



# SAM WOO HOLDINGS LIMITED

三和集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board (the “Board”) of directors of Sam Woo Holdings Limited (the “Company”) is pleased to present the unaudited financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2008 (the “Period”) together with comparative figures for the corresponding period in 2007 (“Previous Period”) as follow.

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

		Unaudited	
		Six months ended	
		30 September	
		2008	2007
	Note	HK\$'000	HK\$'000
Turnover	2	51,079	59,448
Cost of sales		(38,498)	(44,737)
Gross profit		12,581	14,711
Other income	3	3,227	17,430
Administrative expenses		(12,263)	(10,261)
Operating profit	4	3,545	21,880
Finance income		333	874
Finance costs		(2,330)	(2,983)
Profit before taxation		1,548	19,771
Taxation	5	4,162	1,452
Profit for the period		5,710	21,223
Earnings per share			
Basic	7	HK0.189 cents	HK0.703 cents
Diluted	7	HK0.189 cents	HK0.702 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

		Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		203,141	196,983
Deferred taxation assets		1,037	161
		204,178	197,144
Current assets			
Trade receivables	8	24,699	6,977
Deposits, prepayments and other receivables		38,899	39,851
Inventories		22,420	18,721
Amounts due from customers for contract work		9,765	9,765
Tax recoverable		2,061	1,744
Cash and bank balances			
Unrestricted		5,438	13,459
Restricted		39,287	39,112
		142,569	129,629
Total assets		346,747	326,773
EQUITY			
Capital and reserves			
Share capital		30,200	30,200
Reserves		150,814	145,104
Proposed final dividend		–	3,926
Total equity		181,014	179,230
LIABILITIES			
Non-current liabilities			
Long-term liabilities		16,680	9,375
Deferred taxation liabilities		18,212	21,498
		34,892	30,873
Current liabilities			
Trade payables	9	15,585	11,378
Accruals and other payables		5,051	4,395
Amounts due to related companies		158	158
Amounts due to directors		30,778	12,659
Short-term borrowings		23,617	36,390
Current portion of long-term liabilities		9,229	5,779
Bank overdrafts		46,423	45,911
		130,841	116,670
Total liabilities		165,733	147,543
Total equity and liabilities		346,747	326,773
Net current assets		11,728	12,959
Total assets less current liabilities		215,906	210,103

*Notes:*

**1. Basis of preparation and accounting policies**

These unaudited condensed financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2008.

The Group had not appointed the auditors to carry out any review of the interim financial statements for the six months ended 30 September 2008 in accordance with HKSRE 2410.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2008 except as described below.

In the current period, the Group has applied for the first time, a number of new interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 April 2008. The application of these new interpretations did not have any material impact on the results of operations and financial position of the Group.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2009 or later periods. The Group has not early adopted these new standards, amendments and interpretations for the period ended 30 September 2008. The Group has already commenced an assessment of their impact but not yet in a position to state whether these changes would have a significant impact on its results of operations and financial position.

## 2. Segmental information

(a) Business segments - primary reporting format

	Unaudited			
	Six months ended 30 September 2008			
	Foundation works <i>HK\$'000</i>	Trading of machinery and equipment <i>HK\$'000</i>	Vessel chartering <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	3	–	51,076	51,079
Segment results	(9,273)	–	18,427	9,154
Unallocated expenses				(5,609)
Operating profit				3,545
Finance income				333
Finance costs				(2,330)
Profit before taxation				1,548
Taxation				4,162
Profit for period				5,710

	Unaudited			
	Six months ended 30 September 2007			
	Foundation works <i>HK\$'000</i>	Trading of machinery and equipment <i>HK\$'000</i>	Vessel chartering <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	9,049	–	50,399	59,448
Segment results	8,105	–	19,244	27,349
Unallocated expenses				(5,469)
Operating profit				21,880
Finance income				874
Finance costs				(2,983)
Profit before taxation				19,771
Taxation				1,452
Profit for the period				21,223

(b) *Geographical segments – secondary reporting format*

All assets and operations related to the construction business of the Group are located in Hong Kong. The vessel chartering business is carried out worldwide and cannot be allocated into any meaningful geographical segments. Accordingly, geographical segment information is not presented.

**3. Other income**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Gain on disposal of fixed assets	<b>2,742</b>	16,749
Rebate on purchases	<b>156</b>	–
Technical service income	<b>–</b>	681
Write-back of provision for impairment of receivables	<b>329</b>	–
	<hr/>	<hr/>
	<b>3,227</b>	17,430
	<hr/> <hr/>	<hr/> <hr/>

**4. Expenses by nature**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fuel cost	<b>21,212</b>	21,575
Staff costs, including directors' emoluments		
– wages and salaries	<b>4,166</b>	4,533
– contributions to retirement scheme	<b>125</b>	150
Depreciation		
– Owned plant and equipment	<b>5,350</b>	8,485
– Leased plant and equipment	<b>525</b>	1,029
Operating lease rentals in respect of		
– office and storage premises	<b>827</b>	811
– directors' quarters	<b>948</b>	948
Professional fees	<b>2,997</b>	1,781
Provision for impairment of deposits	<b>573</b>	–
Repair and maintenance	<b>3,585</b>	1,744
Construction contracts costs	<b>48</b>	4,363
Vessel management fee	<b>2,293</b>	2,484
Others	<b>8,112</b>	7,095
	<hr/>	<hr/>
Total cost of sales and administrative expenses	<b>50,761</b>	54,998
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## 5. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. The amount of taxation credited to the condensed consolidated income statement represents:

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current taxation	–	2,340
Deferred taxation	(4,162)	(3,792)
	<u>(4,162)</u>	<u>(1,452)</u>

## 6. Dividends

The Directors do not recommend the payment of dividend in respect of the six months ended 30 September 2008 (2007: nil).

## 7. Earnings per share

The calculation of basic and diluted earnings per share are based on the following information.

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>5,710</u>	<u>21,223</u>
Number of shares		
Weighted average number of ordinary shares for calculation of basic earnings per share	3,020,000,000	3,016,775,960
Effect of dilutive potential ordinary shares – share options	–	4,626,440
	<u>–</u>	<u>4,626,440</u>
Weighted average number of ordinary shares for calculation of diluted earnings per share	<u>3,020,000,000</u>	<u>3,021,402,400</u>
Basic earnings per share	<u>HK0.189 cents</u>	<u>HK0.703 cents</u>
Diluted earnings per share	<u>HK0.189 cents</u>	<u>HK0.702 cents</u>

## 8. Trade receivables

	<b>Unaudited</b> <b>30 September</b> <b>2008</b> <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Trade receivables		
– Third parties	<b>33,592</b>	15,195
– A related party	<b>40</b>	1,044
Retention receivables	<b>1,570</b>	1,570
	<u>35,202</u>	<u>17,809</u>
Less: Provision for impairment	<b>(10,503)</b>	(10,832)
	<u><b>24,699</b></u>	<u>6,977</u>

The Group's credit terms for its vessel chartering and contracting business are individually negotiated with its trade customers. For voyage chartering, freight is usually paid prior to discharging of cargoes. Trade and retention receivables in respect of contracting business are settled in accordance with the terms of respective contracts. The aging analysis of the trade receivables was as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2008</b> <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
0 to 90 days	<b>21,058</b>	2,661
91 to 180 days	–	–
181 to 365 days	–	1,861
More than one year	<b>14,144</b>	13,287
	<u>35,202</u>	<u>17,809</u>

## 9. Trade payables

Retention payable included in trade payables as at 30 September 2008 amounted to HK\$41,000 (31 March 2008: HK\$113,000). The ageing analysis of the remaining trade payables is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2008</b> <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
0 to 90 days	<b>14,099</b>	9,873
91 to 180 days	<b>53</b>	–
181 to 365 days	–	809
More than one year	<b>1,392</b>	583
	<hr/> <b>15,544</b> <hr/>	<hr/> 11,265 <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group's turnover and gross profit for the Period both dropped by approximately 14% from the Previous Period to HK\$51.1 million and HK\$12.6 million respectively as construction operations remained stagnant. Gross profit margin remained steady at approximately 25%.

Business activities in foundation works and machinery trading had been strategically restrained to preserve our financial and construction resources in anticipation of various major government infrastructure projects, the launch of which was speeded up to combat the economic downturn brought on by the credit crisis. Consequently, only selected few pieces of non-essential construction machinery had been sold during the Period and other income of only HK\$3.2 million was recorded, a reduction of HK\$14.2 million from the Previous Period. As a result of aforesaid conservation strategy, operating profit and after tax profit for the Period decreased to HK\$3.5 million and HK\$4.2 million respectively; nonetheless, the strategy also successfully sheltered the Group from committing to loss-making projects and enhanced its construction capacity at the time of paramount resource prices and erratic market conditions.

Looking ahead, the Group's business model with diversified income streams will benefit in the forefront from the worldwide expansionary fiscal policy and lowering commodity prices. We are financially sound and liquid with stable cash flow from the vessel chartering operation and have the necessary facilities readily deployable to take on highly capital intensive engineering and construction projects. However, for the second half of the current financial year, the Group will continue with it cautious approach to keep itself afloat in the worldwide financial turmoil and prepare for the immense opportunities that lie ahead of the trough.



Further analysis on performance by business segments and financial position is set out in respective sections below.

### **Vessel Chartering**

Vessel chartering was the Group's sole revenue contributor during the Period with a turnover of HK\$51.1 million, a level equivalent to that for the Previous Period and exactly half of vessel chartering turnover for the whole financial year of 2007/08. Nonetheless, the rise in fuel prices, maintenance material costs and crewing costs all had an adverse impact on profit margin, which dropped to 36% for the Period from 38% for the Previous Period. Vessel Asian Atlas attained a utilization rate of 37% during the Period, as compared to 45% in the financial year 2007/08, owing to the acute surge in oil and other raw material prices since the third quarter of 2007 which hampered market sentiment and delayed shipments. During the Period, vessel Asian Atlas undertook a benchmark assignment and provided transportation solution for a prominent Korean heavy industry conglomerate's offshore facilities used in a state-owned oil exploration project. It was the largest engagement so far for our heavy marine transportation division, both in terms of contract sum and cargo scale.

Subsequent to the end of the Period, the worldwide financial market and commodity prices underwent drastic adjustment; at the same time, backlog shipments were being put back on track as fuel prices decreased. Voyages for Asian Atlas are now scheduled past financial year 2008/09 into the second quarter of 2009. Utilization of vessel and profit margin is expected to improve for the remaining time of the current financial year. The Group is closely monitoring adjustment in the shipping market to identify attractive acquisition opportunities to enhance its shipping capacity in order to intensify its presence in the industry.

### **Construction Projects and Machinery Trading**

The Group's construction operation did not record any revenue for the Period. Private real estate sector in Hong Kong and Macau demonstrated encouraging development during the Period, but it was short-lived and severely battered by the recent credit crisis. The Group actively participated in tendering for a number of major private development projects during the Period, but soaring material costs rendered them unprofitable. The recent radical market adjustment proved our conservation strategy correct in preserving the Group's financial strength and construction capacity. The foundation works division recorded an operating loss of HK\$9.3 million for the Period as a result of depreciation charge on and maintenance costs of construction machinery and fixed overheads.

The Group has on hand a considerable reserve of construction machinery and sees itself as key contender to various government projects, including the Hong Kong-Zhuhai-Macau Bridge and Kaitak cruise terminal, the launch of which have been hastened as a stimulus to the economic downturn. For the remaining part of financial year 2008/09, it is unlikely that our construction business can conclude on any major projects, but it holds great prospects for the ensuing financial year and beyond.

## **Liquidity, Financial Resources, Capital Structure and Gearing**

As at 30 September 2008, the Group had cash and bank balances of HK\$44.7 million (31 March 2008: HK\$52.6 million) and total borrowings of HK\$126.7 million (31 March 2008: HK\$110.1 million). Current portion of long term borrowings, short term borrowings and bank overdrafts as at 30 September 2008 amounted to HK\$110.0 million (31 March 2008: HK\$100.7 million). The Group's gearing ratio, calculated by dividing net borrowings by total equity, was 45% as at end of the Period (31 March 2008: 32%). The deterioration in gearing was mainly due to the rise in trade receivable coinciding with a minor delay in vessel chartering operation, which was of temporary nature, and the acquisition of construction plant and equipment. The gearing ratio improved to below 30% subsequent to the end of the Period with the collection of trade receivable and security deposit held in court for vessel Asian Atlas's arrest.

Interest on the Group's borrowings was mainly on floating rate basis.

Operations of the Group are mainly conducted in Hong Kong Dollars ("HK\$") and United States Dollars ("US\$") and its revenue, expenses, assets, liabilities and borrowings are principally denominated in HK\$ and US\$, which do not pose significant foreign currency risk at present.

## **Charges on Assets**

The net book value of plant and equipment held under finance leases and pledged for long-term bank loans amounted to HK\$34.7 million and HK\$1.2 million respectively. Certain banking facilities are secured by bank deposits of HK\$39.3 million.

## **Employees and Remuneration Policies**

The Group has about 39 staff members (excluding directors) as at 30 September 2008 and provides competitive remuneration packages to employees which commensurate with individual job nature and performance.

## **Pending Litigation and Contingent Liabilities**

Favourable progress was achieved in legal case on the arrest of our vessel Asian Atlas and the whole amount of security money in the sum of US\$4.5 million (equivalent to HK\$35.1 million) together with interest was recouped subsequent to the end of the Period. We are pursuing to recover damages caused by the arrest from the counter party.

Subsequent to the end of the Period, we have lodged an action against a contractor to claim for HK\$28.9 million in relation to prolongation and disruption costs incurred on a completed construction project. Up to the date of this report, no submission has been made by the defendant in respect of our claim.

There has been no material change in the Group's contingent liabilities since its last published annual report.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's listed shares during the Period.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices ("CG Codes") contained in Appendix 14 to the Listing Rules throughout the Period except there is no written terms on division of responsibilities between the Chairman and the Chief Executive Officer. Further particulars on the Company corporate governance practices are set out in the corporate governance report contained in the Company's annual report for the year ended 31 March 2008.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules as its own codes regarding securities transactions by directors of the Company and its subsidiaries and employees of the Group who are likely to be in possession of price-sensitive information. All directors have confirmed, upon specific enquiry made, their compliance with the codes throughout the Period.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee, comprising three independent non-executive directors, has reviewed the unaudited consolidated financial statements of the Group for the Period.

By order of the Board  
**Sam Woo Holdings Limited**  
**LAU Chun Ming**  
*Chairman*

Hong Kong, 22 December 2008

*As at the date of this announcement, the executive Directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka, Ms. Leung Lai So, Mr. Hsu Kam Yee, Simon and Mr. Chan Sun Kwong; the non-executive Director is Mr. Chiu Kam Kun, Eric; the independent non-executive Directors are Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune.*

\* *For identification purposes only*