

**SIMSEN INTERNATIONAL CORPORATION LIMITED****天行國際(控股)有限公司\****(Incorporated in Bermuda with limited liability)*

(Stock Code: 993)

**FINAL RESULTS FOR THE YEAR ENDED 30 APRIL 2007**

The Board of Directors of Simsen International Corporation Limited (the “Company”) is pleased to announce that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 April 2007 together with the audited comparative figures for the year ended 30 April 2006 were as follows:

**CONSOLIDATED INCOME STATEMENT***30 April 2007*

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>124,445</b>	173,120
Other income	3	<b>4,686</b>	2,682
Administrative expenses		<b>(67,531)</b>	(64,042)
Gain on disposal of an investment property		—	2,000
Gain on disposal of subsidiaries		<b>8,775</b>	5,336
Change in fair value of an investment property		—	715
Other operating income/(expenses), net		<b>(2,099)</b>	3,765
Finance costs	5	<b>(2,379)</b>	(1,165)
Share of profits and losses of:			
Jointly-controlled entities		<b>(1,815)</b>	(2,600)
Associates		<b>5</b>	(1,024)
<b>PROFIT BEFORE TAX</b>	4	<b>64,087</b>	118,787
Tax	6	<b>(38)</b>	24
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>64,049</b>	118,811
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations		<b>5,203</b>	37,333
<b>PROFIT FOR THE YEAR</b>		<b>69,252</b>	156,144
Attributable to:			
Equity holders of the Company		<b>69,203</b>	156,193
Minority interests		<b>49</b>	(49)
		<b>69,252</b>	156,144

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
<b>DIVIDENDS</b>	7		
Interim		—	3,038
Proposed final		<u>4,977</u>	<u>3,645</u>
		<u><b>4,977</b></u>	<u><b>6,683</b></u>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	 8		
Basic			
— For profit for the year		<u><b>HK\$11.39 cents</b></u>	<u>HK\$25.71 cents</u>
— For profit from continuing operations		<u><b>HK\$10.54 cents</b></u>	<u>HK\$19.56 cents</u>
Diluted			
— For profit for the year		<u>N/A</u>	<u>N/A</u>
— For profit from continuing operations		<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED BALANCE SHEET**

30 April 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>34,599</b>	33,304
Goodwill		<b>1,498</b>	—
Other long term assets		<b>13,289</b>	4,613
Intangible assets		<b>2,163</b>	2,163
Interests in jointly-controlled entities		—	12,163
Interests in associates		—	—
Available-for-sale investments		<b>136</b>	278
Accounts receivable	9	—	117
Total non-current assets		<b>51,685</b>	52,638
<b>CURRENT ASSETS</b>			
Due from a related party		<b>178</b>	—
Inventories		<b>130</b>	130
Gold on hand		<b>386</b>	368
Accounts receivable	9	<b>43,792</b>	27,433
Loans receivable		—	17,851
Prepayments, deposits and other receivables		<b>7,863</b>	45,919
Equity investments at fair value through profit or loss		<b>184,560</b>	119,737
Bank trust account balances		<b>102,131</b>	40,624
Pledged bank deposits		<b>3,594</b>	3,000
Cash and cash equivalents		<b>67,889</b>	40,789
Asset of a disposal group classified as held for sale		—	1,062
Total current assets		<b>410,523</b>	296,913
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	<b>134,103</b>	65,795
Other payables and accruals		<b>8,384</b>	18,040
Promissory note		<b>4,036</b>	—
Interest-bearing bank and other borrowings		<b>1,708</b>	9,726
Finance lease payable		<b>378</b>	221
Tax payable		<b>10</b>	8,753
Due to minority shareholders		<b>1,412</b>	—
Total current liabilities		<b>150,031</b>	102,535
<b>NET CURRENT ASSETS</b>		<b>260,492</b>	194,378
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>312,177</b>	247,016

	<i>Note</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>9,894</b>	10,973
Finance lease payable		<b>664</b>	162
Deferred tax liabilities		<b>332</b>	303
Provision for long service payments		<b>3,975</b>	3,159
		<hr/>	<hr/>
Total non-current liabilities		<b>14,865</b>	14,597
		<hr/>	<hr/>
Net assets		<b>297,312</b>	232,419
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued capital		<b>6,076</b>	6,076
Reserves		<b>286,249</b>	222,472
Proposed final dividend	7	<b>4,977</b>	3,645
		<hr/>	<hr/>
Total equity attributable to equity holders of the Company		<b>297,302</b>	232,193
		<hr/>	<hr/>
Minority interests		<b>10</b>	226
		<hr/>	<hr/>
Total equity		<b>297,312</b>	232,419
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*Notes:*

### **1.1 Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments, which have been measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 April 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

## 1.2 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economics"

This principal changes in accounting policies are as follows:

### (a) *HKAS 21 Amendment — The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 30 April 2007 or 30 April 2006.

**(b) HKAS 39 — Financial Instruments: Recognition and Measurement**

*(i) Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 “Revenue”. The adoption of this amendment has had no material impact on these financial statements.

*(ii) Amendment for cash flow hedge accounting of forecast intragroup transactions*

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

*(iii) Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the consolidated income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

**(c) HK(IFRIC)-Int 4 — Determining whether an Arrangement contains a Lease**

The Group has adopted this interpretation as of 1 May 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 “Leases”. However, the adoption of this interpretation has had no material impact on these financial statements.

**(d) HK(IFRIC)-Int 8 – Scope of HKFRS 2**

The Group has adopted this interpretation as of 1 May 2006, which provides guidance in commencing whether transactions involving the issuance of equity impairment. Where the identifiable consideration received is less than the fair value of the equity instalments issued — to exercisable whether or not they fall within the Scope of HKFRS 2. However, the adoption of this interpretation has had no material impact on these financial statements.

## 2. Segment information

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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 details of the business segments are as follows:

- (a) the securities segment represents the broking and dealing of the securities, futures and options contracts, the provision of margin financing, and results of investment holding and proprietary trading of securities;
- (b) the bullion segment represents the broking and dealing of bullion contracts;
- (c) the forex segment represents the broking and dealing of forex contracts;
- (d) 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;
- (e) the mining segment represents the mining operation in Mainland China which was discontinued in the prior year; and
- (f) the trading and manufacturing of aluminium products segment represents the trading and manufacturing of aluminium products in Mainland China which was discontinued in the prior year.

Intersegmental sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

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

## Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 30 April 2007 and 2006.

Year ended 30 April 2007	Continuing operations					Discontinued operation	
	Securities HK\$'000	Bullion HK\$'000	Forex HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Trading and manufacturing of aluminium products HK\$'000	Consolidated HK\$'000
Segment revenue:							
Sales to external customers	109,285	132	10,273	4,755	124,445	—	124,445
Other revenue	1,129	3	—	1,237	2,369	—	2,369
Total	<u>110,414</u>	<u>135</u>	<u>10,273</u>	<u>5,992</u>	<u>126,814</u>	<u>—</u>	<u>126,814</u>
Segment results	<u>95,613</u>	<u>(6,666)</u>	<u>2,543</u>	<u>(3,350)</u>	<u>88,140</u>	<u>—</u>	<u>88,140</u>
Unallocated interest income and other income							2,317
Unallocated expenses							(29,252)
Gain on disposal of subsidiaries	—	—	—	8,775	8,775	—	8,775
Gain on disposal of an interest in a jointly-controlled entity	—	—	—	—	—	6,331	6,331
Reversal of impairment or an interest in an associate	—	—	—	715	715	—	715
Impairment of an interest in a jointly-controlled entity	—	—	—	(2,419)	(2,419)	—	(2,419)
Share of profits and losses of:							
Jointly-controlled entities	—	—	(1,632)	(183)	(1,815)	(1,128)	(2,943)
Associates	—	—	—	5	5	—	5
Finance costs							(2,379)
Profit before tax							69,290
Tax							(38)
Profit for the year							<u>69,252</u>
<b>Assets and liabilities</b>							
Segment assets	292,726	4,081	49,822	44,096	390,725	—	390,725
Unallocated assets							71,483
Total assets							<u>462,208</u>
Segment liabilities	91,870	7,526	41,922	10,842	152,160	—	152,160
Unallocated liabilities							12,736
Total liabilities							<u>164,896</u>
<b>Other segment information:</b>							
Depreciation	1,186	252	—	2,662	4,100	—	4,100
Impairment/(write-back of impairment) on accounts receivable	(69)	505	—	(67)	369	—	369
Impairment of items of property, plant and equipment	—	18	—	—	18	—	18
Disposal/write-off of items of property, plant and equipment	—	—	8	—	8	—	8
Capital expenditure	<u>1,282</u>	<u>103</u>	<u>97</u>	<u>3,244</u>	<u>4,726</u>	<u>—</u>	<u>4,726</u>



Year ended 30 April 2006

	Continuing operations					Discontinued operations				Consolidated HK\$'000
	Securities HK\$'000	Bullion HK\$'000	Forex HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Trading and manufacturing of aluminium		Total HK\$'000		
						Mining HK\$'000	products HK\$'000			
Segment revenue:										
Sales to external customers	146,866	24,351	—	1,903	173,120	—	—	—	173,120	
Other revenue	623	—	—	1,308	1,931	—	—	—	1,931	
<b>Total</b>	<b>147,489</b>	<b>24,351</b>	<b>—</b>	<b>3,211</b>	<b>175,051</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>175,051</b>	
Segment results	129,346	18,990	—	(5,184)	143,152	—	—	—	143,152	
Unallocated interest income and other income									751	
Unallocated expenses									(23,985)	
Gain on disposal of a subsidiary	—	—	—	5,336	5,336	—	—	—	5,336	
Gain on disposal of an associate	—	—	—	—	—	26,328	—	26,328	26,328	
Impairment of interest in an associate	—	—	—	(1,678)	(1,678)	—	—	—	(1,678)	
Share of profits and losses of:										
Jointly-controlled entities	—	—	(2,182)	(418)	(2,600)	—	644	644	(1,956)	
Associates	—	—	—	(1,024)	(1,024)	10,361	—	10,361	9,337	
Finance costs									(1,165)	
Profit before tax									156,120	
Tax									24	
Profit for the year									<b>156,144</b>	
<b>Assets and liabilities</b>										
Segment assets	235,252	5,495	—	51,790	292,537	—	—	—	292,537	
Interests in jointly-controlled entities	—	—	11,981	182	12,163	—	—	—	12,163	
Assets of a disposal group classified as held for sale	—	—	—	—	—	—	1,062	1,062	1,062	
Unallocated assets									43,789	
<b>Total assets</b>									<b>349,551</b>	
Segment liabilities	63,635	12,721	—	10,638	86,994	—	—	—	86,994	
Unallocated liabilities									30,138	
<b>Total liabilities</b>									<b>117,132</b>	
<b>Other segment information:</b>										
Depreciation	1,422	45	—	2,049	3,516	—	—	—	3,516	
Write-back of impairment on accounts receivable	(5,459)	—	—	—	(5,459)	—	—	—	(5,459)	
Loss on disposal of items of property, plant and equipment	—	—	—	19	19	—	—	—	19	
Change in fair values of an investment property	—	—	—	(715)	(715)	—	—	—	(715)	
Gain on disposal of an investment property	—	—	—	(2,000)	(2,000)	—	—	—	(2,000)	
Capital expenditure	1,373	127	—	920	2,420	—	—	—	2,420	

### 3. Revenue and other income

Revenue, which is also the Group's turnover, represents commission and brokerage income from securities, bullion, forex and futures contracts; profit or loss on trading of securities and bullion; and gross rental income. An analysis of the Group's revenue and other income is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Revenue</b>		
Continuing operations:		
Fees and commission income from bullion, forex, securities and futures and contract broking	41,350	26,759
Trading gain on bullion, forex, securities and futures contracts, net	8,491	42,056
Fair value gain on bullion, forex, securities and futures contracts, net	67,310	101,307
Interest income from loan and margin financing activities	3,452	1,590
Management fee income	—	313
Gross rental income	12	272
Others	3,830	823
	<u>124,445</u>	<u>173,120</u>
<b>Other income</b>		
Bank interest income	2,825	1,446
Dividend income from listed investments	402	—
Others	1,459	1,236
	<u>4,686</u>	<u>2,682</u>

#### 4. Profit before tax

The Group's profit before tax is arrived at after charging /(crediting):

	2007 HK\$'000	2006 HK\$'000
Depreciation	4,100	3,516
Impairment/(write-back of impairment) on accounts receivable*	369	(5,459)
Minimum lease payments under operating leases on leasehold land and buildings	5,234	5,229
Auditors' remuneration	2,200	1,060
Under provision in prior years	220	—
	<u>2,420</u>	<u>1,060</u>
Employee benefits expense (including directors' remuneration)		
Salaries	32,041	38,152
Pension scheme contributions	954	665
Less: Forfeited contributions refunded	—	(104)
	<u>954</u>	<u>561</u>
Net pension scheme contributions**		
Provision for long service payments	1,278	348
Provision for annual leaves	374	365
	<u>34,647</u>	<u>39,426</u>
Total employee benefit expenses		
Gross rental income	(12)	(272)
Less: Direct operating expenses	—	44
	<u>(12)</u>	<u>(228)</u>
Net rental income		
Loss on disposal/write-off of items of property, plant and equipment*	8	19
Impairment of items of property, plant and equipment*	18	—
Exchange gains, net	(3,762)	(1,853)
Impairment of an interest in a jointly-controlled entity*	2,419	—
Impairment/(reversal of impairment) of an interest in an associate*	(715)	1,678
	<u>(715)</u>	<u>1,678</u>

\* Included in "Other operating income/(expenses), net" on the face of the consolidated income statement.

\*\* At 30 April 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

## 5. Finance costs

	<b>Group</b>	
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable:		
Within five years	1,665	489
Over five years	651	647
Interest on finance leases	<u>63</u>	<u>29</u>
Attributable to continuing operations reported in the consolidated income statement	<u><u>2,379</u></u>	<u><u>1,165</u></u>

## 6. Tax

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.

	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Current	9	—
Deferred	<u>29</u>	<u>(24)</u>
Total tax expense/(credit) for the year	<u><u>38</u></u>	<u><u>(24)</u></u>

A reconciliation of the tax expense/(credit) applicable to the profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates are as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax		
(including profit from a discontinued operation)	<b>69,290</b>	156,120
Less: Share of profits and losses of jointly-controlled entities and associates	<b>2,938</b>	(7,381)
	<u><b>72,228</b></u>	<u>148,739</u>
Tax charge at the statutory rate of 17.5%	<b>12,640</b>	26,029
Income not subject to tax	<b>(12,875)</b>	(28,045)
Expenses not deductible for tax	<b>672</b>	2,892
Tax losses utilised from previous years	<b>(399)</b>	(900)
	<u><b>38</b></u>	<u>(24)</u>
Tax expense/(credit) at the Group's effective rate		
Tax expense/(credit) attributable to continuing operations reported in the consolidated income statement	<u><b>38</b></u>	<u>(24)</u>

During the year ended 30 April 2006, the share of tax attributable to associates amounted to HK\$1,886,000. The amount was included in "Profit for the year from discontinued operations" on the face of the consolidated income statement. There was no tax attributable to and jointly-controlled entities associates shared by the Group for the year ended 30 April 2007.

## 7. DIVIDENDS

	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim — Nil (2006: HK\$0.005) per share	—	3,038
Proposed final — HK\$0.006 (2006: HK\$0.006) per share	<b>4,977</b>	3,645
	<u><b>4,977</b></u>	<u>6,683</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$69,203,000 (2006: HK\$156,193,000) and 607,566,000 (2006: 607,566,000) ordinary shares in issue during the year.

The calculation of basic earnings per share from the continuing operations is based on the profit for the year from continuing operations of HK\$64,049,000 (2006: HK\$118,811,000) and 607,566,000 (2006: 607,566,000) ordinary shares in issue during the year.

Diluted earnings per share amount for the year ended 30 April 2007 and 2006 have not been disclosed as no diluting events existed during these two years.

## 9. ACCOUNTS RECEIVABLE

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Accounts receivable from securities and bullion dealing services	41,703	23,864
Accounts receivable from margin financing and money lending operations	<u>2,089</u>	<u>3,686</u>
	43,792	27,550
Portion classified as non-current assets	<u>—</u>	<u>(117)</u>
Portion classified as current assets	<u><u>43,792</u></u>	<u><u>27,433</u></u>

### Securities and bullion dealing services

The Group allows a credit period up to the settlement dates of the respective securities and bullion transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Overdue accounts receivable bear interest with reference to the prime rate.

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

	Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 90 days	<u><u>41,703</u></u>	<u><u>23,864</u></u>

## Margin financing and money lending operations

The Group allows a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding loans receivable and has a credit control department to minimise credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and as the fact that the Group's accounts receivable relate to diversified customers, there is no significant concentration of credit risk. Accounts receivable are interest-bearing at a rate mutually agreed with the contracting parties.

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

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Repayable:		
On demand	2,079	1,575
Within 3 months	10	311
In 3 months to 1 year	—	1,683
In 1 year to 5 years	—	117
	<u>2,089</u>	<u>3,686</u>
Portion classified as current assets	<u>(2,089)</u>	<u>(3,569)</u>
Portion classified as non-current assets	<u>—</u>	<u>117</u>

The carrying amounts of the Group's accounts receivable approximate to their fair values.

## 10. ACCOUNTS PAYABLE

The Group's accounts payable arose from securities, bullion and forex dealings.

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

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current to 30 days	<u>134,103</u>	<u>65,795</u>

The accounts payable are unsecured, bears interest at bank deposit saving rate (2006: bank deposit saving rate) and repayable on the settlement day of the relevant trades or upon demand from customers.

The carrying amounts of the Group's accounts payable approximate to their fair values.

## **Basis for qualified opinion**

Due to the absence of adequate effective controls and a system malfunction identified in a division of Lee Fung Hong (Cheung's) Bullion Limited ("Cheung's Bullion"), a subsidiary of the Group, during the year ended 30 April 2007, we were unable to ascertain the completeness and appropriate classification of the bullion transactions that occurred during the year. In particular, Cheung's Bullion entered into certain transactions which resulted in a net trading loss of HK\$23,736,000 and a net fair value gain of HK\$694,000 for its gold bullion operations for the year ended 30 April 2007, and accounts receivable and accounts payable of HK\$149,000 and HK\$559,000, respectively, as at 30 April 2007. We were unable to obtain sufficient reliable evidence to satisfy ourselves as to the completeness and the appropriate classification and disclosure of these amounts as included in the consolidated balance sheet as at 30 April 2007 and the consolidated income statement for the year then ended. Cheung's Bullion recorded net trading loss of HK\$2,753,000 and net fair value loss of HK\$3,057,000 for the year ended 30 April 2007 and accounts receivable and accounts payable of HK\$511,000 and HK\$6,818,000, respectively as at 30 April 2007.

Any adjustments found to be necessary in respect of the matters set out above would have a consequential impact on the Group's profit for the year ended 30 April 2007, the Group's net assets position as at 30 April 2007 and the classification and related disclosures thereof in the financial statements.

## **Qualified opinion arising from limitation of audit scope**

In our opinion, except for the effects of any adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the revenue from the net trading loss and the net fair value gain on bullion transactions for the year, and the related receivables and payables as at 30 April 2007, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **DIVIDEND**

The Board of Directors recommended the payment of a final dividend of HK\$0.006 per share for the year ended 30 April 2007 (2006: HK\$0.006) payable to the shareholders whose names appear on the register of members of the Company on 24 September 2007, together with the interim dividend of HK\$Nil, making a total dividend for the year ended 30 April 2006 of HK\$0.006 per share (2006: HK\$0.011).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 20 September 2007 to 24 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, 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 19 September 2007. It is expected that the final dividend will be payable to those entitled on 3 October 2007, subject to the shareholders' approval in 2007 annual general meeting of the Company.



## **FINANCIAL HIGHLIGHTS**

For the year under review, the Group recorded a profit of approximately HK\$69,252,000, as compared with HK\$156,144,000 in 2006, representing a decrease of 44%. Turnover from continuing operations for the year under review was approximately HK\$124,445,000, compared with HK\$173,120,000 in 2006, representing a decrease of 56%. The fall was partly attributable to the slowing increase in the share price of the Group's investment in GobiMin Inc., a mining company listed on the TSX Venture Exchange. The investment gain was significantly less than that of last year and consequently was only able to offset a lesser extent of the Group's weaker performance in other operating sectors. The Group considers its equity holding in GobiMin Inc. a valuable investment.

### **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 securities.

Due to intensive competition in the local brokerage industry continuing to drive down brokerage commission and squeezing our operating profit margins, revenue generated from securities segment was HK\$109,285,000 for the year under review compared with HK\$146,866,000 in 2006, representing a decrease of 26%. Significantly, fair value gain on securities, one of the key contributors to the segment revenue, amounted to about HK\$65,004,760 for the year ended 30 April 2007 as compared with HK\$121,612,777 for the year ended 30 April 2006, representing a decrease of 47%. The fair value gain result was mainly contributed by an appreciation of market value of listed equity investment held by the Group for the years ended 30 April 2006 and 30 April 2007 respectively.

### **Bullion**

The bullion segment comprises broking and dealing of bullion contracts, which recorded a trading profit of about HK\$132,000 for the year under review as opposed to HK\$24,351,000 in 2006, representing a decrease of 99%.

Although as noted in the auditors' report, the Group sustained trading losses of some HK\$23.74 million from certain transactions during the year, it gained about \$25 million from other transactions, with the net result that the Group was able to generate a small trading gain for the segment during the year. The segment's performance for the year can only be described as unsatisfactory: the Group failed to take advantage from market volatility in the bullion markets during May and June of 2006, and was unable to generate sufficient gain during the less volatile months of trading during the year.

### **Forex**

The forex segment comprises forex broking and dealing of forex contracts, which recorded a revenue of about HK\$10,273,000 since being fully owned and managed by the Group at 14 October 2006 and turned around to trading profit since September 2006. The segment's improvement was mainly due to the strengthened capital base after an additional HK\$20 million injection of capital and subordinated loans, which increased our financial flexibility and operating margin in forex broking.

## **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 other segment was HK\$4,755,000 for the year under review as compared with HK\$1,903,000 in 2006, representing an increase of 150%, and mainly comprised of rental income generated from investment properties, and income from the provision of management and consultancy services, provision of other financing services, together with corporate income and expenses items.

## **PROSPECTS**

With the strategic acquisitions of the remaining 50% interest in a local foreign exchange dealing company during the year under review and a 40% interest in a local securities company in May 2007, the Group commenced internal business collaboration and expect more product cross-selling, enhancing 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 acquisitions will bring forth both a reduction of the costs of the Group's financial markets operations as well as an increase of income from these operation.

In addition, the Group had proven its ability to extract and process precious metal resources, and profited from the disposal of its entire interests in an associate to a company listed on the TSX Venture Exchange. Leveraging on our accumulated experience in the industry, the Group has invested in Guangxi and Xinjiang mining projects, and will allocate more resources in collaboration with investment partners. In the longer term, it is the Group's strategic intent to develop mining investments into one of our core businesses with significant earning contribution.

During the audit of the annual financial results of the Group for the year ended 30 April 2007, the auditors of the Company, the external auditor discovered the absence of adequate effective controls and system malfunction of a subsidiary of the Group during the year ended 30 April 2007. As the external auditor was not able to ascertain the completeness and appropriateness of the transactions that occurred during the year ended 30 April 2007, a qualified opinion was made in the independent auditors's report forming part of the annual report of the Company for the year ended 30 April 2007. In this regard, the Group will strengthen its internal control systems and procedures in respect of its bullion activities, in particular, the operation of bullion trading by engaging an independent audit firm or consultant firm with relevant industry experience to review, revise and update the operating manual for the bullion trading division of the Group (the "Manual") and will carry out periodic reviews of the Manual from time to time.

## **CAPITAL STRUCTURE**

As at 30 April 2007, the Group had secured bank loans of about HK\$11,602,000 bearing interest at prime rate minus 2.4% per annum and repayable in June 2015.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 April 2007, the current ratio of the Group was approximately 274% and the net current assets were approximately HK\$260,492,000. 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 INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

The Group completed the acquisition of 50% interest in Lee Fung Hong (Cheung's) Forex Dealers Limited on 14 October 2006. Details of such acquisition were set out in a circular to the shareholders of the Company dated 6 October 2006.

On 6 March 2007, the Group entered into a conditional share sale agreement to acquire 40% interest in the issued share capital of Head & Shoulders Securities Limited 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 as consideration shares (the "Acquisition"). 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.

The Group completed the acquisition of 100% interest in Precious Source International Limited in consideration of RMB4 million on 27 April 2007.

## **CURRENCY STRUCTURE**

As at 30 April 2007, the Group has CAD2,594,000 investment in a company listed on the TSX Venture Exchange in Canada. No hedging for non-Hong Kong dollars assets or investment has been made during the year. Save for the above, the Group has limited exposure to foreign exchange rate fluctuations as most of the transactions, including borrowings, are conducted and the cash and cash equivalents were held, in HK Dollar.

## **CHARGES ON GROUP ASSETS**

As at 30 April 2007, the total bank loans and obligations under finance lease amounted to HK\$11,602,000 and HK\$1,042,000 respectively, which were secured by the properties held by the Group and the leased assets acquired under the finance leases.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 April 2007, the Group employed a total of about 160 employees, as compared to 81 employees in 2006. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and prevailing salary levels in the market. Benefits provided to the employees by the Group include training, Mandatory Provident Fund and medical coverage. No share options were granted since the adoption of the share options scheme.

## **SUBSEQUENT EVENT**

On 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").

Details of the Placing were set out in an announcement and a circular made by the Company on 30 May 2007 and 5 June 2007 respectively. The Placing was completed on 22 June 2007.

## **CORPORATE GOVERNANCE**

The Board has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Board considers that the Company has complied with the CG Code throughout the year ended 30 April 2007.

Further information of the Company’s corporate governance practices during the year will be set out in the corporate governance report to be contained in the Company’s 2006/2007 Annual Report which will be sent to the shareholders of the Company by the end of August 2007.

## **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 audited financial statements for the year ended 30 April 2007 have been reviewed by the audit committee.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

## **PUBLICATION OF ANNUAL REPORT**

A full text of the Company’s 2006/2007 Annual Report will be sent to the shareholders of the Company and published on the website of the Stock Exchange in due course.

By Order of the Board  
**Haywood Cheung**  
*Chairman*

Hong Kong, 28 August 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*