Kong	–	625
Elsewhere	–	165
	–	790
Share of tax attributable to jointly-controlled entities	–	1,387
Share of tax attributable to associates	1,886	78
	1,886	2,255

Hong Kong profit tax is calculated at 17.5% (2004: 17.5%) of the estimated of assessable profit for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005

6. EARNINGS PER SHARE

	For the six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
The calculation of earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share	42,786	6,989
Effect of dilutive potential shares in respect of convertible bonds	–	3,938
	<hr/> 42,786	<hr/> 10,927
Weighted average number of shares for the purpose of basic earnings per share	607,566,000	412,566,000
Effect of dilutive potential shares in respect of convertible bonds	–	600,000,000
	<hr/> 607,566,000	<hr/> 1,012,566,000
Earnings per share		
Basic	7.04 cents	1.69 cents
Diluted	N/A	1.08 cents

7. DIVIDEND

An interim dividend of HK\$0.005 per share, totalling HK\$3,038,000 for the six months ended 31 October 2005 (2004: Nil) has been declared.

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005



8. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 October 2005 HK\$'000	At 30 April 2005 HK\$'000
Unlisted equity investments in Hong Kong, at fair value	485	485
Less: Provision for impairment	(207)	(207)
	<hr/> 278	<hr/> 278
Unlisted equity investments outside Hong Kong, at fair value	13,625	13,625
Less: Provision for impairment	(13,625)	(13,625)
	<hr/> —	<hr/> —
	<hr/> 278	<hr/> 278

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	At 31 October 2005 HK\$'000	At 30 April 2005 HK\$'000
Listed equity investments, at market value		
Hong Kong	4,195	4,464
Elsewhere	50,079	—
	<hr/> 54,274	<hr/> 4,464

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005

10. TRADE RECEIVABLES

An aged analysis of trade receivables is as follows:

	At 31 October 2005 HK\$'000	At 30 April 2005 HK\$'000
0 – 30 days	17,836	25,339
31 – 60 days	249	2,081
61 – 90 days	892	51
Over 90 days	4,507	3,076
	<hr/>	<hr/>
	23,484	30,547
Provision for bad and doubtful debts	(2,188)	(2,368)
	<hr/>	<hr/>
	21,296	28,179

11. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	At 31 October 2005 HK\$'000	At 30 April 2005 HK\$'000
0 – 30 days	39,282	40,588
31 – 60 days	240	22
61 – 90 days	159	–
Over 90 days	667	563
	<hr/>	<hr/>
	40,348	41,173

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005



12. SHARE CAPITAL

	31 October 2005 HK\$'000	30 April 2005 HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	500,000	500,000
Issued and fully paid:		
607,566,000 ordinary shares of HK\$0.01 each	6,076	6,076

13. RELATED PARTY TRANSACTIONS

- (a) In addition to those disclosed in other notes to these financial statements, the Group had the following material transactions with related parties during the period:

		For the six months ended 31 October	
	Notes	2005 HK\$'000	2004 HK\$'000
Transactions with related companies:			
– interest received from an associate	(i)	19	–
– management fee received from a jointly-controlled entity	(ii)	234	234
– management fee received from an associate	(ii)	–	40
– rental expense paid to a related company	(iii)	79	79
– services fees paid to a related company	(ii)	–	9

Notes:

- (i) Interest receivable from an associate arose from a loan that is unsecured, bears interest at prime rate plus 2% and is repayable in March 2006.
- (ii) Management fee and service fee paid and received were based on actual costs incurred for the services provided.
- (iii) Rental payable was based on the actual cost incurred.

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005

13. RELATED PARTY TRANSACTIONS (continued)

- (b) Mr. Haywood Cheung, a director of the Company, has guaranteed banking facilities granted to the subsidiaries of the Company with the total limit up to HK\$19,000,000 (30 April 2005: HK\$32,000,000).

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating arrangements, with leases negotiated for terms of 2 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 October 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 October 2005 HK\$'000	At 30 April 2005 HK\$'000
Within one year	66	432
In the second to fifth years, inclusive	–	320
	<hr/> <hr/> 66	<hr/> <hr/> 752

NOTES TO INTERIM FINANCIAL STATEMENTS

31 October 2005



14. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 3 years.

At 31 October 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 October 2005 HK\$'000	At 30 April 2005 HK\$'000
Within one year	3,478	1,334
In the second to fifth years, inclusive	2,800	1,276
	<hr/> 6,278	<hr/> 2,610

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had commitments of HK\$71,555,000 in respect of net open position of bullion contracts undertaken in the ordinary course of business existing at 31 October 2005 (30 April 2005: HK\$62,553,000).

Save as disclosed above, the Group and the Company did not have any other significant commitments as at 31 October 2005.

16. POST BALANCE SHEET EVENTS

On 4 November 2005, Lee Fung Hong Bullion Limited, a wholly-owned subsidiary of the Company, entered into an agreement for sale and purchase with an independent third party in respect of the disposal of a property located in Ngau Tau Kok at a consideration of HK\$6,000,000. The disposal of the property is scheduled to be completed in January 2006.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board of Directors on 19 January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Profit for the Group was HK\$42,786,000 for the period under review while the profit for the corresponding period in 2004 was HK\$6,989,000, representing an increase of 512%. Turnover on continuing operations for the period under review was HK\$41,437,000, as compared to HK\$15,473,000 for the same period in 2004, representing an increase of 168%.

Securities

2005 is a fruitful year in Hong Kong for initial public offering (“IPO”) of newly listed companies. However, the Group faced severe and keen competition from banks and financial institutions. In order to provide efficient and comprehensive services to the customers so as to benefit from the upturn economy, the Group has re-activated its futures operation in February 2005 and installed a market-tested electronic trading system for both its securities and futures trading operations. Investment seminars and IPO financing were introduced to our clients as value-added services. The new services help retaining the existing clientele and attracting newcomers, so as to broaden the client base of the Group. The Management believes that the effort of the added resources and diversification of product range will contribute positively to the performance of the Group in the near future.

Our Securities Segment represents the securities, futures and options broking and dealing, provision of margin financing, and gain or loss on investment holding and proprietary trading of securities. Revenue generated from proprietary trading amounted to about HK\$30 million. The result was mainly contributed by an appreciation of market value of listed equity investment held by the Group at the balance sheet date. On 7 February 2005, the Group entered into a conditional sale and purchase agreement to dispose of its entire interest in an associate to GobiMin Inc. (formerly known as Goldsat Mining Inc.) (“GobiMin”) whose shares are listed on the TSX Venture Exchange. Such disposal was completed on 30 September 2005. Upon completion, the Company received Canadian Dollars (“CAD”) 2,720,000 in cash, CAD2,667,000 in the form of a one-year promissory note and CAD3,810,000 by a convertible note issued by GobiMin with a conversion price of CAD0.40 per share. The Company has fully converted the note into 9,525,000 shares of GobiMin. The Group recorded a gain of HK\$7,915,000 for the disposal and an unrealised gain of HK\$32,192,000 for the appreciation of market value of the 9,525,000 shares of GobiMin held by the Group during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS



Bullion

The Bullion Segment represents the bullion and forex contracts broking and dealing. The segment recorded a loss of about HK\$1.5 million. During the period under review, the bullion market operated in a typical distribution market, i.e. the bullion contracts were trading at a narrow range, leading to decrease in turnover of the Group as compared to last corresponding period. The Group will further review and enhance its risk management in order to improve the overall performance.

Corporate and Other

Revenue generated from corporate and other segment was HK\$577,000 as compared with HK\$377,000 in the corresponding period in 2004 resulted from the rental income from investment properties, provision of management and consultancy services, provision of other financing services, together with corporate income and expenses items.

Shipment Sales

The Group has terminated the shipment sales operation in March 2005. The segment has minimal impact upon the Group's result during the period under review.

PROSPECTS

The Group will remain concentrate on its existing core business in financial services, especially the securities broking business. Additional resources will be allocated to the financial services in securities, futures, bullion brokerage and trading and other financial products in order to gain a larger market share and to strengthen its financial position and income base. In addition, the Group has been seeking and exploring, and will continue to seek and explore, investment and business opportunities to diversify its business portfolio, especially in precious metal related projects.

CAPITAL STRUCTURE

As at 31 October 2005, the Group had secured bank loans of about HK\$15 million bearing interest at prime rate minus 2.4% per annum and repayable in June 2015. The Group also had unsecured loan of HK\$8 million bearing interest at 2% per annum and repayable in October 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2005, the current ratio of the Group was approximately 222% and the net current assets were approximately HK\$79,940,000. The Group's gearing ratio, which was derived by dividing the aggregate amount of bank borrowings and other interest-bearing loan by the amount of shareholder's equity, was approximately 20%.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Management periodically reviews the return on all investment in order to adjust the investment portfolio by disposing investments that only generate limited cash flow or even have negative contribution and acquire investments that can improve the Group's financial position.

On 7 February 2005, the Group entered into a conditional agreement to sell its entire equity interest and an interest-free shareholder loan in Alexis Resources Limited. Such disposal was completed on 30 September 2005, resulted in a gain of HK\$7,915,000. Details of such disposal were set out in a circular to the shareholders of the Company dated 15 March 2005.

CURRENCY STRUCTURE

As at 31 October 2005, the Group has CAD2,667,000 in the form of a non-interest bearing secured promissory note due on 30 September 2006 and 9,525,000 shares of a company listed on the TSX Venture Exchange, both of them are denominated in Canadian Dollar. No hedging for non-Hong Kong dollars assets or investment has been made during the period under review. Save for the above, the Group has limited exposure to foreign exchange rate fluctuations as most of the transactions, including borrowings, are conducted and the cash and cash equivalents were held, in HK Dollar and Renminbi.

CHARGES ON GROUP ASSETS

As at 31 October 2005, the total bank loans and obligations under finance lease amounted to HK\$15,574,000 and HK\$484,000 respectively, which were secured by the properties held by the Group and the leased assets acquired under the finance leases.

MANAGEMENT DISCUSSION AND ANALYSIS



EMPLOYEE AND REMUNERATION POLICY

As at 31 October 2005, the Group employed a total of about 77 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and prevailing salary levels in the market. Benefits provided to the employees by the Group include training, provident funds and medical coverage. No share options were granted since the adoption of the share options scheme.

SUBSEQUENT EVENT

On 4 November 2005, Lee Fung Hong Bullion Limited, a wholly-owned subsidiary of the Company, entered into an agreement for sale and purchase with an independent third party in respect of the disposal of a property located in Ngau Tau Kok at a consideration of HK\$6,000,000. The disposal of the property is scheduled to be completed in January 2006.

OTHER INFORMATION

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$0.005 per share for the six months ended 31 October 2005 (2004: Nil) payable to the shareholders whose names appear on the register of members of the Company on 22 February 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 17 February 2006 to 22 February 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 16 February 2006. It is expected that the interim dividend will be payable to those entitled on 23 February 2006.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 October 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Notes	Number of issued ordinary shares of HK\$0.01 each in the Company			Approximate percentage of shareholding
		Interest as beneficial owner	Interest of controlled corporation	Total interest	
Mr. Haywood Cheung	(a)	–	315,125,127	315,125,127	51.87%
Mr. Felipe Tan	(b)	1,008,600	2,900,000	3,908,600	0.64%
Mr. So Pak Kwai		10,000	–	10,000	0.002%
Mr. Chan Ka Ling, Edmond	(c)	–	50,000	50,000	0.008%

OTHER INFORMATION



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES (continued)

Notes:

- (a) The shares under "Interest of controlled corporation" comprised:
 - (i) 293,641,127 shares held by Haywood Shares Holding Limited, which is 99.99% owned by Mr. Haywood Cheung;
 - (ii) 8,684,000 shares held by Cheung's Enterprise Holdings Limited, which is 75% owned by Mr. Haywood Cheung; and
 - (iii) 12,800,000 shares held by iWin Limited, which is 75% owned by Mr. Haywood Cheung.
- (b) The shares under "Interest of controlled corporation" were owned by Mr. Felipe Tan through his personal investment company, Join Rich Investments Limited.
- (c) The shares under "Interest of controlled corporation" were owned by Mr. Chan Ka Ling, Edmond through his personal investment company, E-Source Holdings Limited.

Save as disclosed above, as at 31 October 2005, none of the directors or the chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 October 2005, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Notes	Number of shares interested	Capacity	Approximate percentage of shareholding
Haywood Shares Holding Limited	(a)	293,641,127	Beneficial owner	48.33%
NanoMag Investment Co., Ltd (立億投資股份有限公司)	(b)	60,000,000	Beneficial owner	9.88%
Helix Technology Inc.	(b)	60,000,000	Interest of a controlled corporation	9.88%

OTHER INFORMATION

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

- (a) The shares held by Haywood Shares Holding Limited also represent the same interests under the “interest of controlled corporation” held by Mr. Haywood Cheung in the Company, details of which are set out in the section headed “Directors’ and chief executive’s interests and short positions in securities” above.
- (b) NanoMag Investment Co., Ltd (立億投資股份有限公司) is a subsidiary of Helix Technology Inc. and accordingly, the shares held by NanoMag Investment Co., Ltd (立億投資股份有限公司) represent the same interest held by the Helix Technology Inc. in the Company.

Save as disclosed above, as at 31 October 2005, no other person (other than a director or chief executive of the Company) who (i) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (ii) were, directly or indirectly, interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group (other than the Company) or any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the period under review. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting period covered by the interim report except that the Code Provision A.2.1 requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the period under review, the chairman and managing director was the same person, who has extensive expertise and experience in securities and futures brokerage and forex dealing. The Group is searching for an appropriate person to take up the role of managing director. The Company appointed an acting managing director on 19 January 2006.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. The Company had made specific enquiries of all directors regarding any non-compliance with the Model Code during the period under review, and received confirmations from all directors that they had fully complied with the Model Code.

OTHER INFORMATION



AUDIT COMMITTEE

The audit committee of the Company was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls systems, and compliance with the relevant rules and regulations. The audit committee comprises the three independent non-executive directors of the Company. The unaudited financial statements have been reviewed by the Audit Committee.

APPRECIATION

I would like to take this opportunity to thank the shareholders of the Company for their continuing support and all the staff for their dedication and hard work.

By Order of the Board
Haywood Cheung
Chairman

Hong Kong, 19 January 2006

Executive Directors:

Mr. Haywood Cheung (*Chairman*)
Mr. Chan Hok Ching (*Acting Managing Director*)
Mr. Felipe Tan
Mr. Cheung Tak Kwai, Stanley
Mr. So Pak Kwai
Dr. Chang Si-Chung

Independent Non-Executive Directors:

Mr. Chan Ka Ling, Edmond
Mr. Hong Po Kui, Martin
Mr. Wong Yu Choi