

SIMSEN**SIMSEN INTERNATIONAL CORPORATION LIMITED****天行國際（控股）有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 993)****ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 APRIL 2004**

The Board of Directors of Simsen International Corporation Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 April 2004 together with the audited comparative figures for the year ended 30 April 2003 were as follows:

	<i>Notes</i>	2004 <i>HKS'000</i>	2003 <i>HKS'000</i>
TURNOVER			
Continuing operations	<i>1</i>	91,408	80,903
Discontinued operations		–	–
		91,408	80,903
Cost of sales		(54,452)	(54,963)
Gross profit		36,956	25,940
Other revenue and gains		4,114	2,700
Selling and distribution costs		(1,151)	(1,554)
Administrative expenses		(41,002)	(44,594)
Gain/(loss) on disposal/deemed disposal of subsidiaries		9,063	(26,351)
Gain on partial disposal of subsidiaries		–	350
Impairment loss on investments in securities		(2,207)	(14,242)
Impairment loss on land and buildings		–	(2,724)
Impairment loss on intangible assets		(6,889)	–
Surplus/(deficit) on revaluation of investment properties		26,438	(25,376)
Other operating expenses		(7,006)	(12,479)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		18,316	(98,330)
Waiver of a loan from a related company		–	7,822
Finance costs, net	<i>4</i>	(2,711)	(15,282)
Share of results of:			
Jointly-controlled entities		(48)	5,064
Associates		(1,115)	(3,718)
Gain on disposal of associates		2,178	5,328
Amortization of goodwill on acquisition of associates		(1,250)	–
Impairment loss on interests in jointly-controlled entities		(11,500)	–
Net write back of impairment loss on interests in associates		–	3,338
PROFIT/(LOSS) BEFORE TAX		3,870	(95,621)
Continuing operations		3,870	(95,621)
Discontinued operations		–	(157)
		3,870	(95,778)
Tax	<i>5</i>		
Continuing operations		(3,549)	(1,458)
Discontinued operations		–	–
		(3,549)	(1,458)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		321	(97,236)
Minority interests		(506)	(128)
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(185)	(97,364)
LOSS PER SHARE	<i>6</i>		
– Basic		(0.04 cent)	(28.06 cents)
– Diluted		N/A	N/A

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Notes:

1. Turnover

	2004	2003
	HK\$'000	HK\$'000
Continuing operations:		
Fees and commission income from bullion, securities and futures broking	23,656	14,796
Income/(loss) on trading of bullion, securities and futures contracts	2,080	(3,897)
Interest income from loan and margin financing activities	93	408
Shipment sales – Metals	56,347	63,134
– Metal scraps	6,805	64
– Others	1,053	733
Gross rental income	1,374	5,665
	91,408	80,903

2. Segment information

(a) Business segments

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

Group	Continuing operations								Discontinued operations				Consolidated	
	Securities		Shipment sales		Corporate and others		Mining		In-warehouse metal sales					
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	25,829	11,307	39,876	39,674	1,374	5,665	24,329	24,257	–	–	91,408	89,903	91,408	89,903
Other revenue and gains	–	437	428	–	2,186	2,025	105	–	–	–	2,719	2,462	2,719	2,462
Total	25,829	11,744	40,304	39,674	3,560	7,690	24,434	24,257	–	–	94,127	92,365	94,127	92,365
Segment results	(1,738)	(17,022)	(3,632)	(2,760)	19,797	(76,784)	4,963	195	–	(157)	19,390	(96,538)	19,390	(96,538)
Unallocated interest income and gains											1,395	588	1,395	588
Unallocated expenses											(2,469)	(2,380)	(2,469)	(2,380)
Profit/(loss) from operating activities											18,316	(98,330)	18,316	(98,330)
Waiver of a loan from a related company												7,822		7,822
Finance costs											(2,711)	(15,282)	(2,711)	(15,282)
Share of profits and losses of:														
– jointly-controlled entities	–	–	1,247	5,098	(1,295)	(34)	–	–	–	–	(48)	5,064	(48)	5,064
– associates	–	–	–	–	(1,115)	(3,718)	–	–	–	–	(1,115)	(3,718)	(1,115)	(3,718)
Gain on disposal of associates	–	–	–	–	2,178	5,328	–	–	–	–	2,178	5,328	2,178	5,328
Amortisation of goodwill on acquisition of associates	–	–	–	–	(1,250)	–	–	–	–	–	(1,250)	–	(1,250)	–
Impairment loss on interests in jointly-controlled entities	–	–	–	–	(11,500)	–	–	–	–	–	(11,500)	–	(11,500)	–
Write back of impairment loss on interests in associates	–	–	–	1,845	–	1,493	–	–	–	–	–	3,338	–	3,338
Profit/(loss) before tax											3,870	(95,778)	3,870	(95,778)
Tax											(3,549)	(1,458)	(3,549)	(1,458)
Profit/(loss) before minority interests											321	(97,236)	321	(97,236)
Minority interests											(506)	(128)	(506)	(128)
Net loss attributable from ordinary activities to shareholders											(185)	(97,364)	(185)	(97,364)
Segment assets	68,743	70,854	85	2,501	180,899	221,917	–	65,070	–	–	249,727	360,342	249,727	360,342
Interests in associates	–	–	–	–	29,822	(509)	–	–	–	–	29,822	(509)	29,822	(509)
Interests in jointly-controlled entities	–	–	–	22,028	6,841	4,923	–	–	–	–	6,841	26,951	6,841	26,951
Bank overdrafts included in segment assets	–	1,370	–	–	–	–	–	–	–	–	–	1,370	–	1,370
Unallocated assets											21,057	1,344	21,057	1,344
Total assets	68,743	70,854	85	2,501	180,899	221,917	–	65,070	–	–	249,727	360,342	249,727	360,342
Segment liabilities	52,897	47,739	34	3,415	17,919	240,268	–	17,177	–	–	70,850	308,599	70,850	308,599
Bank overdrafts included in segment assets	–	1,370	–	–	–	–	–	–	–	–	–	1,370	–	1,370
Unallocated liabilities											169,666	11,536	169,666	11,536
Total liabilities	52,897	47,739	34	3,415	17,919	240,268	–	17,177	–	–	70,850	308,599	70,850	308,599
Other segment information:														
Depreciation and amortisation	2,431	3,374	4	13	5,227	2,349	2,783	4,816	–	–	10,445	10,552	10,445	10,552
Provision for bad and doubtful debts	3,491	666	–	51	–	100	–	–	–	–	3,491	817	3,491	817
Impairment losses recognised in the profit and loss account	6,889	–	–	–	13,707	16,966	–	–	–	–	20,596	16,966	20,596	16,966
Deficit/(surplus) on revaluation of investment properties recognised in the profit and loss account	(494)	–	–	–	(25,944)	25,376	–	–	–	–	(26,438)	25,376	(26,438)	25,376
Capital expenditure	302	1,408	–	–	15	48	4,958	4,152	–	–	5,275	5,608	5,275	5,608

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(b) Geographical segments

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

Group	Mainland China		Hong Kong		Others		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:								
Sales to external customers	<u>25,382</u>	<u>28,114</u>	<u>54,717</u>	<u>40,467</u>	<u>11,309</u>	<u>12,322</u>	<u>91,408</u>	<u>80,903</u>
Other segment information:								
Segment assets	35,393	92,021	272,054	297,477	–	–	307,447	389,498
Bank overdrafts included in segment assets	–	–	–	12,906	–	–	–	12,906
Capital expenditure	<u>4,958</u>	<u>4,152</u>	<u>317</u>	<u>1,456</u>	<u>–</u>	<u>–</u>	<u>5,275</u>	<u>5,608</u>
3. Amortisation and Depreciation								
						2004 HK\$'000		2003 HK\$'000
Amortisation of intangible assets						3,403		3,746
Depreciation						5,792		6,806
4. Finance Costs, net								
						2004 HK\$'000		2003 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years						448		9,211
Waiver of interest payable on bank loans and other loans						(1,098)		–
Interest on convertible note						160		86
Interest on convertible bonds						6,577		1,803
Rental income pledged against the convertible bonds interest *						(4,674)		(967)
Expenses in relation to issue of convertible bonds						1,298		5,149
						<u>2,711</u>		<u>15,282</u>
* The rental income of HK\$4,472,000 (2003: HK\$967,000) and HK\$201,600 (2003: Nil) earned from the Group's investment properties was assigned and directly paid to banks for settlement of interest and expenses in relation to issue the convertible bonds respectively.								
5. Tax								
						2004 HK\$'000		2003 HK\$'000
Group:								
Current - Hong Kong						–		–
Charge for the year						92		–
Underprovision in prior years						861		253
Current - Elsewhere						1,753		–
Deferred tax								–
						<u>2,706</u>		<u>253</u>
Share of tax attributable to:								
Associates						3		515
Jointly-controlled entities						840		690
						<u>3,549</u>		<u>1,458</u>
Tax charge for the year								

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2003: Nil). The statutory tax rate for Hong Kong profit tax is 17.5% (2003: 17.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The statutory tax rate of corporate income tax in Mainland China is 33% (2003: 33%). Xinjiang Yakesi Resources Co., Ltd. ("Xinjiang Yakesi"), an associate of the Company established in Mainland China, was exempted from corporate income tax in Mainland China for the two years starting from the year ended 31 December 2000, and thereafter is eligible for a 50% relief from income tax for the following three years under the Income Tax Law of Mainland China. The standard corporate income tax rate in Mainland China applicable to Xinjiang Yakesi is 33%. As a result of the exemptions, Xinjiang Yakesi was exempt from the paying of corporate income tax for the years ended 31 December 2000 and 2001, and is subject to corporate income tax at the rate of 18% for the years ended 31 December 2002 and 2003 and the year ending 31 December 2004.

The Group has deferred tax assets for tax losses arising in Hong Kong of HK\$43,921,000 (2003: HK\$44,124,000) that are indefinitely available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

SSAP 12 (Revised) was adopted during the year. There were no material effects on the Group's deferred tax assets or liabilities as at 30 April 2003. Accordingly, no prior year adjustment is included in the financial statements.

6. Loss Per Share

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$185,000 (2003: HK\$97,364,000) and 412,566,000 shares in issue during the year (2003: weighted average of 346,997,326 shares).

Diluted loss per share amounts for the years ended 30 April 2004 and 2003 have not been disclosed, as the share options and convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

The effect of the convertible note has not been included in the computation of diluted loss per share as the shares to be so issued would be fairly priced and are assumed to be neither dilutive nor anti-dilutive.

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2003: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the financial year of 2004/05, the Group's turnover is about HK\$91,408,000, a increase of 13% when compared with the same of the last corresponding year. Loss attributable to shareholders decreased by HK\$97,179,000 to HK\$185,000. Management has confidence that the Group can be successfully turnaround in the year to come.

Financial Services

Hong Kong economy has recorded a V-shaped rebound following the end of the SARS outbreak since May 2003. Business sentiment has definitely recovered, spearheaded by a strong growth in tourism, export, retailing, and to a lesser degree, the property market and financial services as well. Deflationary pressure, which has been dogging global economic powerhouses, shows signs of receding. Hot money flowing both towards the red-hot market in China or to the local financial market was most notably evidenced during the mid-financial year of 2003/04.

The Group's stock broking division was quick to capitalize on this opportunity resulting in a much profitable return for the year under review. Both brokerage income and house investment have registered sizable gains, representing a combined increase of 115% over the same period of the last financial year. With respect to credit control, the division has strictly followed the risk control policy set by the management team. As a result, provisions to cover doubtful debts are quite negligible during the period under review.

For bullion trading, the division has suffered a trading loss of over HK\$1 million for the financial year ended 30 April 2004, reversing its gain of HK\$3.8 million in the previous year. Adverse market conditions coupled with a high leveraged trading attributed to such loss. The Group is determined to strengthen the division's dealing operation and may try to lower the level of leveraged position in order to reduce risk.

Base Metal

During the year under review, the Company followed the policy to reduce its exposure to the volatile metal market. The base metal division maintained only trading with selective clients while the Aluminium smelter contributed stably. The Group also disposed part of its investments in the mining operation during the year, realized a gain of about HK\$9,000,000.

Prospects

The Group expects the bullish sentiment prevailing in the present financial service sector will carry over to the next year, though China's economic austerity measures, geopolitical threats, rising oil price and interest rate hike could be some of the negative variables affecting the market from time to time. However, the Group is of the opinion that a combination of market friendly factors is also at work here. Some of the factors, like the realization of CEPA (Closer Economic Partnership Arrangement), a reflation local economy, continued influx of mainland tourists, robust economic recoveries in Japan and US markets can have more bullish and powerful bearings on the local financial market. Moreover, Hong Kong's eminent position as the hub for mainland firms looking for overseas listings and foreign capital are well established, promising a more healthy and vigorous Hong Kong stock market for the benefits for all its participants as well as the local economy.

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Overall, the Group is cautiously optimistic that as most of the major economies of the world continue to rebound, Hong Kong will benefit as well. Market sentiment will remain strong as the year progresses. To seize the moment, the Group will try to provide more financial products and integrated services to the market. One of such attempts is to re-activate its futures operation while offering more diversified leveraged financial products to customers. The objective is to try to stabilize the profit or loss cycle often associated with the cyclical nature of the Group's core stock broking operation, in response to demands from different market segments at various time intervals.

Following the policy to streamline the metal operations, the Group is expected to participate in metal trading prudently and will further reduce its investment in the mining operation if a satisfactory bid can be located.

Other Segment

The corporate and other segment comprises the holding of investment properties and loan financing, together with corporate income and expense items. The results in this segment mainly comprised the revaluation surplus of about HK\$26 million for the investment properties, realized gain of about HK\$9 million on disposal of certain equity interest in subsidiaries, net of the corporate expenses of about HK\$20 million.

Capital Structure

As at 30 April 2004, the Group has an outstanding convertible note for HK\$8 million bearing an interest rate of 2% and outstanding convertible bonds for HK\$150 million bearing an interest rate of 4.25%, which will be due for repayment in October 2004 and January 2006 respectively.

Liquidity and Financial Resources

As at 30 April 2004, the current ratio of the Group was at approximately 111% and the net current assets were approximately HK\$8,113,000. The Group's gearing ratio, which was derived by dividing the aggregate amount of bank borrowings, convertible bonds and other interest-bearing loan by the amount of shareholder's equity, was approximately 251%.

Significant Investments, Material Acquisitions and Disposals

The management of the Company periodically reviews the return on all investment in order to adjust the investment portfolio by disposing investments that only generate limited cash flow or even have negative contribution and acquire investments that can improve the Group's financial position. During the year under review, certain equity interests of subsidiaries were disposed. The disposal of such equity interests resulted in a gain of about HK\$9,000,000.

Currency Structure

The Group had limited exposure to foreign exchange rate fluctuations as most of the transactions, including borrowings, were conducted in United States dollars, Hong Kong dollars or Renminbi. The exchange rates of these currencies were relatively stable for the year. Hence, there is no significant exchange risk.

Charges On Group Assets

As at 30 April 2004 all leasehold land and buildings and investment properties in Hong Kong with net book value of HK\$38,034,000 and \$135,366,000 respectively were pledged to secure banking facilities of the Group.

Employee and Remuneration Policy

As at 30 April 2004, the Group employed a total of about 80 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, provident funds and medical coverage. Through the share option scheme established for the senior personnel, it is intended to integrate their responsibilities, authority and benefits.

Contingent Liabilities

During the year under review, the Group disposed part of its interests of Alexis Resources Ltd. ("Alexis") to Belmont Holdings Group Ltd. ("Belmont") and the Company guarantees the payment of a dividend of not less than HK\$2,740,000 and HK\$913,000 of Alexis to Belmont for the years ending 30 April 2005 and 30 April 2006 respectively.

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AUDIT COMMITTEE

The Company established an Audit Committee presently comprising the two independent non-executive directors of the Company in compliance with the requirement of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. In establishing the terms of reference for the committee, the directors have had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. The Committee had met twice in the year. During the meetings, the Committee reviewed the Connected Transactions, interim and annual reports of the Group and discussed with the management the auditing, internal controls and financial reporting matters.

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

The Company has not redeemed any of its listed securities during the year. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

RESULTS PUBLISHED ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>).

REASON FOR DELAY OF RESULTS ANNOUNCEMENT

The Company initially scheduled to announce the audited consolidated results of the Group for the year ended 30 April 2004 on 23 August 2004. However, more time is required by the Company's auditors to collect necessary information to complete their work, the result announcement is delayed to the date of this announcement. Save for the above, the Company's directors find no other matters that need to be drawn to the attention of the shareholders of the Company.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of its shares on The Stock Exchange of Hong Kong Limited was suspended with effect from 9:30 a.m. on 24 August 2004 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading of its shares with effect from 9:30 a.m. on 26 August 2004.

On Behalf of the Board
Haywood Cheung
Managing Director

Hong Kong, 25 August 2004

Executive Directors:

Mr. Cheung Yan Lung CBE, OstJ, JP (*Chairman*)
Mr. Haywood Cheung (*Deputy Chairman & Managing Director*)
Mr. Felipe Tan (*Deputy Managing Director*)
Mr. So Pak Kwai
Dr. Chang Si-Chung

Independent Non-Executive Directors:

Mr. Chiu Pak Yue, Leo
Mr. Chan Ka Ling, Edmond

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard dated 26 August 2004.