



Interim Report 2007 / 2008

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

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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. 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

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
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RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
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Bermuda

PRINCIPAL BANKERS

Hang Seng Bank Limited
Wing Lung Bank Limited
DBS Bank (Hong Kong) Limited
Chong Hing Bank Limited

SOLICITORS

Chiu & Partners

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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STOCK CODE

993

WEBSITE

www.simsen.com

Unaudited Condensed Consolidated Financial Statements



The board of directors (the “Board”) is pleased to present to the shareholders of Simsen International Corporation Limited (the “Company”) the consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 31 October 2007 together with the comparative figures on pages 4 to 23. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

Condensed Consolidated Profit and Loss Account

For the six months ended 31 October 2007



For the six months ended
31 October

	Notes	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
Revenue		87,557	4,734
Cost of sales		(19,424)	—
Gross profit		68,133	4,734
Other income		27,346	2,613
Administrative expenses		(48,327)	(30,780)
Gain on disposal/deemed disposal of subsidiaries		—	8,775
Impairment loss (recognized) reversed in respect of interest in a jointly-controlled entity		(110)	—
Impairment loss (recognized) reversed in respect of interests in associates		(44)	760
Impairment loss (recognized) reversed in respect of accounts receivable		(576)	202
Loss on disposal/written-off of property, plant and equipment		(311)	(5)
Finance expenses		(492)	(364)
Share of results of:			
— Jointly-controlled entities		—	(2,334)
— Associates		3,216	(7)
PROFIT (LOSS) BEFORE TAX	4	48,835	(16,406)
Taxation	5	—	—
PROFIT (LOSS) FOR THE PERIOD		48,835	(16,406)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		48,842	(16,340)
Minority interests		(7)	(66)
		48,835	(16,406)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic			
— for profit (loss) for the period (cents)	7	6.29	(2.69)
— for profit (loss) from continuing operations (cents)		6.29	(2.69)
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 2007



	Notes	31 October 2007 HK\$'000 (Unaudited)	30 April 2007 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		32,863	34,599
Goodwill		1,498	1,498
Other long term assets		9,627	13,289
Intangible assets		2,163	2,163
Interest in a jointly-controlled entity	8	20	—
Interests in associates	9	77,034	—
Available-for-sale investments	10	4,172	136
		127,377	51,685
CURRENT ASSETS			
Due from a related party		—	178
Due from minority shareholder		17	—
Inventories		130	130
Gold on hand		443	386
Accounts receivable	12	182,475	43,792
Prepayments, deposits and other receivables		18,850	7,863
Equity investments at fair value through profit or loss	11	197,869	184,560
Bank trust account balances		128,866	102,131
Pledged bank deposits		3,604	3,594
Cash and bank balances		107,823	67,889
		640,077	410,523
CURRENT LIABILITIES			
Accounts payable	13	278,890	134,103
Other payables and accrued liabilities		8,658	8,384
Promissory note		—	4,036
Interest-bearing bank and other borrowings		9,906	1,708
Finance leases payable		309	378
Tax payable		—	10
Due to minority shareholders		1,534	1,412
Due to a director		620	—
		299,917	150,031
NET CURRENT ASSETS		340,160	260,492
TOTAL ASSETS LESS CURRENT LIABILITIES		467,537	312,177

Condensed Consolidated Balance Sheet

As at 31 October 2007



Notes	31 October 2007 HK\$'000 (Unaudited)	30 April 2007 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
	9,319	9,894
Interest-bearing bank and other borrowings		
	591	664
Finance leases payable		
	332	332
Deferred tax liabilities		
	3,245	3,975
Provision for long service payments		
	13,487	14,865
NET ASSETS	454,050	297,312
EQUITY		
Equity attributable to equity holders of the Company		
	8,295	6,076
Issued capital	14	
	441,600	286,249
Reserves		
	4,148	4,977
Proposed dividend		
	454,043	297,302
Total equity attributable to equity holders of the Company		
	7	10
Minority interests		
	454,050	297,312

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2007



Attributable to equity holders of the Company

Notes	Issued capital HK\$'000	Contributed surplus HK\$'000	General reserve HK\$'000	Currency translation reserve HK\$'000	Retained	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
					earnings/losses HK\$'000				
At 1 May 2006	6,076	5,232	950	442	215,848	3,645	232,193	226	232,419
Exchange realignment	-	-	-	600	-	-	600	-	600
Total income and expense recognized directly in equity	-	-	-	600	-	-	600	-	600
Loss for the period	-	-	-	-	(16,340)	-	(16,340)	(66)	(16,406)
Total income and expense for the year	-	-	-	600	(16,340)	-	(15,740)	(66)	(15,806)
Transferred to assets held for disposal	6	-	(936)	-	-	-	(936)	-	(936)
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	(275)	(275)
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 2007	6,076	-	5,232	(7)	281,024	4,977	297,302	10	297,312
Exchange realignment	-	-	-	24	-	-	24	1	25
Total income and expense recognized directly in equity	-	-	-	24	-	-	24	1	25
Profit for the period	-	-	-	-	48,842	-	48,842	(7)	48,835
Total income and expense for the year	-	-	-	24	48,842	-	48,866	(6)	48,860
Placement of shares	14	1,200	48,441	-	-	-	49,641	-	49,641
Acquisition of an associate	14	1,019	62,192	-	-	-	63,211	-	63,211
Interest in a subsidiary	-	-	-	-	-	-	-	3	3
Dividend paid	-	-	-	-	-	(4,977)	(4,977)	-	(4,977)
Proposed interim dividend	-	-	-	-	(4,148)	4,148	-	-	-
At 31 October 2007	8,295	110,633	5,232	17	325,718	4,148	454,043	7	454,050

Condensed Consolidated Cash Flow Statement

For the six months ended 31 October 2007



For the six months ended
31 October

	2007 HK\$'000	2006 HK\$'000
Net cash inflow from operating activities	7,588	21,660
Net cash outflow from investing activities	(11,524)	(1,759)
Net cash inflow (outflow) from financing activities	43,880	(4,291)
Increase in cash and cash equivalents	39,944	15,610
Cash and cash equivalents at beginning of year	71,483	43,789
Cash and cash equivalents at end of period	111,427	59,399
Analysis of balances of cash and cash equivalents		
Cash and bank balances	107,823	55,932
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	3,604	3,467
	111,427	59,399

Notes to Condensed Consolidated Financial Statements



1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 October 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “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 condensed financial statements are consistent with those used in the annual financial statements for the year ended 30 April 2007.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, amendments and interpretations (collectively the “New HKFRSs”) issued by the HKICPA, which are effective for the Company’s financial year beginning on or after 1 January 2007. The adoption of the New HKFRSs had no material effect on how the results and the financial position for the current or prior periods have been prepared and presented.

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards and interpretations (collectively, the “HKFRS”) and HKAS that have been issued but are not yet effective. The Directors anticipate that the application of these HKFRS and HKAS will have no material impact on the result and financial position of the Group.

HKFRS 8	Operating Segments ¹
HKAS 23 (revised)	Borrowing Costs ¹
HK(IFRIC) — Int 12	Service Concession Arrangement ²
HK(IFRIC) — Int 13	Customer Loyalty Programmes ³
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

Notes to Condensed Consolidated Financial Statements



3. SEGMENTAL INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 IPO margin financing, and result of investment holding and proprietary trading of marketable securities;
- the bullion segment represents the broking and dealing of the bullion contracts;
- the forex segment represents the broking and dealing of the forex contracts;
- the trading segment, started its operations in current period, represents shipment sale of motor vehicles; and
- the corporate and others segment comprises loan financing, the provision of management and consultancy services and other services together with corporate income and expense items.

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.

The bullion segment was combined with the forex segment in the prior years. In the opinion of the directors, it is more appropriate to separately disclose these two sectors in the current period due to the significance of the bullion and forex segments to the Group's results and financial position. Comparative amounts have been reclassified to conform with the current period presentation.

Notes to Condensed Consolidated Financial Statements



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 2007 and 2006.

For the six months ended 31 October 2007

	Securities HK\$'000	Bullion HK\$'000	Forex HK\$'000	Trading HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales to external customers	25,076	19,435	18,823	21,845	2,378	87,557
Other revenue and gains	25,545	2	—	(181)	115	25,481
Total	50,621	19,437	18,823	21,664	2,493	113,038
Segment results	28,069	17,740	11,907	1,743	(7,914)	51,545
Unallocated interest income and gains						1,865
Unallocated expenses						(7,145)
Finance expenses						(492)
Share of results of:						
— associates	3,216	—	—	—	—	3,216
Impairment loss on interest in						
— a jointly-controlled entity	—	—	—	—	(110)	(110)
— associates	—	—	—	—	(44)	(44)
Profit before tax						48,835
Taxation						—
Profit for the period						48,835

Notes to Condensed Consolidated Financial Statements



3. SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

For the six months ended 31 October 2006 (Restated)

	Securities HK\$'000	Bullion HK\$'000	Forex HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales to external customers	6,879	(6,142)	1,562	2,435	4,734
Other revenue and gains	431	—	—	999	1,430
Total	7,310	(6,142)	1,562	3,434	6,164
Segment results	(7,614)	(9,152)	1,093	4,575	(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)
— associates	—	—	—	(7)	(7)
Reversal of impairment loss on interests in associates	—	—	—	760	760
Loss before tax					(16,406)
Taxation					—
Loss for the period					(16,406)

Notes to Condensed Consolidated Financial Statements



3. SEGMENTAL INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and results for the Group's geographical segments for the six months ended 31 October 2007 and 2006.

For the six months ended 31 October 2007

	Hong Kong HK\$'000	Philippines HK\$'000	Canada HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	66,933	21,845	(1,221)	87,557

For the six months ended 31 October 2006

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

Notes to Condensed Consolidated Financial Statements



4. PROFIT (LOSS) BEFORE TAX

	For the six months ended	
	2007	2006
	HK\$'000	HK\$'000
Profit (loss) before tax is stated after (crediting) charging the following:		
Depreciation	2,416	1,823
Impairment loss recognized (reversed) in respect of accounts receivable	576	(171)
Minimum lease payments under operating leases on leasehold land and buildings	3,920	4,155
Employee benefit expenses	26,979	13,964
Net rental income	12	—
Loss on disposal/written-off of property, plant and equipment	311	5
Gain on disposal/deemed disposal of subsidiaries	—	(8,775)
Exchange gains, net	(23,879)	(834)
Fair value (gains) losses on bullion, forex, securities and futures contracts, net	(25,131)	14,198

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 year (2006: Nil). The statutory tax rate for Hong Kong profits tax is 17.5% (2006: 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



6. DISCONTINUED OPERATION

The Group had processed the liquidation of a jointly-controlled entity, Guangxi Dexin Aluminium Industry Company Limited (“Dexin”) during the year ended 30 April 2006. The liquidation of Dexin was completed on 29 March 2007. Upon completion of the liquidation, the Group discontinued the operation of 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 2006
	HK\$'000
Share of profit (loss) of a jointly-controlled entity	(936)
Transfer from general reserve	936
Profit before tax from the discontinued operation	—
Tax	—
Profit for the period from the discontinued operation	—

No asset relating to the trading and manufacturing of aluminum products was classified as held for sale at 30 April 2007.

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

	For the six months ended 31 October 2006
	HK\$'000
Operating activities	3,468
Investing activities	—
Financing activities	—
Net cash inflow	3,468

Notes to Condensed Consolidated Financial Statements



7. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the period attributable to the equity holders of the Company of HK\$48,842,000 (2006: loss of HK\$16,340,000) and the weighted average of 776,218,000 (2006: 607,566,000) ordinary shares in issue during the period.

Diluted earnings (loss) per share for the six months ended 31 October 2007 and 2006 have not been disclosed as no diluting event existed during the two periods.

8. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	31 October 2007 HK\$'000	30 April 2007 HK\$'000
Share of net assets	—	—
Due from a jointly-controlled entity	299	169
Loans to a jointly-controlled entity	2,250	2,250
	2,549	2,419
Less: Provision for impairment	(2,529)	(2,419)
	20	—

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The loans to a jointly-controlled entity are unsecured, bear interest at the Hong Kong dollar prime rate plus 2% per annum and are repayable within one year. In the opinion of the Directors, the loans to the jointly-controlled entity have been fully impaired because the operation of the jointly-controlled entity is declining and the likelihood of recoverability is low.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
sunArt Entertainment Limited	Corporate	Hong Kong	50	50	50	Entertainment

Notes to Condensed Consolidated Financial Statements



9. INTERESTS IN ASSOCIATES

	31 October 2007 HK\$'000	30 April 2007 HK\$'000
Share of net assets	18,051	—
Unamortized goodwill on acquisition	58,980	—
	77,031	—
Loan to an associate	900	900
Due from associates	83	36
	78,014	936
Less: Provision for impairment	(980)	(936)
	77,034	—

The loan to an associate is unsecured, interest-bearing with interest charged at the Hong Kong dollar prime rate plus 2% per annum. The loan was matured on 30 September 2007 and remained outstanding at the balance sheet date. Other than the aforementioned, the balances with associates are unsecured, interest-free and have no fixed term of repayment.

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued shares	Effective equity interest attributable to the Group		Principal activities
				31 October 2007	30 April 2007	
Asia Vigour Productions Limited	Corporate	Hong Kong	HK\$2	48%	48%	Producing, organizing and promoting live concerts
Asia Vigour (Holdings) Limited	Corporate	British Virgin Islands	US\$100	48%	48%	Investment holding
Head & Shoulders Securities Limited ("H&S Securities")	Corporate	Hong Kong	HK\$30,000,000	40%	—	Securities broking and trading

Notes to Condensed Consolidated Financial Statements



9. INTERESTS IN ASSOCIATES (continued)

On 6 June 2007, the Group acquired a 40% equity interest in H&S Securities (the "Acquisition"), a licensed corporation authorized to carry on Type 1 (dealing in securities) regulated activity under Part V of the SFO, for a total consideration of HK\$16 million. Details of the Acquisition were set out in a circular to the shareholders of the Company and in an announcement dated 21 March 2007 and 6 June 2007, respectively. On 13 June 2007 and 20 August 2007, H&S Securities enlarged its issued share capital by issuing 9,000,000 new shares and 10,000,000 new shares, respectively, at HK\$1 each to its shareholders. The Group was proportionally allotted 3,600,000 new shares and 4,000,000 new shares of H&S Securities at a consideration of HK\$3,600,000 and HK\$4,000,000, respectively, which were payable in full on the allotment dates.

10. AVAILABLE-FOR-SALE INVESTMENTS

	31 October 2007 HK\$'000	30 April 2007 HK\$'000
Unlisted equity investments in Hong Kong, at cost	136	136
Less: Provision for impairment	—	—
	136	136
Unlisted equity investments outside Hong Kong, at cost	17,661	13,625
Less: Provision for impairment	(13,625)	(13,625)
	4,036	—
	4,172	136

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 October 2007 HK\$'000	30 April 2007 HK\$'000
Listed equity investments, at market value:		
— Hong Kong	8,373	9,162
— Elsewhere	189,496	175,398
	197,869	184,560

Notes to Condensed Consolidated Financial Statements



12. ACCOUNTS RECEIVABLE

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

	31 October 2007	30 April 2007
	HK\$'000	HK\$'000
Accounts receivable		
– from securities, forex and bullion dealing services	159,880	41,703
– from margin financing and money lending operations	963	2,089
– from trading operations	21,632	–
	182,475	43,792
Portion classified as non-current assets	–	–
Portion classified as current assets	182,475	43,792

An aged analysis of the Group's accounts receivable for securities, forex 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 2007	30 April 2007
	HK\$'000	HK\$'000
Current to 90 days	158,647	41,703
Over 90 days	1,233	–
	159,880	41,703

An aged analysis of the Group's accounts receivable for margin financing, money lending and trading operations at the balance sheet date, based on the settlement due date and net of provisions for impairment, is as follows:

	31 October 2007	30 April 2007
	HK\$'000	HK\$'000
Repayable:		
On demand	13,460	2,079
Within 3 months	9,135	10
	22,595	2,089
Portion classified as current assets	(22,595)	(2,089)
Portion classified as non-current assets	–	–

Notes to Condensed Consolidated Financial Statements



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 2007 HK\$'000	30 April 2007 HK\$'000
Current to 30 days	278,890	134,103

14. SHARE CAPITAL

	31 October 2007 HK\$'000	30 April 2007 HK\$'000
Authorized:		
50,000,000,000 (2006: 50,000,000,000) ordinary shares of HK\$0.01 each	500,000	500,000
Issued and fully paid:		
829,526,000 (2006: 607,566,000) ordinary shares of HK\$0.01 each	8,295	6,076

- (a) On 6 March 2007, the Group entered into a conditional share sale agreement to acquire 40% interest in the issued share capital of H&S Securities involving the issue of new shares, for the consideration of HK\$3 million in cash and HK\$13 million by the allotment and issue of 101,960,000 new shares of the Company as consideration shares. The Acquisition was completed on 6 June 2007 and its details were set out in a circular to the shareholders of the Company dated 21 March 2007.
- (b) On 29 May 2007, the Company entered into a conditional placing agreement to place through a placing agent, on a fully underwritten basis, 120,000,000 placing shares at the placing price of HK\$0.42 per placing share (the "Placing"). Details of the Placing were set out in an announcement and a circular made by the Company dated 30 May 2007 and 5 June 2007 respectively. The Placing was completed on 22 June 2007.

Notes to Condensed Consolidated Financial Statements



15. 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 2007	30 April 2007
	HK\$'000	HK\$'000
Within one year	7,925	6,410
In the second to fifth years inclusive	5,514	2,074
	13,439	8,484

16. COMMITMENTS

In addition to the operating lease commitment detailed in note 15 above, the Group had the following commitments at the balance sheet date:

- (a) 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 2007	30 April 2007
	HK\$'000	HK\$'000
Net open position of bullion contracts	92,963	67,709
Net open position of forex contracts	485,587	334,642

- (b) Pursuant to a distributorship agreement entered by the Group on 30 April 2007, the Group was committed to purchase from the distributor minimum approximately US\$8,987,000 and US\$49,000 motor vehicles and spare parts respectively.
- (c) On 27 September 2007, the Group entered into an agreement with De-Nian International Company, Inc ("DeNian"), an independent third party incorporated in Taiwan and principally engages in property development in Taiwan, to apply for 6,400,000 new shares at NTD 10 each, being 8.377% of the enlarged issued shares of DeNian immediately after the allotment of the new shares.

Notes to Condensed Consolidated Financial Statements



17. 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:

	Notes	For the six months ended	
		2007	2006
		HK\$'000	HK\$'000
Interest received from an associate	(i)	44	45
Interest received from a jointly-controlled entity	(i)	110	60
Rental expenses paid to related companies	(ii)	451	162
Employment compensation paid to the close family members of certain directors of the Company		822	566
Profit on disposal of certain property, plant and equipment to a close family member of a director of the Company		24	—
Dividend income from an associate		—	720

Notes:

- (i) Interest receivable arose from loans that are unsecured, bearing interest at prime rate plus 2% per annum.
- (ii) Rental was payable to related companies, certain shareholders and directors of which are also a director and close family member of the directors of the Company. The rental charges were based on the mutual agreements between the Group and the related companies with reference made to the prevailing market condition.
- (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 2007: HK\$2,000,000) granted by the honorary chairman of the Company and personal guarantees executed by the honorary chairman, a director of the Company and certain executives of a subsidiary of the Company.
- (ii) During the period, the Group disposed a motor vehicle to a close family member of a director of the Company at HK\$292,000. The proceed was fully settled in cash during the period.

Notes to Condensed Consolidated Financial Statements



18. POST BALANCE SHEET EVENTS

- (a) On 8 November 2007, the Group disposed its 100% equity interest in CHINA GOLD (Precious Metal) Strategic Investment Limited (“China Gold”) to an independent third party at a consideration of HK\$750,000. China Gold is engaged in broking and dealing of the bullion contracts.
- (b) On 17 December 2007, Linewear Assets Limited (“Linewear”), a wholly-owned subsidiary of the Group, entered into a conditional agreement with a connected person and an independent third party (together the “Vendors”) to acquire the remaining 60% of the issued share capital of H&S Securities at a consideration of approximately HK\$90 million which will be wholly satisfied by the issue of 253,518,000 new shares of the Company at the issue price of HK\$0.355 per share. The details of the transaction were set out in an announcement dated 19 December 2007. Provided that the net assets value of H&S Securities as at 31 December 2007 remained unchanged upon completion, the Group is expected to generate a goodwill of approximately HK\$40,000,000 for the acquisition that will be capitalized and tested for impairment at least annually.

19. COMPARATIVE AMOUNTS

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

Management Discussion and Analysis



BUSINESS REVIEW

For the period under review, the Group recorded an unaudited profit attributable to equity holders of the Company of approximately HK\$48,842,000 (2006: loss of HK\$16,340,000). Turnover for the period under review was HK\$87,557,000 (2006: HK\$4,734,000), representing a significant increase of over 18 times.

Securities

The securities segment comprises broking and dealing of securities, futures and options contracts, provision of IPO margin financing, and results of investment holding and proprietary trading of marketable securities.

The Hong Kong stock market was benefited from the optimism over the 2008 Beijing Olympics and Renminbi-denominated asset appreciation successively. These came after Beijing's announcement that Mainland citizen would be allowed to invest directly on the Hong Kong stock market. Revenue for the securities segment was approximately HK\$25,076,000 for the period under review (2006: HK\$6,879,000), representing an increase of over 3 times. This significant growth was attributable to a surge in securities market turnover as a result of inflows of foreign and domestic funds in anticipation of benefit from the potential effects generated by Qualified Domestic Institutional Investor ("QDII") arrangements and continued speculation over appreciation of the Renminbi.

Bullion and Forex

The bullion segment comprises broking and dealing of bullion contracts, which recorded a revenue and a profit of about HK\$19,435,000 and HK\$17,740,000 respectively for the period under review (2006: negative revenue of HK\$6,142,000 and loss of HK\$9,152,000 respectively).

The Group manages its own forex operation from October 2006 after acquisition of the remaining 50% equity interest in a then jointly-controlled entity. The leveraged foreign currency exchange trading activity is regulated by the Securities and Futures Ordinance (the "SFO"). For the period under review, operation recorded a revenue and a profit of HK\$11,907,000 and HK\$18,823,000 respectively.

During the period under review, the bullion market operated in a vastly volatile market as compared to a distribution market for the corresponding period of 2006, the Group, through its well-experienced dealing team, was able to take advantage of this opportunity to turnaround the bullion operations and generate satisfactory return to the Group.

Management Discussion and Analysis



In addition, the “morale boosting” incentive program introduced by the management is also one of the contributing reasons in improving the performance of the marketing and customer services team. Indeed, rising efficiency and improved customer services have undoubtedly benefited the operation as a whole.

Trading

During the period under review, the Group successfully obtained a dealership right to sell in Philippines a branded vehicles manufactured in China. Revenue for this segment was approximately HK\$21,845,000. The Company expects this business could widen the earning base of the Group and provide a source of steady income in the foreseeable future.

Corporate and Others

The corporate and others segment comprises loan financing, provision of management and consultancy services together with corporate income and expense items and other services. Revenue generated from corporate and others segment was HK\$2,378,000 for the period under review (2006: HK\$2,435,000), representing a slight decrease of approximately 2.34%.

PROSPECTS

The Group is optimistic about the business for the rest of the year. Hong Kong's GDP is expected to show a strong growth of 5%-6% while liquidity remains abundant in anticipation of the Renminbi-asset appreciation and Mainland citizen's direct investments in the Hong Kong stock securities. Financial services companies like us who have a solid execution platform is likely to benefit from this relaxation of China investment policies.

The strategic acquisition of the remaining 60% interest in the issued share capital of H&S Securities is in progress, the Group will commence internal business collaboration and more product cross-selling with an aim to enhance our market breadth and economies of scale. It is hoped that with more co-marketing and co-branding of the financial products, synergies from the acquisition will bring forth both a reduction of the costs of the Group's financial services operations as well as an increase of income from these operations.

Overall, the Group will continue to diversify its revenue mix through strengthening existing businesses, enriching product types, and sourcing new investment opportunity.

Management Discussion and Analysis



CAPITAL STRUCTURE

As at 31 October 2007, the Group had secured bank loans of approximately HK\$11,028,000 bearing interest at prime rate minus 2.4% per annum and repayable in June 2015 and a trust receipt loan of approximately HK\$8,198,000 which was settled after the balance sheet date.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2007, the current ratio of the Group was at approximately 214% and the net current assets were approximately HK\$341,060,000. 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 4%.

SIGNIFICANT EVENTS, PLACING OF NEW SHARES AND MATERIAL ACQUISITIONS

On 6 March 2007, the Group entered into a conditional share sale agreement to acquire 40% interest in the issued share capital of H&S Securities involving the issue of new shares, for the consideration of HK\$3 million in cash and HK\$13 million by the allotment and issue of 101,960,000 new shares of the Company as consideration shares. The acquisition was completed on 6 June 2007 and its details were set out in a circular to the shareholders of the Company dated 21 March 2007.

On 29 May 2007, the Company entered into a conditional placing agreement to place through the placing agent, on a fully underwritten basis, 120,000,000 placing shares at the placing price of HK\$0.42 per placing share (the "Placing"). The net proceeds from the Placing of approximately HK\$49 million is intended to be applied as to (i) approximately HK\$35 million for future investments in relation to mining and/or natural resources; (ii) approximately HK\$9 million for possible expansion of the financial services of the Group; and (iii) approximately HK\$5 million for general working capital of the Group. Details of the Placing were set out in an announcement and a circular made by the Company dated 30 May 2007 and 5 June 2007 respectively. The Placing was completed on 22 June 2007.

Management Discussion and Analysis



Cheung's Securities Brokers Limited, a wholly-owned subsidiary of the Company, provided an advance in an aggregate amount of approximately HK\$5.16 million to Mr. Haywood Cheung ("Mr. Cheung") between 2 May 2006 and 20 September 2006 ("Financial Assistance"). Mr. Cheung repaid each of the Financial Assistance in full at the end of the same day when such Financial Assistance occurred. The Financial Assistance was made at the request of Mr. Cheung against receipt of cheques for the equivalent amount from Mr. Cheung. By virtue of the fact that Mr. Cheung is a controlling shareholder and the chairman of the Company, Mr. Cheung is a connected person of the Company pursuant to Rule 14A.11 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Accordingly, the Financial Assistance constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the Financial Assistance were set out in an announcement made by the Company dated 11 September 2007.

On 27 September 2007, the Group entered into an agreement with DeNian, an independent third party incorporated in Taiwan and principally engages in property development in Taiwan, to apply for 6,400,000 new shares at NTD 10 each, being 8.377% of the enlarged issued shares of DeNian immediately after the allotment of the new shares.

CURRENCY STRUCTURE

As at 31 October 2007, the Group has 6,014,200 shares with market price of CAD 3.9 per share of a company listed on the TSX Venture Exchange which are denominated in Canadian Dollar, and investment in equity interest in companies in China of approximately RMB9,000,000. No hedging for non-Hong Kong dollars assets 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.

CHARGES ON GROUP ASSETS

As at 31 October 2007, the total bank loans and obligations under finance lease amounted to approximately HK\$9,225,000 and HK\$900,000 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 2007, the Group employed a total of about 187 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 on 4 March 2002.

SUBSEQUENT EVENT

On 8 November 2007, the Group disposed 100% interest in China Gold to an independent third party at a consideration of HK\$750,000. China Gold is engaged in broking and dealing of the bullion contracts. The consideration representing the fair values of identifiable assets and liabilities and was settled in cash on completion.

The Board proposed to appoint HLB Hodgson Impey Cheng (“HLB”) as the new auditors of the Group to fill the casual vacancy following the resignation of Ernst & Young on 14 December 2007. The appointment of HLB as auditors of the Group is subject to the approval of the shareholders at a special general meeting to be convened.

Linewear, a wholly-owned subsidiary of the Company entered into a conditional agreement with a connected person and an independent third party (together the “Vendors”) on 17 December 2007. Under the agreement, Linewear agreed to acquired the remaining 60% of the issued share capital of H&S 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 shares of the Company at the issue price of HK\$0.355 per share. Completion of the transaction is subject to fulfillment of certain conditions, including the approval by the independent shareholders. Details of the transaction were set out in an announcement dated 19 December 2007.

Other Information



INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.005 per share for the six months ended 31 October 2007 (2006: Nil) payable to the shareholders whose names appear on the register of members of the Company on 20 February 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 February 2008 to 20 February 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrars, Tricor 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 15 February 2008. It is expected that the interim dividend will be payable to those entitled on 29 February 2008.

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

At 31 October 2007, 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 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:

Interests in ordinary shares of the Company

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	
Mr. Haywood Cheung	(a)	—	343,625,127	343,625,127	41.42%
Mr. Chan Hok Ching		170,000	—	170,000	0.02%
Mr. So Pak Kwai		10,000	—	10,000	0.00%
Mr. Chan Ka Ling, Edmond	(b)	—	50,000	50,000	0.01%

Other Information



Notes:

- (a) The shares under “Interest of controlled corporation” comprised:
- (i) 330,825,127 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 and in the section under the heading “Directors’ rights to acquire shares or debentures” below, as at 31 October 2007, none of the Directors or the chief executive of the Company had any interest and long 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.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER SFO

As at 31 October 2007, 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	Note	Number of Shares interested	Capacity	Approximate percentage of shareholding
Haywood Shares Holding Limited	(a)	330,825,127	Beneficial owner	39.88%
Lynch Oasis Inc.		101,960,000	Beneficial owner	12.29%

Other Information



Note:

- (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.

Save as disclosed above, as at 31 October 2007, 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 COMPANYS' 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.

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 to the Listing Rules for the six months ended 31 October 2007. 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 2008.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries of all directors regarding any non-compliance with the Model Code during the period, 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 CG 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 three independent non-executive Directors of the Company. The unaudited financial statements for the six months ended 31 October 2007 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, 21 January 2008

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