



SAM WOO HOLDINGS LIMITED

三和集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

The board (the "Board") of directors of Sam Woo Holdings Limited (the "Company") is pleased to present the unaudited consolidated financial statements for the six months ended 30th September 2005 (the "Period") of the Company and its subsidiaries (collectively the "Group") together with comparative figures for the corresponding period in 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	Note	Unaudited	
		Six months ended 2005	Six months ended 2004
		HKS'000	HKS'000
Turnover	2	20,753	8,210
Cost of sales		(20,259)	(29,397)
Gross profit/(loss)		494	(21,187)
Other revenue	2	437	91
Other income	3	15,263	979
Administrative expenses		(9,612)	(11,285)
Transfer to deferred income		(1,157)	–
Operating profit/(loss)	5	5,425	(31,402)
Finance costs		(3,204)	(2,808)
Profit/(loss) before taxation		2,221	(34,210)
Taxation	6	350	5,126
Profit/(loss) for the period		2,571	(29,084)
Attributable to:			
Equity holders of the Company		2,571	(29,084)
Earnings/(loss) per share attributable to the equity holders of the Company			
Basic	8	HK0.86cents	HK(9.69cents)

CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2005

	Unaudited 30th September 2005	Audited 31st March 2005
	HKS'000	HKS'000
ASSETS		
Non-current assets		
Fixed assets	206,459	226,822
Deferred tax assets	1,636	911
	208,095	227,733
Current assets		
Trade receivables	15,580	20,545
Deposits, prepayments and other receivables	2,037	1,598
Inventories	7,138	8,686
Amounts due from customers for contract works	22,909	16,115
Tax recoverable	–	710
Cash and bank balances		
Unrestricted	1,262	3,964
Restricted	46,659	46,600
	95,585	98,218
Total assets	303,680	325,951
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	30,000	30,000
Reserves	103,615	101,044
Total equity	133,615	131,044
LIABILITIES		
Non-current liabilities		
Long-term liabilities	4,127	19,750
Deferred tax liabilities	31,075	32,827
	35,202	52,577
Current liabilities		
Trade payables	5,853	7,011
Accruals and other payables	4,492	5,184
Deferred income	2,093	936
Amounts due to related companies	2,251	–
Amounts due to directors	5,730	–
Secured short-term bank loans	20,000	33,915
Current portion of long-term liabilities	33,192	37,149
Taxation payable	1,144	–
Bank overdrafts	60,108	58,135
	134,863	142,330
Total liabilities	170,065	194,907
Total equity and liabilities	303,680	325,951
Net current liabilities	(39,278)	(44,112)
Total assets less current liabilities	168,817	183,621

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2005.

Other than certain presentation changes, the adoption of the new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005 does not have a material impact to the Group as a whole.

2. Turnover and revenues

The Group is principally engaged in foundation works, leasing of machinery and equipment for foundation works and trading of machinery and equipment. Turnover and revenues recognised during the Period are as follows:

	Unaudited Six months ended 30th September	
	2005	2004
	HKS'000	HKS'000
Turnover		
Revenue from foundation works	9,097	7,098
Rental of machinery and equipment	3,507	1,112
Sale of machinery and equipment	8,149	–
	20,753	8,210
Other revenue	437	91
Interest income	437	91
	437	91
Total revenues	21,190	8,301

3. Other income

Included in other income is HK\$15,000,000 recovered from a main contractor for settlement of dispute. The amount was fully provided for in previous years and is written back in the current period to the extent of payment received by the Group up to 30th September 2005.

4. Segmental information

(a) Business segments-primary reporting format

	Unaudited Six months ended 30th September 2005		
	Foundation works	Trading of machinery and equipment	Total
	HKS'000	HKS'000	HKS'000
Turnover	12,604	8,149	20,753
Segments results	4,804	4,900	9,704
Interest income	–	–	437
Unallocated expenses	–	–	(4,716)
Operating profit	–	–	5,425
Finance costs	–	–	(3,204)
Taxation	–	–	350
Profit attributable to equity holders of the Company	–	–	2,571
Capital expenditure	706	–	706
Depreciation	11,114	–	11,114
As at 30th September 2005, unaudited			
Segment assets	244,558	9,184	253,742
Unallocated assets	–	–	49,938
Total assets	–	–	303,680
Segment liabilities	71,187	70	71,257
Unallocated liabilities	–	–	98,808
Total liabilities	–	–	170,065

	Unaudited Six months ended 30th September 2004		
	Foundation works	Trading of machinery and equipment	Total
	HKS'000	HKS'000	HKS'000
Turnover	8,210	–	8,210
Segments results	(26,707)	–	(26,707)
Interest income	–	–	91
Unallocated income	–	–	979
Unallocated expenses	–	–	(5,765)
Operating loss	–	–	(31,402)
Finance costs	–	–	(2,808)
Taxation	–	–	5,126
Loss attributable to equity holders of the Company	–	–	(29,084)
Capital expenditure	35	–	35
Depreciation	11,966	4	11,970
As at 31st March 2005, audited			
Segment assets	263,782	9,896	273,678
Unallocated assets	–	–	52,273
Total assets	–	–	325,951
Segment liabilities	102,487	108	102,595
Unallocated liabilities	–	–	92,312
Total liabilities	–	–	194,907

(b) Geographical segments-secondary reporting format

No geographical segment analysis is presented as all operations of the Group are located in Hong Kong.

5. Operating profit/(loss)

	Unaudited Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Operating profit/(loss) is stated after charging:		
Cost of inventories sold	3,236	—
Staff costs, excluding directors' emoluments	6,491	9,037
Auditors' remuneration	100	80
Depreciation		
Owned fixed assets	8,755	8,319
Leased fixed assets	2,359	3,651
Operating lease rentals in respect of land and buildings	1,723	926
	<u>15,000</u>	<u>—</u>
and after crediting:		
Bad debt recovered	15,000	—

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the Period. The amount of taxation credited to the consolidated profit and loss account represents:

	Unaudited Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax (credit)/charge		
Current	2,127	—
Deferred	(2,477)	(5,126)
	<u>(350)</u>	<u>(5,126)</u>

7. Dividends

The Directors do not recommend the payment of dividend in respect of the six months ended 30th September 2005 (2004: nil).

8. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to equity holders of the Company of HK\$2,571,000 (2004: loss of HK\$29,084,000) and the number of 300,000,000 (2004: 300,000,000) ordinary shares in issue during the period. Diluted earnings/(loss) per share is not presented as the exercise of share options would have no dilutive effect on earnings/(loss) per share for periods ended 30th September 2005 and 30th September 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group recorded a turnover of HK\$20.8 million and a gross profit of HK\$0.5 million for the Period as compared to a turnover of HK\$8.2 million and a gross loss of HK\$21.2 million for the same period in 2004. The improvement in turnover and gross profit was mainly attributable to the increased volume in machinery and equipment sales. During the Period, the Group collected and recognized as other income a sum of HK\$15.0 million for claims on a completed construction project, against which provision had previously been made. Overall, the Group recorded a net profit of HK\$2.6 million for the Period as compared to a net loss of HK\$29.1 million for the same period last year, clearly demonstrating that the Group had successfully overcome the most difficult conditions in the past year by repositioning its focus to machinery trading and marine foundation projects while actively pressing for potential claims on completed projects.

Looking forward, the Group will continue its focus in developing its machinery trading and foundation projects overseas. To enhance its competitive edge and broaden its customer base, the Group had in early December 2005 entered into an agreement to purchase a vessel-holding company which is the owner of a heavy lift type transport vessel. The vessel will serve to mobilize the Group's resources to undertake construction projects and machinery trading businesses overseas and also support the Group to begin diversification into ocean transport business. Further details on the acquisition of the vessel-holding company will be circulated to the shareholders of the Company as soon as practicable and in accordance with regulatory requirements.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

The Group's total assets and net assets as at 30th September 2005 amounted to HK\$303.7 million (31st March 2005: HK\$326.0 million) and HK\$133.6 million (31st March 2005: HK\$131.0 million) respectively.

As at 30th September 2005, the Group had cash and bank balances of HK\$47.9 million (31st March 2005: HK\$50.6 million) and total borrowings of HK\$117.4 million (31st March 2005: HK\$148.9 million). Current portion of long term borrowings, short term bank loans and bank overdrafts as at 30th September 2005 amounted to HK\$113.3 million (31st March 2005: HK\$129.2 million). The Group's gearing ratio, calculated by dividing the Group's net borrowings by total equity, was 0.52 at the end of the Period.

The Group's borrowings are denominated and operations conducted mainly in local currency and United State dollars and have minimal exposure to foreign exchange fluctuations. Interest on the Group's borrowings was mainly on floating rate basis.

CHARGES ON ASSETS

The net book value of machinery and equipment held under finance leases amounted to HK\$51.9 million and fixed assets pledged for certain long term loans amounted to HK\$38.2 million. Certain banking facilities were secured by bank deposits of HK\$46.7 million.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the Period.

The Company revised the terms of reference of its audit committee in July 2005 in order to align the same with the relevant code provisions. The Company also established a remuneration committee in July 2005 with written terms of reference in compliance with the relevant code provisions. Shareholders of the Company had resolved to amend the by-laws of the Company at its Annual General Meeting held in August 2005 for compliance with code provisions concerning appointments, re-election and removal of directors. The Company's bye-laws, in its original forms, provide that a number nearest to but no more than one third of the total number of directors, are to retire every year and that the chairman of the Company is not subject to retirement by rotation. Consequently, two of the directors have been serving on the Board for four consecutive years. At the forthcoming annual general meeting, all directors whom have served consecutively for three or more years shall be subject to retirement in accordance with the amended bye-laws. The chairman of the Company, Mr. Lau Chun Ming, also served as chief executive until 19th December 2005. The Board has on 19th December 2005 appointed Mr. Lau Chun Kwok, an executive director of the Company, as chief executive officer. The Board considers Mr. Lau Chun Kwok's experience and network in the construction and machinery trading businesses being invaluable for the future development of the Group.

AUDIT COMMITTEE

The audit committee, comprising three independent non-executive directors, has reviewed the unaudited interim financial statements of the Group for the six months ended 30th September 2005.

By order of the Board of
SAM WOO HOLDINGS LIMITED
Lau Chun Ming
Chairman

Hong Kong, 23rd December 2005

* for identification purpose only

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.