



Interim Report 2006 / 2007

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)

Stock Code : 993

CONTENTS

	<i>Page</i>
Corporate Information	2
Condensed Consolidated Profit and Loss Account	3
Condensed Consolidated Balance Sheet	4
Condensed Consolidated Cash Flow Statement	5
Condensed Consolidated Statement of Changes in Equity	6
Notes to Condensed Consolidated Financial Statements	7
Management Discussion and Analysis	24
Other Information	27

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. 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

Mr. CHENG Chai Fu

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 Bank (Hong Kong) Limited

Chong Hing Bank Limited

SOLICITORS

Chiu & Partners

AUDITORS

Ernst & Young

Certified Public Accountants

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

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

993

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2006

	Notes	For the six months ended 31 October	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue		4,734	23,024
Other income		2,613	532
Administrative expenses		(30,780)	(19,746)
Gain on disposal/deemed disposal of subsidiaries		8,775	5,501
Write-back of provision of bad debts		202	–
Loss on disposal/written-off assets		(5)	–
Other operating expenses		–	164
Finance expenses		(364)	(380)
Share of results of:			
Jointly-controlled entities		(2,334)	(2,449)
Associates		(7)	(829)
Reversal of impairment loss on interests in associates		760	–
PROFIT (LOSS) BEFORE TAX	4	(16,406)	5,817
Taxation	5	–	–
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(16,406)	5,817
DISCONTINUED OPERATIONS			
Profit from discontinued operations	6	–	36,969
PROFIT (LOSS) FOR THE PERIOD		(16,406)	42,786
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity shareholders of the Company		(16,340)	42,786
Minority interests		(66)	–
		(16,406)	42,786
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
Basic			
– for profit (loss) for the period (cents)	7	(2.69)	7.04
– for profit (loss) from continuing operations (cents)		(2.69)	0.96
Diluted			
– for profit (loss) for the period		N/A	N/A
– for profit (loss) from continuing operations		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 October 2006



	Notes	31 October 2006 HK\$'000 (Unaudited)	30 April 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		34,314	33,304
Accounts receivable		111	117
Other long term assets		4,732	4,613
Intangible assets		2,163	2,163
Goodwill	8	1,498	–
Interests in jointly-controlled entities	9	5,704	12,163
Interests in associates		10	–
Available-for-sale investments	10	–	278
		48,532	52,638
CURRENT ASSETS			
Assets held for sale	6	–	1,062
Equity investments at fair value through profit and loss	11	123,249	119,737
Loan receivable		–	17,851
Accounts receivable	12	42,786	27,433
Prepayments, deposits and other receivables		5,593	45,919
Inventory		130	130
Gold on hand		342	368
Bank trust account balances		89,796	40,624
Pledged deposits		3,467	3,000
Cash and bank balances		55,932	40,789
		321,295	296,913
CURRENT LIABILITIES			
Assets held for sale	6	(2,742)	–
Accounts payable	13	(123,689)	(65,795)
Other payables and accrued liabilities		(4,870)	(18,040)
Interest-bearing bank and other borrowings		(9,726)	(9,726)
Finance leases payable		(241)	(221)
Tax payable		–	(8,753)
		(141,268)	(102,535)
NET CURRENT ASSETS		180,027	194,378
TOTAL ASSETS LESS CURRENT LIABILITIES		228,559	247,016
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(10,436)	(10,973)
Finance leases payable		(127)	(162)
Deferred tax liabilities		(303)	(303)
Provision for long service payments		(5,187)	(3,159)
Due to minority shareholders		(749)	–
		(16,802)	(14,597)
NET ASSETS		211,757	232,419
CAPITAL AND RESERVES			
Issued capital	14	6,076	6,076
Reserves		205,796	222,472
Dividend payable		–	3,645
		211,872	232,193
Minority interest		(115)	226
		211,757	232,419

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2006

	For the six months ended 31 October	
	2006	2005
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	21,660	(3,611)
Net cash inflow/(outflow) from investing activities	(1,759)	17,079
Net cash inflow/(outflow) from financing activities	(4,291)	10,232
Increase in cash and cash equivalents	15,610	23,700
Cash and cash equivalents at beginning of year	43,789	10,492
Cash and cash equivalents at end of period	59,399	34,192
Analysis of balances of cash and cash equivalents		
Cash and bank balances	55,932	31,192
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	3,467	3,000
	59,399	34,192

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2006



	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	General reserve HK\$'000	Currency translation reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 May 2006	6,076	-	5,232	950	442	215,848	3,645	232,193	226	232,419
Transferred to assets										
held for disposal	-	-	-	(936)	-	-	-	(936)	-	(936)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(275)	(275)
Exchange alignment	-	-	-	-	600	-	-	600	-	600
Loss for the period	-	-	-	-	-	(16,340)	-	(16,340)	(66)	(16,406)
Dividend paid	-	-	-	-	-	-	(3,645)	(3,645)	-	(3,645)
At 31 October 2006	6,076	-	5,232	14	1,042	199,508	-	211,872	(115)	211,757
At 1 May 2005	6,076	269,608	-	2,702	73	(199,790)	-	78,669	-	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
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	-	117,060	-	117,060

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of Simsen International Corporation Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 31 October 2006 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 April 2006 apart from the adoption of certain new Hong Kong Financial Reporting Standards, amendments and interpretations (collectively the “New HKFRSs”), issued by HKICPA that are effective for accounting periods beginning on or after 1 December 2005. The adoption of the New HKFRSs has had no material effect on how the results for the current or prior periods have been prepared and presented. The Group has not early applied the HKFRSs that have been issued but are not yet effective. The directors of the Company (the “Directors”) anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.



3. SEGMENTAL INFORMATION

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

- the securities segment represents broking and dealing of the securities, futures and options contracts, provision of margin financing, and gain or loss on investment holding and proprietary trading of marketable securities;
- the bullion and forex segment represents broking and dealing of the bullion and forex contracts;
- the corporate and others segment comprises the holding of investment properties and loan financing, provision of management and consultancy services together with corporate income and expense items;
- the mining segment represents the mining operations in Mainland China which was discontinued in the prior year; and
- the shipment sales segment represents the shipment sales which was discontinued in the prior year.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers, where applicable, are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

3. SEGMENTAL INFORMATION (continued)

(a) Business segments

The following tables present revenue and results for the Group's business segments for the six months ended 31 October 2006 and 2005.

For the six months ended 31 October 2006

	Continuing operations				Discontinued operations			Consolidated HK\$'000
	Securities HK\$'000	Bullion and forex HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Shipment		Total HK\$'000	
					Mining HK\$'000	sales HK\$'000		
Segment revenue:								
Sales to external customers	6,879	(4,580)	2,435	4,734	-	-	-	4,734
Other revenue and gains	431	-	999	1,430	-	-	-	1,430
Total	7,310	(4,580)	3,434	6,164	-	-	-	6,164
Segment results	(7,614)	(8,059)	4,575	(11,098)	-	-	-	(11,098)
Unallocated interest income and gains								1,184
Unallocated expenses								(4,547)
Finance expenses								(364)
Share of results of:								
Jointly-controlled entities	-	(1,632)	(702)	(2,334)	-	-	-	(2,334)
Associates	-	-	(7)	(7)	-	-	-	(7)
Reversal of impairment loss on interest in associates	-	-	760	760	-	-	-	760
Loss before tax								(16,406)
Tax								-
Loss for the period								(16,406)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006



3. SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

For the six months ended 31 October 2005 (Restated)

	Continuing operations				Discontinued operations			Consolidated HK\$'000
	Securities HK\$'000	Bullion and forex HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Mining HK\$'000	Shipment sales HK\$'000	Total HK\$'000	
Segment revenue:								
Sales to external customers	21,018	1,429	577	23,024	-	-	-	23,024
Other revenue and gains	220	-	128	348	-	-	-	348
Total	21,238	1,429	705	23,372	-	-	-	23,372
Segment results	8,704	(1,521)	2,640	9,823	-	-	-	9,823
Unallocated interest income and gains								184
Unallocated expenses								(532)
Finance expenses								(380)
Share of results of:								
Jointly-controlled entities	-	(2,449)	-	(2,449)	-	280	280	(2,169)
Associates	-	-	(829)	(829)	10,361	-	10,361	9,532
Gain on disposal of associates	-	-	-	-	26,328	-	26,328	26,328
Profit before tax								42,786
Tax								-
Profit for the period								42,786

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

3. SEGMENTAL INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

For the six months ended 31 October 2006

	Hong Kong HK\$'000	Canada HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales to external customers	13,898	(9,164)	4,734

For the six months ended 31 October 2005 (Restated)

	Hong Kong HK\$'000	Canada HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales to external customers	9,245	13,779	23,024

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006



4. PROFIT BEFORE TAXATION

	For the six months ended	
	31 October	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Profit before taxation is stated after (crediting)/charging the following:		
Cost of inventories sold and other direct expenses	–	169
Depreciation	1,823	1,579
Employee benefit expenses	11,703	9,148
Exchange (gain)/loss	(888)	223
Minimum lease payments under operating leases on leasehold land and buildings	4,155	2,513
Net rental income	–	(201)
Loss on disposal of property, plant and equipment	5	16
Profit on disposal/deemed disposal of subsidiaries	(8,774)	–
Provision for long services payment	2,261	–
Fair value (gain)/loss on trading securities	7,006	(31,767)
Write-back of provision for accounts receivable	(171)	(180)

5. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the period (2005: Nil). The statutory tax rate for Hong Kong profits tax is 17.5% (2005: 17.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

6. DISCONTINUED OPERATION

- (i) In prior year, on 30 September 2005, the Group completed disposal of its entire interest in an associate group, Alexis Resources Limited and its subsidiaries (the "Disposed Group"). Upon completion of the disposal, the Group discontinued its operation in mining.

The results of Group's mining operation for the prior period were as follows:

	For the six months ended 31 October 2005 HK\$'000 (Restated)
Share of profit of associates	10,361
Gain on disposal of the Disposed Group	26,328
Profit before tax from the discontinued operation	36,689
Tax	–
Profit for the period from the discontinued operation	36,689

The net cash flow from the mining operation during the period were as follows:

	For the six months ended 31 October 2005 HK\$'000
Operating activities	1,483
Investing activities	–
Financing activities	–
Carrying value of assets held for sale	1,483

	For the six months ended 31 October 2005 (Restated)
Earnings per share:	
Basic, from the discontinued operations	6.04 cents

	For the six months ended 31 October 2005
The calculations of basic loss per share from the discontinued operation are based on:	
Net profit attributable to equity shareholders of the Company from the discontinued operation	HK\$36,689,000
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	607,566,000



6. DISCONTINUED OPERATION (continued)

- (ii) Guangxi Dexin Aluminium Industry Company Limited (“Dexin”), a jointly-controlled entity of the Group, is in the process of liquidation during the six months ended 31 October 2006. Upon completion of the liquidation, the Group would discontinue its operation in trading and manufacturing of aluminum products.

The result of Dexin for the six months ended 31 October 2006 are presented below:

	For the six months ended	
	31 October	31 October
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Share of profit (loss) of a jointly-controlled entity	(936)	280
Transfer from general reserve	936	–
Profit before tax from the discontinued operation	–	280
Tax	–	–
Profit for the period from the discontinued operation	–	280

The interest in Dexin is classified as held for sale at the balance sheet date as follows:

	31 October	
	2006	30 April
	HK\$'000	2006
		HK\$'000
		(Restated)
Share of net assets	15,595	15,931
Due to a jointly-controlled entity	(6,837)	(3,369)
Provision for impairment	(11,500)	(11,500)
Carrying value of assets held for sale	(2,742)	1,062

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

6. DISCONTINUED OPERATION (continued)

(ii) (continued)

The net cash flow from the assets held for sale are as follows:

	For the six months ended 31 October	
	2006	2005
	HK\$'000	HK\$'000
Operating activities	3,468	(234)
Investing activities	–	–
Financing activities	–	–
Carrying value of assets held for sale	3,468	(234)

Earnings per share:

	For the six months ended 31 October	
	2006	2005 (Restated)
Basic, from the discontinued operations	–	0.04 cents

The calculations of basic loss per share from the discontinued operation are based on:

	For the six months ended 31 October	
	2006	2005
Net profit attributable to equity shareholders of the Company from the discontinued operation	–	HK\$280,000
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	607,566,000	607,566,000

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006



7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss for the period attributable to the equity shareholders of the Company of HK\$16,340,000 (2005: profit of HK\$42,786,000) and 607,566,000 (2005: 607,566,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the six months ended 31 October 2006 and 2005 have not been disclosed as no diluting event existed during the two periods.

8. GOODWILL

	<i>Note</i>	31 October 2006 HK\$'000
Acquisition of a subsidiary	15	1,498
Cost and carrying amount at the balance sheet date		1,498

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Share of net assets	3,382	11,864
Due from jointly-controlled entities	2,322	299
	5,704	12,163

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of balances with jointly-controlled entities approximate to their fair values.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Ownership interest	Percentage of		Principal activities
				Voting power	Profit sharing	
sunArt Entertainment Limited	Corporate	Hong Kong	50	50	50	Entertainment
Precious Source International Limited	Corporate	British Virgin Islands	50	50	50	Investment holding

On 10 May 2006, the Group invested RMB4,000,000 in Precious Source International Limited ("Precious Source") which represents a 50% equity interests therein. The principal activity of Precious Source is to invest in gold mining industry in Xinjiang. On the same date, Precious Source entered into an agreement with the PRC joint-venture partner to acquire 15% equity interest in 新疆康信礦業資源開發有限公司, a PRC incorporated company which principally engaged in the operation of a gold mine in Xinjiang, for a consideration of RMB4,000,000.

On 9 June 2006, the Group entered into a conditional sale and purchase agreement to acquire an additional 50% equity interest in Lee Fung Hong (Cheung's) Forex Dealers Limited ("LFH Forex"), previously a jointly-controlled entity of the Group (note 15). Upon completion of the acquisition on 14 October 2006, LFH Forex became a wholly-owned subsidiary of the Group.

10. AVAILABLE-FOR-SALE INVESTMENTS

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Unlisted equity investments in Hong Kong, at fair value	–	485
Less: Provision for impairment	–	(207)
	–	278
Unlisted equity investments outside Hong Kong, at fair value	13,625	13,625
Less: Provision for impairment	(13,625)	(13,625)
	–	–
	–	278



10. AVAILABLE-FOR-SALE INVESTMENTS (continued)

On 20 June 2006, through a disposal of a subsidiary, Century Profit Investments Limited, the Group disposed its 12.5% equity interest in Century 21 Hong Kong Limited, a company incorporated in Hong Kong mainly engaged in the provision of franchise, consultancy and property agency services, at a cash consideration of HK\$300,000. The consideration was fully settled by cash during the period.

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Listed equity investments, at market value:		
– Hong Kong	8,409	2,433
– Elsewhere	114,840	117,304
	123,249	119,737

12. ACCOUNTS RECEIVABLE

The Group's accounts receivable arose from securities and bullion dealing services, margin financing and money lending operations.

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Accounts receivable		
– from securities and bullion dealing services	40,201	23,864
– from margin financing and money lending operations	2,696	3,686
	42,897	27,550
Portion classified as non-current assets	(111)	(117)
Portion classified as current assets	42,786	27,433

An aged analysis of the Group's accounts receivable for securities and bullion dealing services at the balance sheet date, based on the settlement due date and net of provisions for impairment, is as follows:

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Current to 90 days	40,201	23,864

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

12. ACCOUNTS RECEIVABLE (continued)

The maturity profile of accounts receivable of margin financing and money leading operations at the balance sheet date is analysed into the remaining periods to their contractual maturity dates as follows:

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Repayable:		
On demand	–	1,575
Within 3 months	1,684	311
3 months to 12 months	913	1,683
Over 12 months	99	117
	2,696	3,686
Portion classified as current assets	(2,585)	(3,569)
Portion classified as non-current assets	111	117

13. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable at the balance sheet date, based on the settlement due date, is as follows:

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Current to 30 days	123,689	65,795

14. SHARE CAPITAL

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Authorised:		
50,000,000,000 (2005: 50,000,000,000) ordinary shares of HK\$0.01 each	500,000	500,000
Issued and fully paid:		
607,566,000 (2005: 607,566,000) ordinary shares of HK\$0.01 each	6,076	6,076



15. BUSINESS COMBINATION

On 14 October 2006, the Group acquired a 50% equity interest in LFH Forex, previously a jointly-controlled entities of the Group. LFH Forex is principally engaged in broking and dealing of the forex contracts. Further details of the acquisition are set out in a circular and an announcement of the Company dated 6 October 2006 and 17 October 2006 respectively. The purchase consideration for the acquisition of HK\$11,547,000 was in the form of cash and paid at the acquisition date. Upon completion of the acquisition, LFH Forex became a wholly-owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of LFH Forex as at the date of acquisition immediately before the acquisition were as follows:

	<i>Note</i>	Fair value recognized on acquisition HK\$'000
Property, plant and equipment		258
Equity investments at fair value through profit or loss		1,089
Bank trust account balance		44,872
Cash and bank balances		11,679
Accounts receivable		7,700
Prepayments and other receivables		288
Accounts payable		(45,215)
Accruals and other payables		(572)
		20,099
Transferred from interest in jointly-controlled entities		10,050
Goodwill on acquisition	8	(1,498)
Satisfied by cash		11,547
		20,099

The Directors are of the view that the goodwill arising from the acquisition is mainly attributed to LFH Forex's existing client base, well-established systems and operations and the savings from set-up cost and effort.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

15. BUSINESS COMBINATION (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of LFH Forex is as follows:

	HK\$'000
Cash consideration	11,547
Cash and bank balances acquired	11,679
Net inflow of cash and cash equivalents in respect of the acquisition of LFH Forex	132

Since the acquisition, LFH Forex contributed HK\$1,562,000 to the Group's turnover and HK\$1,152,000 to the consolidated result for the six months ended 31 October 2006.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the loss of the Group for the period would have been HK\$775,000 negative and HK\$21,984,000, respectively.

16. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had commitments for future aggregate minimum lease payments under non-cancelable operating leases which fall due as follows:

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Within one year	5,656	6,001
In the second to fifth years inclusive	2,636	4,740
	8,292	10,741

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006



17. COMMITMENTS

In addition to the operating lease commitment detailed in note 16 above, the Group had the following financial commitments at the balance sheet in respect of the net open position of bullion contract and the open position of foreign currency under leveraged foreign exchange contracts undertaken in the ordinary course of business existing at the balance sheet date.

	31 October 2006 HK\$'000	30 April 2006 HK\$'000
Total commitments to purchase foreign currency under leveraged foreign exchange contract	369,622	397,365
Total commitments to sell foreign currency under leveraged foreign exchange contract	458,431	453,493
Net open position of bullion contracts undertaken	113,317	113,074

18. RELATED PARTIES TRANSACTION

(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	
		2006 HK\$'000	2005 HK\$'000
	<i>Notes</i>		
Interest received from an associate	(i)	45	19
Interest received from a jointly-controlled entity	(i)	60	–
Management fee received from a jointly-controlled entity	(ii)	–	234
Rental expenses paid to related companies	(iii)	162	79
Dividend income from an associate		720	–

Notes:

- (i) Interest receivable arose from a loan that is unsecured, bearing interest at prime rate plus 2% per annum.
- (ii) Management fee received were based on actual costs incurred for the services provided.
- (iii) Rental was payable to related companies, certain shareholders and directors of which are also a Director and close-family member of the Directors. The rental charges were based on the mutual agreements between the Group and the related companies with reference made to the prevailing market condition.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2006

18. RELATED PARTIES TRANSACTION (continued)

(b) Other transactions with related parties

- (i) The banking facilities granted to a subsidiary of the Company are secured by a bank deposit of HK\$2,000,000 (30 April 2006: HK\$2,000,000) granted by the Honorary Chairman of the Company.
- (ii) The banking facilities granted to a subsidiary of the Company are secured by the personal guarantees executed by the Honorary Chairman, a Director of the Company and certain executives of a subsidiary of the Company.

19. EVENTS AFTER THE BALANCE SHEET DATE

On 14 December 2006, the Group acquired a 100% interest in CHINA GOLD (Precious Metal) Strategic Investment Limited ("China Gold") from an independent third party at a consideration of HK\$415,000. China Gold is engaged in broking and dealing of the bullion and forex contracts. The purchase consideration representing the fair values of identifiable assets and liabilities and was settled in cash upon completion.

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.



BUSINESS REVIEW

Loss for the Group was HK\$16,406,000 for the period under review while the profit for the corresponding period in 2005 was HK\$42,786,000. Turnover on continuing operations for the period under review was HK\$4,734,000 as compared to HK\$23,024,000 for the same period in 2005, representing a decrease of 79%.

Securities

The securities segment represents broking and dealing of securities and provision of margin financing.

Revenue for the securities segment was HK\$6,879,000 for the period under review as compared with HK\$21,018,000 for the corresponding period in 2005, representing a decrease of 67%. It was mainly due to the depreciation of market price of a share listed on the TSX Venture Exchange held by the Group during the period under review. Despite the fact that the increasing number of newly listed companies in the Stock Exchange have attracted more investors and induced more transactions, the severe and keen competition in broking market has pressure in the rate of commission income.

Bullion and Forex

The bullion and forex segment represents broking and dealing of the bullion and forex contracts, which recorded a loss of about HK\$4,580,000 for the period under review as compared with revenue of about HK\$1,429,000 for the corresponding period in 2005. During the period under review, the bullion market operated in a typical distribution market as compared to a relatively volatile market for the period of the fourth quarter of 2005 to the first quarter of 2006, so the Group would further review and enhance its risk management in order to improve the overall performance.

Corporate and Others

The corporate and others segment recorded a revenue of about HK\$2,435,000 for the period under review as compared to revenue of about HK\$577,000 for the corresponding period in 2005, representing an increase of 322%.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

With the acquisition of the remaining 50% interest in a local foreign exchange dealing company during the period under review and immediate co-operation with the securities broking and bullion trading segments of the Group, it encourages more cross selling in products thus widening our market breadth and achieving greater economies of scale. It is hoped that with more co-marketing and co-branding of the financial products, the synergic benefits of the whole operation could be realized.

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.

CAPITAL STRUCTURE

As at 31 October 2006, the Group had secured bank loans of about HK\$12,162,000 bearing interest at prime rate minus 2.4% per annum and repayable in June 2015. The Group also had unsecured loan of HK\$8,000,000 which had been repaid in November 2006.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2006, the current ratio of the Group was at approximately 227% and the net current assets were approximately HK\$180,027,000. 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 10%.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On 10 May 2006, the Group invested RMB4,000,000 in Precious Source which represents a 50% equity interest therein. The principal activity of Precious Source is to invest in gold mining industry in Xinjiang. On the same date, Precious Source entered into an agreement with the PRC joint-venture partner to acquire 15% equity interest in 新疆康信礦業資源開發有限公司, a PRC incorporated company which principally engaged in the operation of a gold mine in Xinjiang, for a consideration of RMB4,000,000.

On 9 June 2006, the Group entered into a conditional sale and purchase agreement to acquire an additional 50% equity interest in LFH Forex, a jointly-controlled entity of the Group, for the consideration of HK\$17,241,000 (the "Acquisition"). The Acquisition was completed on 14 October 2006 at the adjusted consideration of HK\$11,547,000 and thereafter LFH Forex became a wholly-owned subsidiary of the Group. The details of the Acquisition are set out in the circular to the shareholders of the Company dated 6 October 2006.



CURRENCY STRUCTURE

As at 31 October 2006, the Group has 7,432,700 shares of a company listed on the TSX Venture Exchange which 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 and the cash and cash equivalents were held, in HK Dollar and Renminbi.

CHARGES ON GROUP ASSETS

As at 31 October 2006, the total bank loans and obligations under finance lease amounted to HK\$12,162,000 and HK\$368,000 respectively, which were secured by the properties held by the Group and the leased assets acquired under the finance leases.

EMPLOYEE AND REMUNERATION POLICY

As at 31 October 2006, the Group employed a total of about 162 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, Mandatory Provident Fund and medical coverage. No share options were granted since the adoption of the share options scheme.

SUBSEQUENT EVENT

On 14 December 2006, the Group acquired a 100% interest in China Gold from an independent third party at a consideration of HK\$415,000. China Gold is engaged in broking and dealing of the bullion and forex contracts. The purchase consideration representing the fair values of identifiable assets and liabilities and was settled in cash upon completion.

OTHER INFORMATION

INTERIM DIVIDEND

The board of Directors (the "Board") do not recommend the payment of any interim dividend for the six months ended 31 October 2006.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 October 2006, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under 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 Issuers (the "Model Code") were as follows:

Interest in shares

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. Chan Hok Ching		170,000	–	170,000	0.03
Mr. So Pak Kwai		10,000	–	10,000	0.002
Mr. Chan Ka Ling, Edmond	(b)	–	50,000	50,000	0.008

OTHER INFORMATION



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

- (a) The shares under "Interest of controlled corporation" comprised:
 - (i) 302,325,127 shares held by Haywood Shares Holding Limited, which is 99.99% owned by Mr. Haywood Cheung; and
 - (ii) 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. Chan Ka Ling, Edmond through his personal investment company, E-Source Holdings Limited.

Save as disclosed above, as at 31 October 2006, none of the Directors or the chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OTHER INFORMATION

DICLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 October 2006, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO:

Interest in shares

Name of shareholder	Notes	Number of shares interested	Capacity	Approximate percentage of shareholding
Haywood Shares Holding Limited	(a)	302,325,127	Beneficial owner	49.76
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

Notes:

- (a) These interests are also included as interest of controlled corporation of Mr. Haywood Cheung, as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" 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 interests of NanoMag Investment Co., Ltd. (立億投資股份有限公司) were included in the interests held by Helix Technology Inc.

Save as disclosed above, as at 31 October 2006, no other person (other than a Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

OTHER INFORMATION



CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied with the Code of Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the six months ended 31 October 2006. The Board’s annual review of the effectiveness of the system of internal control of the Group pursuant to C.2.1 of the CG Code will be reported upon in the forthcoming corporate governance report to be contained in the Company’s annual report for the financial year ending 30 April 2007.

The Company has adopted 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 year, and received confirmations from all Directors that they had fully complied with the Model Code.

AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with the requirements of the CG Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal control systems, and compliance with the relevant rules and regulations. The Audit Committee comprises three independent non-executive Directors. The unaudited financial statements for the six months ended 31 October 2006 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, 12 January 2007

Executive Directors:

Mr. Haywood Cheung (*Chairman*)
Mr. Chan Hok Ching (*Acting Managing Director*)
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