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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)

**Major and Connected Transaction**

**Proposed acquisition of the remaining 60% of the issued share capital of**

**Head & Shoulders Securities Limited**

**and**

**Proposed change of auditors**

**and**

**Resumption of trading**

**Financial adviser to the Company**



**寶來資本(亞洲)有限公司**

**Polaris Capital (Asia) Limited**

A Member of Polaris Financial Group

**Proposed Acquisition**

The Board announced that the Purchaser, which is a wholly owned subsidiary of the Company, entered into a conditional Acquisition Agreement on 17 December 2007 with the Vendors. Under the Acquisition Agreement, the Purchaser has agreed to acquire the remaining 60% of the issued share capital of Head & Shoulders Securities not owned by the Group from the Vendors at a consideration of approximately HK\$90 million which will be wholly satisfied by the issue of 253,518,000 Consideration Shares at the issue price of HK\$0.355 per Consideration Share by the Company to the Vendors (or their respective nominees). The Consideration Shares will be issued under the Specific Mandate proposed to be obtained at the SGM.

### **Implication under the Listing Rules**

As the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition are more than 25% but lower than 100%, the Acquisition will constitute a major transaction for the Company under Chapter 14 of the Listing Rules. Moreover, as one of the Vendors (being Ms. Cheung) is a substantial Shareholder, the Acquisition will also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Ms. Cheung and her associates will be required to abstain from voting at the SGM on the resolution approving the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder. Mr. Chan Hok Ching, being a director of the Company and Head & Shoulders Securities, which holds approximately 0.02% of the issued share capital of the Company, will also be required to abstain from voting at the SGM on the resolution approving the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder.

### **Proposed change of auditors**

The Board proposed to appoint HLB as the new auditors of the Company to fill the casual vacancy following the resignation of EY with effect from 14 December 2007. The appointment of HLB as the auditors of the Company is subject to the approval of the Shareholders at the SGM pursuant to the bye-laws of the Company.

### **General**

A circular containing, amongst other information, (i) further details of the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee regarding the Acquisition; (iv) the proposed change of auditors of the Group; and (v) a notice of the SGM will be dispatched to the Shareholders as soon as practicable.

### **Resumption of trading**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 17 December 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 December 2007.

## **INTRODUCTION**

The Board announced that the Purchaser, which is a wholly owned subsidiary of the Company, entered into a conditional Acquisition Agreement with the Vendors on 17 December 2007. Under the Acquisition Agreement, the Purchaser has agreed to acquire the remaining 60% of the issued share capital of Head & Shoulders Securities not owned by the Group from the Vendors at a consideration of approximately HK\$90 million which will be wholly satisfied by the issue of 253,518,000 Consideration Shares at the issue price of HK\$0.355 per Consideration Share by the Company to the Vendors (or their respective nominees).

## THE ACQUISITION AGREEMENT

**Date:** 17 December 2007

**Parties:**

- Vendors: (i) Ms. Cheung, a substantial Shareholder; and
- (ii) Mr. Lam Tung Woo, 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 Mr. Lam Tung Woo and the Group other than the commercial relationship arising from the Acquisition.

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

### Assets to be acquired

As at the date of this announcement, Ms. Cheung is interested in 52% of the entire issued share capital in Head & Shoulders Securities and the cost of investment of Ms. Cheung in 52% of the entire issued share capital in Head & Shoulders Securities is approximately HK\$17 million. Pursuant to the Acquisition Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, which comprise the remaining 60% of the issued share capital of Head & Shoulders Securities.

### Consideration for the Acquisition

The consideration payable by the Purchaser for the Sale Shares is approximately HK\$90 million which will be wholly satisfied by the allotment and issue of 253,518,000 Consideration Shares at the issue price of HK\$0.355 per Consideration Share by the Company to the Vendors (or their respective nominees) in proportion to the Sale Shares to be sold by them at Completion.

Pursuant to the Acquisition Agreement, the Vendors irrevocably guarantee, jointly and severally, to the Purchaser that, subject to Completion having occurred, the audited consolidated net profit before taxation of the Head & Shoulders Securities Group for FS 2007 as shown in the 2007 Accounts shall be not less than HK\$16 million. If the audited consolidated net profit before taxation of the Head & Shoulders Securities Group for FS 2007 is less than HK\$16 million, the Vendors shall, jointly and severally, pay the Purchaser the amount of the shortfall determined by applying the computation formula below:

$$A = (\text{HK\$}16,000,000 - B) \times C \times 60\%$$

### WHERE

- A is the amount of shortfall payable by the Vendors to the Purchaser
- B is the audited consolidated net profit before taxation of the Head & Shoulders Securities Group for FS 2007 as shown in the 2007 Accounts
- C is price-earnings ratio of 9.37 times

The price-earnings ratio of 9.37 times was determined with reference to the price-earnings ratio of other listed broking companies in Hong Kong.

The Company will publish an announcement upon determination of the shortfall (if any) pursuant to Rule 14A.57 of the Listing Rules.

Based on 829,526,000 Shares in issue, the Consideration Shares represent approximately 30.56% of the existing issued share capital of the Company and approximately 23.41% of the enlarged issued share capital of the Company after completion of the Acquisition.

Based on closing price of HK\$0.345 per Share on 14 December 2007 (being the last full trading day immediately prior to the date of this announcement), the Consideration Shares have a market value of approximately HK\$87.46 million. The issue price of each Consideration Share is HK\$0.355 which represents:

- (i) a premium of approximately 2.90% to the closing price of HK\$0.345 as quoted on the Stock Exchange on 14 December 2007 (being the last full trading day immediately prior to the date of this announcement); and
- (ii) a discount of approximately 1.93% to the average closing price of HK\$0.362 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 14 December 2007 (being the last full trading day immediately prior to the date of this announcement).

The consideration for the Acquisition was determined between the parties after arm's length negotiations with reference to the rapid growth in the revenue of Head & Shoulders Securities for the year ending 31 December 2007 and the great potential of the securities market in Hong Kong and in the PRC market.

The Directors (excluding the three independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The three independent non-executive Directors have yet to form a view on the terms of the Acquisition Agreement and their view and advice to the Independent Shareholders will be included in the SGM circular of the Company.

### **Lock-up period**

Under the Acquisition Agreement, each of the Vendors has undertaken to the Purchaser that none of them will transfer, assign, dispose of or otherwise deal with any of the Consideration Shares within the period of three months from the date of completion of the Acquisition Agreement.

### **Non-compete undertakings**

Under the Acquisition Agreement, each of the Vendors has undertaken to the Purchaser that none of them nor any of their respective associates will, during the period of two years from the completion of the Acquisition Agreement carry on or be engaged or interested in, or concerned with, in Hong Kong or the PRC, any business of the same nature or style as carried on by the Head & Shoulders Securities Group as at the date of the Acquisition Agreement.

## Specific Mandate to issue Consideration Shares

The Consideration Shares will be issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM. The Consideration Shares will be issued as fully-paid and shall rank passu in all respect with the existing Shares on the relevant date of allotment.

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.

## Change in 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:

Shareholders	As at the date of this announcement		Immediately after Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. Haywood Cheung and his associates	343,625,127	41.42	343,625,127	31.73
Other Directors	230,000	0.03	230,000	0.02
The Vendors				
- Ms. Cheung	101,960,000	12.29	321,676,000	29.70
- Mr. Lam Tung Woo	—	0.00	33,802,000	3.12
Other public Shareholders	<u>383,710,873</u>	<u>46.26</u>	<u>383,710,873</u>	<u>35.43</u>
	<u>829,526,000</u>	<u>100.00</u>	<u>1,083,044,000</u>	<u>100.00</u>

## Conditions for the Acquisition

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

- (a) the passing by the Independent Shareholders at the SGM to be convened the resolutions for approving the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares either unconditionally or subject to such conditions as are customarily imposed or which the Vendors, acting reasonably, accept;

- (c) as at the date of fulfillment or waiver of the last in time to be fulfilled of the conditions (other than this condition), the Licence is not revoked or suspended and Head & Shoulders Securities has not been notified of such revocation or suspension and there is no occurrence of any event which might lead to such revocation or suspension;
- (d) all necessary consents, authorizations or other approvals (or as the case may be, the relevant waiver) of any kind for the change of shareholder/control of Head & Shoulders Securities having been obtained from the SFC;
- (e) 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 Acquisition Agreement having been obtained by the respective parties;
- (f) the Purchaser having completed a due diligence review of and being satisfied with the business, assets and financial position of the Head & Shoulders Securities Group in all respects;
- (g) as at the date of fulfillment or waiver of the last in time to be fulfilled of the conditions (other than this condition), the Purchaser being satisfied that (i) all the warranties given by the Vendors under the Acquisition Agreement remain true and accurate in all respects and not misleading in all respect; and (ii) there has been no material adverse change on the financial or business condition of the Head & Shoulders Securities Group since the date of the Acquisition Agreement;
- (h) as at the date of fulfillment or waiver of the last in time to be fulfilled of the conditions (other than this condition), no petition for the winding up of the Head & Shoulders Securities Group being presented or analogous proceedings being taken against the Head & Shoulders Securities Group, 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 the Head & Shoulders Securities Group, 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 Acquisition Agreement;
- (j) the Vendors have fulfilled all their obligations and undertakings contained in the Acquisition Agreement to the satisfaction of the Purchaser; and
- (k) as at the date of fulfillment or waiver of the last in time to be fulfilled of the conditions (other than this condition), the Purchaser being satisfied that Head & Shoulders Securities has at least the minimum responsible officers registered and/or to be registered with the SFC covering all the regulated activities under the SFO and no notice for termination of their service contract by any such responsible officer has been given.

The Purchaser may waive any of the above conditions of the Acquisition Agreement (other than those set forth in paragraph (a) to (d) above) at any time before the Long-stop Date by notice in writing to any of the Vendors.

If any of the conditions precedent have not been fulfilled (or, as the case may be, waived by the Purchasers) by the Long-stop Date, the Acquisition Agreement (other than certain provisions of the Acquisition Agreement expressed to have continuing effect) shall from such date have no effect and no parties to the Acquisition 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 Acquisition Agreement.

## **Completion**

Completion shall take place on the fifth Business Day following the satisfaction or waiver of the last in time to be satisfied of the conditions precedent (or such other date as the Purchaser and the Vendors shall agree in writing). Upon Completion, Head & Shoulders Securities will become a wholly owned subsidiary of the Company and its result and the state of affairs will be consolidated in the financial statements of the Company.

## **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. Head & Shoulders Securities has filed an application to the SFC to carry on Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

### **Financial information of Head & Shoulders Securities**

Based on the audited financial statements of Head & Shoulders Securities, the audited net profit before and after taxation of Head & Shoulders Securities amounted to approximately HK\$667,000 for the year ended 31 March 2005. 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. For the year ended 31 December 2006, the audited net profit before and after taxation of Head & Shoulders Securities amounted to approximately HK\$5.46 million and HK\$4.58 million respectively. The audited net assets value of Head & Shoulders Securities as at 31 December 2006 was approximately HK\$14.47 million.

## **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 foreign exchange contracts.

Head & Shoulders Securities is engaged in dealing in securities with stable clientele base and has plans to expand its business to dealing in futures contracts, advising on securities and asset management.

Since the completion of the initial acquisition of the 40% of the issued share capital of Head & Shoulders Securities in June 2007, Head & Shoulders Securities has continued to enjoy remarkable growth in revenue and profit before taxation and its business was in line with the stock market in Hong Kong which remained robust in the second quarter of 2007. The Directors believe that Acquisition provides an opportunity to create synergy in respect of the Group's financial services and improve the overall financial performance of the Group in the long run.

The Board considers that the timing to acquire the remaining balance of the 60% of the issued share capital of Head & Shoulders Securities is a strategic move of the Group to enhance the value of the Shareholders. It enables the Group to consolidate control of Head & Shoulders Securities which is authorized to carry on Type 1 (dealing in securities) regulated activity under Part V of the SFO and is in the process of application of other regulated activities under the SFO, in particular that the Group currently does not have asset management business. Following completion, the Board expects that the Acquisition would accelerate the Group's expansion pace in the financial services activities, including asset management.

## **IMPLICATION UNDER THE LISTING RULES**

As the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition are more than 25% but lower than 100%, the Acquisition will constitute a major transaction for the Company under Chapter 14 of the Listing Rules. Moreover, as one of the Vendors (being Ms. Cheung) is a substantial Shareholder, therefore, the Acquisition will also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Ms. Cheung and her associates will be required to abstain from voting at the SGM on the resolution approving the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder. Mr. Chan Hok Ching, being a director of the Company and Head & Shoulders Securities, which holds approximately 0.02% of the issued share capital of the Company, will also be required to abstain from voting at the SGM on the resolution approving the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder.

## **PROPOSED CHANGE OF AUDITORS**

The Board announces that EY have resigned as the auditors of the Group with effect from 14 December 2007, as the Board and EY could not reach a consensus on the audit fees for the year ending 30 April 2008.

EY had indicated in their resignation letter that there were no circumstances connected with their resignation which they considered should be brought to the attention of the shareholders and creditors of the Company. Also, both the Board and the audit committee of the Company were not aware of any matter in respect of the abovementioned change of auditors that should be brought to the attention of the shareholders and creditors of the Company.



EY completed the audit of the financial statements of the Company for the year ended 30 April 2007 and have not commenced any audit work on the financial statements of the Company for the year ending 30 April 2008. It is expected that such change of auditors will not affect the audit and the release of the financial statements of the Company for the year ending 30 April 2008.

The Board has resolved to appoint HLB as the auditors of the Group to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next annual general meeting of the Company. The appointment of HLB as the auditors of the Group is subject to the approval of the shareholders of the Company at the SGM pursuant to the bye-laws of the Company.

## **GENERAL**

A circular containing, amongst other information, (i) further details of the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee regarding the Acquisition; (iv) the proposed change of auditors of the Group; and (v) a notice of the SGM will be dispatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 17 December 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 December 2007.

## **DEFINITIONS**

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

“2007 Accounts”	the audited consolidated balance sheet of the Head & Shoulders Securities Group as at the end of FS 2007 and the audited consolidated profit and loss of the Head & Shoulders Securities Group for FS 2007
“Acquisition”	the acquisition by the Purchaser from the Vendors of 60% of the issued share capital of Head & Shoulders Securities pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 17 December 2007 entered into between the Vendors and the Purchaser in relation to the Acquisition
“associate(s) “	has the meaning ascribed thereto under the Listing Rules
“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 exempted company incorporated in Bermuda and whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement in accordance with the terms therein
“Connected Person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration Share(s)”	253,518,000 new Shares to be allotted and issued to the Vendors (or their respective nominees) at the issue price of HK\$0.355 per Share, being the consideration for the Sale Shares pursuant to the Acquisition Agreement
“Director(s)”	director(s) of the Company
“EY”	Ernst & Young, the auditors of the Group before its resignation on 14 December 2007
“FS 2007”	the period of 12 months ending on 31 December 2007
“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
“Head & Shoulders Securities Group”	Head & Shoulders Securities and its subsidiary
“HLB”	HLB Hodgson Impey Cheng, the proposed auditors of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising of the three independent non-executive Directors, namely Mr. Chan Ka Ling, Edmond, Mr. Hong Po Kui, Martin and Mr. Wong Yu Choi
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM approving the Acquisition, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder under the Listing Rules
“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”	the licence currently held by Head & Shoulders Securities and any other licences which are in the process of application by the Head & Securities Group in connection with the regulated activities administered by the SFC under the SFO and granted to the Group prior to the Completion
“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”	29 February 2008, or such later date as the Vendors and the Purchaser may agree in writing
“Ms. Cheung”	Ms. Cheung Fung Kuen, Maggie, a substantial Shareholder as at the date of the Acquisition Agreement
“Purchaser”	Linewear Assets Limited, a company incorporated in the BVI, a wholly owned subsidiary of the Company
“Sale Shares”	the 18,000,000 ordinary shares of HK\$1.00 each in the issued share capital of Head & Shoulders Securities, of which 15,600,000 ordinary shares and 2,400,000 ordinary shares are held by Ms. Cheung Fung Kuen, Maggie and Mr. Lam Tung Woo respectively, representing the remaining 60% of the issued share capital of Head & Shoulders Securities as at the date of the Acquisition 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(s)”	ordinary Share(s) of HK\$0.01 each in the share capital of the Company
“SGM”	a special general meeting to be convened by the Company to consider and approve the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated thereunder and the proposed change of auditors of the Group
“Shareholder(s)”	holder(s) of Shares
“Specific Mandate”	the specific mandate to be sought from Independent Shareholders at the SGM by a resolution in respect of the issue and allotment of the Consideration Shares pursuant to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendors”

Ms. Cheung and Mr. Lam Tung Woo who are the legal beneficially owners of 15,600,000 and 2,400,000 ordinary shares of Head & Shoulders Securities, representing 52% and 8% respectively of the issued share capital of Head & Shoulders Securities as at the date of the Acquisition Agreement

“%”

per cent

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

Hong Kong, 19 December 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*