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SIMSEN INTERNATIONAL CORPORATION LIMITED

天行國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

Discloseable Transaction

Proposed acquisition of 40% interest in the issued share capital of

Head & Shoulders Securities Limited

(involving the issue of new Shares)

and

Resumption of trading

Financial adviser to the Company



寶來證券(香港)有限公司

Polaris Securities (Hong Kong) Limited

A Member of Polaris Financial Group

SUMMARY

Proposed Acquisition

On 6 March 2007, the Board announces that pursuant to the Share Sale Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, which comprise 40% of the issued share capital of Head & Shoulders Securities for a total consideration of HK\$16 million (subject to adjustment). Head & Shoulders Securities is a licensed corporation authorized to carry on Type 1 (dealing in securities) regulated activity under Part V of the SFO.

The Acquisition Consideration will be satisfied as to (i) HK\$3 million in cash; and (ii) the balance of HK\$13 million by the allotment and issue of 101,960,000 Consideration Shares at an issue price of HK\$0.1275 per Consideration Share by the Company to the Vendor. The Consideration Shares have a market value of approximately HK\$14.68 million, based on the closing price of HK\$0.144 per Share on 6 March 2007 (being the last trading day immediately prior to the date of this announcement). The Acquisition Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the price-earnings ratio of similar broking companies and the overall prospects of the broking business in Hong Kong. The Consideration Shares represent approximately 16.78% of the existing issued Shares and 14.37% of the enlarged issued Shares immediately after the completion of the Acquisition.

As the applicable percentage ratios under the Listing Rules of the Acquisition are more than 5% but less than 25%, the transaction contemplated under the Share Sale Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Issue of Consideration Shares pursuant to the General Mandate

In contemplation of the Acquisition, the Consideration Shares will be allotted and issued under the Existing General Mandate granted to the Directors at the 2006 AGM.

General

A circular containing, among other things, further details of the Acquisition will be dispatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

Suspension and resumption of trading

At the request of the Company, trading in the securities of the Company on the main board of the Stock Exchange was suspended with effect from 9:30 a.m. on 7 March 2007 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the securities of the Company with effect from 9:30 a.m. on 8 March 2007.

THE SHARE SALE AGREEMENT

Date: 6 March 2007

Parties:

Vendor: Ms. Cheung Fung Kuen, Maggie, who to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is an Independent Third Party and does not hold any position with the Company or its connected persons (as defined in the Listing Rules), and that there is no relationship between Ms. Cheung Fung Kuen, Maggie and the Group or the substantial shareholder of the Company other than the commercial relationship arising from the Acquisition.

Purchaser: Linewear Assets Limited, a wholly owned subsidiary of the Company

Assets to be acquired

Pursuant to the Share Sale Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, which comprise 40% of the issued share capital of Head & Shoulders Securities.

Consideration for the Acquisition

Consideration

The total consideration for the Acquisition of HK\$16 million (subject to adjustment) will be satisfied in the following manner upon Completion:

- (i) as to HK\$3 million in cash (the “Cash Portion”); and
- (ii) as to the balance of HK\$13 million by the allotment and issue of 101,960,000 new Shares as Consideration Shares, credited as fully paid, at an issue price of HK\$0.1275 each by the Company to the Vendor or its nominees.

If the audited net profit before taxation of Head & Shoulders Securities for the year ended 31 December 2006 shall be below HK\$5,450,308, the Cash Portion payable by the Purchaser to the Vendor will be reduced as follows:

$(\text{HK\$ } 5,450,308 \text{ — 2006 audited net profit before taxation}) \times \text{price-earnings ratio of 7.34 times} \times 40\%$

The price-earnings ratio of 7.34 times was determined with reference to the price-earnings ratio of listed broking companies in Hong Kong of comparable market capitalization.

The Cash Portion of the Share Sale Agreement will be satisfied by the Group’s internal resources.

The Consideration Shares represent approximately 16.78% of the existing issued Shares and 14.37% of the enlarged issued Shares immediately after the completion of the Acquisition. The Consideration Shares have a market value of approximately HK\$14.68 million, based on the closing price of HK\$0.144 per Share on 6 March 2007 (being the last trading day immediately prior to the date of this announcement).

The Consideration Shares will be issued credited as fully paid and shall rank pari passu in all respects with the existing Shares on the relevant date of allotment. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price of each Consideration Share is HK\$0.1275 which represents:

- (a) a discount of approximately 11.5% to the closing price of HK\$0.144 per Share as quoted on the Stock Exchange on 6 March 2007 (being the last trading day immediately prior to the date of this announcement); and
- (b) a discount of approximately 15.0% to the average closing price of HK\$0.15 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 6 March 2007 (being the last trading day immediately prior to the date of this announcement).

In contemplation of the Acquisition, the 101,960,000 Consideration Shares will be allotted and issued under the Existing General Mandate granted to the Directors at the 2006 AGM.

At the 2006 AGM, the issued ordinary share capital of the Company was HK\$6,075,660.00 comprising 607,566,000 Shares. The Board was granted the Existing General Mandate at the 2006 AGM to allot, issue and otherwise deal in up to 121,513,200 Shares, representing 20% of the share capital of the Company in issue on the date of the 2006 AGM. The Existing General Mandate has not been exercised at all as at the date of this announcement. Accordingly, the maximum number of new Shares which can be issued pursuant to the Existing General Mandate is 121,513,200 Shares (without taking into account the 101,960,000 Consideration Shares to be allotted and issued to the Vendor).

Basis of consideration for the Acquisition

The Acquisition Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the price-earnings ratio of similar broking companies and the overall prospects of the broking business in Hong Kong.

Given the adjustment mechanism available to the Company on the Acquisition Consideration, the Directors are of the view that the terms of the Share Sale Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Shareholding structure

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Acquisition:

Shareholder	As at the date of this announcement		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
Haywood Cheung and his associates	315,125,127	51.86	315,125,127	44.42
Other Directors	230,000	0.04	230,000	0.03
The Vendor	—	—	101,960,000	14.37
Public Shareholders	<u>292,210,873</u>	<u>48.10</u>	<u>292,210,873</u>	<u>41.18</u>
Total	<u><u>607,566,000</u></u>	<u><u>100.00</u></u>	<u><u>709,526,000</u></u>	<u><u>100.00</u></u>

Lock-up period

Under the Share Sale Agreement, the Vendor has undertaken to the Purchaser that it and/or its nominees will not transfer, assign, dispose of or otherwise deal with any part of Consideration Shares within 12 months commencing from the date of Completion.

Conditions for the Acquisition

Completion of the Acquisition shall be conditional upon, among other things, the fulfillment of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares;
- (b) the Licence not being revoked or suspended before 8:00 a.m. on the date of Completion and Head & Shoulders Securities not having been notified of such revocation or suspension or of any event which might lead to such revocation and suspension;

- (c) all necessary consents, authorizations or other approvals (or, as the case may be, the relevant waiver) of any kind for the change of substantial shareholder of Head & Shoulders Securities having been obtained from the SFC;
- (d) the Purchaser conducting a due diligence review of and being satisfied with the business, assets and financial position of Head & Shoulders Securities in all respects;
- (e) the Purchaser being satisfied that all the warranties remain true and accurate in all respects and are not misleading in all aspects;
- (f) all other requisite consents, authorizations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Share Sale Agreement having been obtained by the respective parties;
- (g) the Purchaser being satisfied that there has been no material adverse change on the financial position, business or results of operations of Head & Shoulders Securities as a whole as at the date of Completion;
- (h) no petition for the winding up of Head & Shoulders Securities being presented or analogous proceedings being taken up against Head & Shoulders Securities, in each case on reasonable and substantial grounds, and no demand is made by any creditor for payment under any guarantee;
- (i) where required pursuant to the terms of any contracts, agreements or any loan or finance documentation entered into by Head & Shoulders Securities, the counter parties thereto having confirmed that they will not seek to terminate or vary any term therein or make a claim thereunder as a result of, or treat as a breach of any terms thereof as a result of completion of the transactions contemplated by the Share Sale Agreement;
- (j) the Vendor has fulfilled all its obligations and undertakings contained in the Share Sale Agreement to the satisfaction of the Purchaser; and
- (k) the Purchaser being satisfied that Head & Shoulders Securities has at least two responsible officers registered with the SFC and no notice for termination of their service contracts by such responsible officers have been given before or on the date of Completion.

If any of the conditions precedent have not been fulfilled by the Long-stop Date (or such other date as the Vendor and the Purchaser may agree in writing), the provisions of the Share Sale Agreement (other than certain clauses as specified in the Share Sale Agreement) shall from such date have no effect and no parties to the agreement shall have any claim against the others save for claim (if any) in respect of such continuing provisions or any antecedent breach of the Share Sale Agreement.

Completion

Completion shall take place within five Business Days following the fulfillment of all the conditions precedent (or such other date as the Purchaser and the Vendor shall agree in writing). Upon Completion, Head & Shoulders Securities will become an associate company of the Group.

INFORMATION OF HEAD & SHOULDERS SECURITIES

Head & Shoulders Securities

Head & Shoulders Securities is incorporated on 15 December 1999 in Hong Kong with limited liability and is a licensed corporation authorized to carry on Type 1 (dealing in securities) regulated activity under Part V of the SFO.

The following table sets out the shareholding structure of Head & Shoulders Securities as at the date of this announcement and immediately after the completion of the Acquisition:

Shareholder	As at the date of this announcement		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
The Vendor	9,031,000	82.10	4,631,000	42.10
Ms. Wong Shuet Sau	1,089,000	9.90	1,089,000	9.90
Mr. Lam Tung Woo	880,000	8.00	880,000	8.00
The Purchaser	—	—	4,400,000	40.00
Total	<u>11,000,000</u>	<u>100.00</u>	<u>11,000,000</u>	<u>100.00</u>

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ms. Wong Shuet Sau and Mr. Lam Tung Woo are Independent Third Parties and there is no relationship between Ms. Wong Shuet Sau and Mr. Lam Tung Woo otherwise than their shareholding in Head & Shoulders Securities.

Financial information of Head & Shoulders Securities

Based on the latest management accounts of Head & Shoulders Securities, the unaudited net assets value of Head & Shoulders Securities as at 31 December 2006 was approximately HK\$13.75 million. For the year ended 31 December 2006, the unaudited net profit before and after taxation of Head & Shoulders Securities amounted to approximately HK\$5.45 million and HK\$4.50 million respectively. Head & Shoulders Securities changed its financial year end date from 31 March to 31 December in 2005. For the period from 1 April 2005 to 31 December 2005, the audited net profit before and after taxation of Head & Shoulders Securities amounted to approximately HK\$343,000 and HK\$232,000 respectively. Head & Shoulders Securities has no subsidiary or associate company.

REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) broking and dealing of securities and provision of margin financing; and (ii) broking and dealing of bullion and forex contracts.

Head & Shoulders Securities is engaged in dealings in securities with stable clientele base. The Directors believe that the Acquisition will create synergy in respect of the Group's financial services. Accordingly, the Directors consider that the Acquisition is in the interest of the Company and its Shareholders as a whole.

The Company will continue to adopt a prudent expansion plan for its securities broking business, through, among others, identifying investment opportunities to improve the financial performance of the Group.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PREVIOUS 12 MONTHS

The Company has no fund raising activity in the past 12 months immediately preceding the date of this announcement.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios under the Listing Rules of the Acquisition are more than 5% but less than 25%, the transaction contemplated under the Share Sale Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Acquisition will be dispatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the securities of the Company on the main board of the Stock Exchange was suspended with effect from 9:30 a.m. on 7 March 2007 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the securities of the Company with effect from 9:30 a.m. on 8 March 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2006 AGM”	the annual general meeting of the Company held on 28 September 2006
“Acquisition”	the acquisition by the Purchaser from the Vendor of the 40% issued share capital of Head & Shoulders Securities pursuant to the Share Sale Agreement
“Acquisition Consideration”	the total consideration of HK\$16 million (subject to adjustment) payable by the Purchaser to the Vendor for the Acquisition pursuant to the Share Sale Agreement
“Board”	the board of Directors
“Business Day”	a day, other than Saturday, on which banks in the Hong Kong are open for business
“BVI”	the British Virgin Islands
“Company”	Simsen International Corporation Limited, an exempt company incorporated in the Bermuda and whose shares are listed on the main board of the Stock Exchange

“Completion”	completion of the Share Sale Agreement in accordance with the terms therein
“Connected Person”	has the same meaning ascribed to it under the Listing Rules
“Consideration Shares”	101,960,000 new Shares to be allotted and issued to the Vendor at the issue price of HK\$0.1275 per Share, being part of the Acquisition Consideration payable by the Purchaser to the Vendor pursuant to the Share Sale Agreement
“Director(s)”	director(s) of the Company
“Existing General Mandate”	the general mandate granted to the Directors at the 2006 AGM to allot, issue or otherwise deal in up to 121,513,200 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Head & Shoulders Securities”	Head & Shoulders Securities Limited, a licensed corporation authorized to carry on Type 1 (dealing in securities) regulated activity under Part V of the SFO
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party and, if applicable, the ultimate beneficial owner of the party who is independent of the Company and connected persons of the Company
“Licence”	Type 1 (dealing in securities) regulated activity granted to Head & Shoulders Securities under Part V of the SFO
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange elected or appointed in accordance with the Articles of Association of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	30 September 2007, or such later date as the Vendor and the Purchaser may agree in writing
“Purchaser”	Linewear Assets Limited, a company incorporated in BVI, a wholly owned subsidiary of the Company
“Sale Shares”	the 4,400,000 ordinary shares of HK\$1.00 each in the issued share capital of Head & Shoulders Securities beneficially held by the Vendor, representing 40% of the issued share capital of Head & Shoulders Securities as at the date of the Share Sale Agreement
“SFC”	the Securities and Futures Commission

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time)
“Share Sale Agreement”	the conditional sale and purchase agreement dated 6 March 2007 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Shares”	ordinary Share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Ms. Cheung Fung Kuen, Maggie, an Independent Third Party
“%”	per cent

By order of the Board of
Simsen International Corporation Limited
Haywood Cheung
Chairman

Hong Kong, 7 March 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

** For identification purposes only*

Please also refer to the published version of this announcement in The Standard.