



SAM WOO HOLDINGS LIMITED

三和集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2005

The board (the "Board") of directors (the "Directors") of Sam Woo Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (together, the "Group") for the year ended 31st March 2005 together with comparative figures for the previous financial year, as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	62,498	137,083
Cost of sales		(61,313)	(101,044)
Gross profit		1,185	36,039
Other revenue	2	239	366
Other income		871	1,819
Administrative expenses		(22,838)	(26,673)
Transfer to deferred income		(936)	–
Operating (loss)/profit	4	(21,479)	11,551
Finance costs	5	(5,492)	(6,437)
(Loss)/profit before taxation		(26,971)	5,114
Taxation credit/(charge)	6	4,797	(4,033)
(Loss)/profit attributable to shareholders		(22,174)	1,081
Dividends	7	–	–
(Loss)/earnings per share			
Basic	8	HK(7.39cents)	HK0.36 cents

Notes:–

1. Basis of preparation

The accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Turnover and revenue

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

	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>
Turnover		
Revenue from foundation works	16,149	85,871
Additional revenue from completed contracts	38,512	–
Rental of machinery and equipment	1,163	7,095
Sale of machinery and equipment	6,674	44,117
	<u>62,498</u>	<u>137,083</u>
Other revenue		
Interest income	239	366
	<u>62,737</u>	<u>137,449</u>

3. Segmental information

(a) Business segments – primary reporting format

	Foundation works		Trading of machinery and equipment		Total	
	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>
Turnover	<u>55,824</u>	<u>92,966</u>	<u>6,674</u>	<u>44,117</u>	<u>62,498</u>	<u>137,083</u>
Segments results	<u>(14,541)</u>	<u>4,285</u>	<u>5,177</u>	<u>18,913</u>	<u>(9,364)</u>	<u>23,198</u>
Interest income					239	366
Unallocated expenses					<u>(12,354)</u>	<u>(12,013)</u>
Operating (loss)/profit					(21,479)	11,551
Finance costs					(5,492)	(6,437)
Taxation credit/(charge)					4,797	(4,033)
(Loss)/profit attributable to shareholders					<u>(22,174)</u>	<u>1,081</u>

(b) Geographical segments – secondary reporting format

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

4. Operating (loss)/profit

	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>
Operating (loss)/profit is stated after crediting:		
Gain on disposal of fixed assets	<u>5,633</u>	<u>10</u>
and after charging:		
Cost of inventories sold	1,574	21,703
Staff costs, excluding directors' emoluments	16,442	31,344
Auditors' remuneration	700	750
Depreciation		
Owned fixed assets	16,651	13,750
Leased fixed assets	7,022	10,884
Operating lease rentals in respect of land and buildings	1,732	2,191
Provision for doubtful debts	<u>27</u>	<u>731</u>

5. Finance costs

	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>
Interest		
Bank loans and overdrafts	3,947	3,048
Finance leases	1,545	3,389
	<u>5,492</u>	<u>6,437</u>

6. Taxation credit/(charge)

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	2005 <i>HKS'000</i>	2004 <i>HKS'000</i>
Hong Kong profits tax		
Current	(488)	(293)
Deferred	5,285	(463)
Change in opening net deferred tax liabilities resulting from an increase in tax rate	-	(3,277)
	<u>4,797</u>	<u>(4,033)</u>

7. Dividends

The directors do not recommend the payment of dividend in respect of the year ended 31st March 2005 (2004: Nil).

8. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$22,174,000 (2004: profit of HK\$1,081,000) and the weighted average number of 300,000,000 (2004: 298,705,479) ordinary shares in issue during the year.

Diluted loss/earnings per share is not presented as the exercise of share options would have no dilutive effect on the loss/earnings per share for the years ended 31st March 2004 and 2005.

BUSINESS AND FINANCIAL REVIEW

The Group recorded a turnover of HK\$62.5 million and a gross profit of HK\$1.2 million for the financial year ended 31st March 2005 (the "Year") as compared to a turnover of HK\$137.1 million and gross profit of HK\$36.0 million for the year ended 31st March 2004 (the "Previous Year"). The drop in turnover was resulted from the continuous contraction of the construction market. The drop in gross profit for the Year was mainly attributable to the sharp increase in prices of construction materials, including petroleum products and steel which prices has risen by 50% in the past year and had watered down the gross margin, and the incurrence of fixed costs, such as depreciation and equipment maintenance.

To cope with the tough operating conditions, cost control measures had been strengthened to conserve resources, which yielded a saving of over 14% in administrative expenses for the Year.

The Group recorded an operating loss of HK\$21.5 million for the Year as compared to a profit of HK\$11.6 million for the Previous Year. The operating loss is mainly attributable to the Group's nearly static business activities in the first half of the Year, which created a loss before taxation of HK\$34.2 million for the interim period ended 30th September 2004. The Group's results in the second half of the Year experienced improvement, primarily as a result of the collection of variation works of certain completed contracts which was previously not recognised, and the Group was able to recover part of the loss incurred during the first half of the Year.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

The Group's total assets and net assets as at 31st March 2005 amounted to HK\$326.0 million (2004: HK\$390.7 million) and HK\$131.0 million (2004: HK\$153.2 million) respectively.

As at 31st March 2005, the Group had cash and bank balances of HK\$50.6 million (2004: HK\$56.9 million) and total borrowings of HK\$148.9 million (2004: HK\$180.2 million). Current portion of long term borrowings, short term bank loans and bank overdrafts as at 31st March 2005 amounted to HK\$129.2 million (2004: HK\$123.0 million). The Group's gearing ratio, calculated by dividing the Group's net borrowings by total equity, was 0.75 at the end of the Year. Interest on the Group's borrowings was mainly on floating rate basis.

Management is closely monitoring the level of debts becoming due in the short term and has already taken measures to alleviate the pressure on the Group's cash flow. Considerable efforts was spent to recoup payments for variation works done, with which the Company has successfully obtained settlement for completed projects from several customers during the Year and up to this date. Management is confident that favourable progress will be achieved on the collection from other remaining completed projects in the foreseeable future.

Furthermore, management has been continuously pursuing businesses in the trading of equipment and machinery, which will serve to provide streams of cash inflow and lessen both the short and long term financial burden of the Group. A steady pattern in equipment sales has been achieved in the last few months and is expected to further develop in the coming year.

A substantial shareholder of the Company has also expressed intention to provide sufficient financial resources to the Group so as to enable it to meet its liabilities as they fall due and to carry on its business without significant curtailment of operations in the foreseeable future.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATION

The Group's borrowings are denominated and operations are conducted mainly in local currency and United State dollars and have minimal exposure to foreign exchange fluctuations.

CHARGES ON THE GROUP'S ASSETS

The net book value of machinery and equipment held under finance leases amounted to HK\$79.7 million and fixed assets pledged for certain long terms loans amounted to HK\$43.4 million. Certain banking facilities were secured by bank deposits of HK\$46.6 million.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES AND BONUS

The Group has about 59 (excluding directors) staff members as at 31st March 2005 and provides competitive remuneration packages to employees which commensurate with individual job nature and performance.

The Group adopted a share option scheme as incentives to eligible persons for their contribution to the Group.

CONTINGENT LIABILITIES

As at 31st March 2005, the Group had contingent liabilities of HK\$12.7 million (2004: HK\$6.2 million) in respect of a number of litigation processing arising in the normal course of its business. These include both claims against the Group and counterclaims made by defendants of actions initiated by the Group.

An employees' compensation case has been lodged against certain subsidiaries of the Company subsequent to end of the Year in respect of a fatal accident that happened during the Year. No specific claim amount has been specified in the application submitted to the court. The case is still at its early stage and there is no reliable basis to quantify the losses, if any, which may arise as a result of the claim.

The directors of the Company are of the opinion that the ultimate liability under these proceedings, if any, would not have a material impact on the financial position of the Group.

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 Year.

AUDIT COMMITTEE

The Company established an audit committee on 25th March 2003 in compliance with the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). The audit committee comprises three independent non-executive directors, Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune. Mr. Chan Wai Dune has been elected as chairman of the audit committee on and with effect from 11th July 2005. The primary duties of the audit committee are to review and supervise the financial reporting and internal control principles of the Group and to maintain an appropriate relationship with the Company's auditors.

The Company's audited consolidated financial statements for the Year have been reviewed by the audit committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 11th July 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. Current members of the remuneration committee include the Company's three independent non-executive directors, Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune. Dr. Lee Peng Fei, Allen has been elected as chairman of the remuneration committee on and with effect from 11th July 2005.

The primary duties of the remuneration committee are to review and supervise the proper setting and execution of remuneration policies for the Company's directors and senior management.

CODE OF BEST PRACTICE

The Company has been in compliance throughout the Year with the Code of Best Practice as set forth in Appendix 14 to the Listing Rules which was in force prior to 1st January 2005.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement of the Company for the Year containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 22nd July 2005

** For identification purpose only*

As at the date of this announcement, the Board comprises 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 as executive directors, Mr. Chiu Kam Kun, Eric as non-executive director and Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.