



# 三和集團有限公司\*

## SAM WOO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2003

The board (the “Board”) of directors (the “Directors”) of Sam Woo Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together, “the Group”) for the year ended 31 March 2003 prepared in accordance with accounting principles generally accepted in Hong Kong, together with the comparative figures for the previous financial year, as follows:–

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2003

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Turnover	2	<b>202,950</b>	450,146
Cost of sales		<b>(113,549)</b>	(356,376)
Gross profit		<b>89,401</b>	93,770
Other revenues	2	<b>175</b>	3,445
Other income		<b>911</b>	325
Administrative expenses		<b>(15,202)</b>	(21,610)
Operating profit	4	<b>75,285</b>	75,930
Finance costs	5	<b>(8,425)</b>	(12,775)
Profit before taxation		<b>66,860</b>	63,155
Taxation	6	<b>(10,424)</b>	(10,421)
Profit attributable to shareholders		<b>56,436</b>	52,734
Dividend	7	–	72,612
Basic earnings per share	8	<b>HK\$0.24</b>	HK\$0.23

Notes:–

**1. Group reorganisation**

The Company was incorporated in Bermuda on 26 June 2002 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Sam Woo Group Limited, the then holding company of the other subsidiaries, through a share swap arrangement on 28 March 2003 and became the holding company of the Group. Details of the Reorganisation are set out in the Company’s prospectus dated 31 March 2003. The Company’s shares were listed on the Stock Exchange on 9 April 2003.

The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants. The consolidated accounts of the Group for the year ended 31 March 2003, including comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

**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 year are as follows:–

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>		
Revenue from foundation works	<b>188,566</b>	423,783
Rental of machinery and equipment	<b>4,028</b>	–
Sale of machinery and equipment	<b>10,356</b>	26,363
	<b>202,950</b>	450,146
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<b>Other revenues</b>		
Interest income	<b>145</b>	749
Maintenance service income	<b>30</b>	480
Directorship fee income	–	1,784
Management service income	–	12
Sub-leasing rental income	–	420
	<b>175</b>	3,445
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Total revenues	<b>203,125</b>	453,591
	=====	=====

## 3. Segment information

## (a) Business segments – primary reporting format

	Foundation works		Trading of machinery and equipment		Total	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	<u>192,594</u>	<u>423,783</u>	<u>10,356</u>	<u>26,363</u>	<u>202,950</u>	<u>450,146</u>
Segments results	<u>74,343</u>	<u>73,568</u>	<u>913</u>	<u>1,778</u>	<u>75,256</u>	<u>75,346</u>
Interest income					145	749
Unallocated expenses					(116)	(165)
Operating profit					<u>75,285</u>	<u>75,930</u>
Finance costs					<u>(8,425)</u>	<u>(12,775)</u>
Taxation					<u>(10,424)</u>	<u>(10,421)</u>
Profit attributable to shareholders					<u>56,436</u>	<u>52,734</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 profit

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating profit is stated after charging:		
Cost of inventories sold	9,062	24,534
Depreciation		
Owned fixed assets	7,300	4,521
Leased fixed assets	<u>17,218</u>	<u>18,841</u>

## 5. Finance costs

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest		
Bank loans and overdrafts	1,633	1,210
Finance leases	<u>6,792</u>	<u>11,565</u>
	<u>8,425</u>	<u>12,775</u>

## 6. Taxation

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong profits tax		
Current	466	–
Deferred	<u>9,958</u>	<u>10,421</u>
	<u>10,424</u>	<u>10,421</u>

Hong Kong profits tax for the year ended 31 March 2003 has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year.

#### **7. Dividend**

The directors do not recommend payment of dividend in respect of the year ended 31 March 2003. Dividend in 2002 represented dividend paid by a subsidiary of the Company to its then shareholders prior to the Reorganisation.

#### **8. Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$56,436,000 (2002: HK\$52,734,000) and assuming that 232,500,000 ordinary shares issued pursuant to the Reorganisation had been in issue throughout both years.

Diluted earnings per share is not presented as the Company has no dilutive potential shares.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION**

#### **Business and financial review**

Net profit attributable to shareholders for the year increased approximately 7.0 per cent. from approximately HK\$52.7 million to approximately HK\$56.4 million. Due to poor performance of the overall Hong Kong economy in the past year, the construction industry was negatively affected. The turnover for the year dropped from approximately HK\$450.1 million for the year ended 31 March 2002 to approximately HK\$203.0 million for the year ended 31 March 2003.

Nonetheless, gross profit margin of the Group rose from 20.8 per cent. for the year ended 31 March 2002 to 44.1 per cent. for the year ended 31 March 2003. The increase was mainly due to the smooth completion of one of the major contracts which took place in the second half of the financial year. Accordingly, contract costs were lower than original budgeted and the additional profit arising was fully recognized upon the completion of that contract.

The Group's administrative expenses decreased by approximately 29.7 per cent. to approximately \$15.2 million comparing with the financial year ended 31 March 2002 as a result of an effective cost control programme to control the operation expenses of the Group.

The Group's interest expense for the year was approximately HK\$8.4 million, representing approximately a 34.1 per cent. decrease from previous year. The decrease was mainly attributable to the reduction of interest rates and gradual repayment of the bank debts of the Group.

The interest expense cover ratio improved from approximately 5.9 times for the year ended 31 March 2002 to approximately 8.9 times for the year ended 31 March 2003.

The Group's total liabilities were approximately HK\$379.3 million as at 31 March 2002 and approximately HK\$216.8 million as at 31 March 2003. This led to a drop in the gearing ratio<sup>(1)</sup> from approximately 2.33 as at 31 March 2002 to approximately 1.39 as at 31 March 2003. The drop in the ratio was mainly attributable to the settlement of bank debts during the financial year. Gearing ratio would be further reduced to approximately 0.81 taking into account the net proceeds from the initial public offering on 9 April 2003.

*Note:—*

(1) The Group's total borrowings (after deducting cash and bank balances) over shareholders' funds

### **Number and remuneration of employees, remuneration policies, bonus**

The Group has around 120 staff members as at 31 March 2003. The staff costs (excluding directors' emoluments) were HK\$48.4 million (2002: HK\$91.7 million).

The Group has adopted a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance.

The Company conditionally adopted a share option scheme (the "Scheme") on 25 March, 2003 for the purpose of providing incentives or rewards to eligible persons for their contribution to the Group. The subscription and exercise price of the share options, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme.

### **Liquidity, financial conditions and capital structure**

As at 31 March 2003, the total assets of the Group was approximately HK\$334.3 million which consisted of approximately HK\$283.6 million of fixed assets. The Group purchased approximately HK\$11.2 million and disposed approximately HK\$23.9 million of machinery and equipment during the year ended 31 March 2003.

Current assets was approximately HK\$50.7 million as at 31 March 2003, comprising trade receivables of approximately HK\$20.1 million, deposits, prepayments and other receivables of approximately HK\$6.8 million, amounts due from customers for contract works of approximately HK\$15.1 million, inventories of approximately HK\$4.0 million and cash and bank balances of approximately HK\$4.7 million.

As at 31 March 2003, current liabilities was approximately HK\$143.0 million, comprising trade payables of approximately HK\$9.4 million, accrual and other payables of approximately HK\$5.8 million, short term bank loans and overdrafts of approximately HK\$70.6 million, tax payable of approximately HK\$0.5 million and current portion of long-term liabilities of approximately HK\$56.7 million comprising current portion of long-term bank loan of approximately HK\$55.5 million and obligations under finance leases of approximately HK\$1.2 million.

Long-term liabilities amounted to approximately HK\$73.8 million, comprising non-current portion of long-term bank loans and finance leases of HK\$40.3 million and deferred taxation of HK\$33.5 million as at 31 March 2003.

Sources of funds of the Group include funds generated internally, from banking facilities, finance leases and hire purchase loans with an average of three to four years' maturity. The Group's borrowings were primarily on floating interest rates basis.

### **Exposure to foreign exchange fluctuation**

The Group's operation is located in Hong Kong. Some of the plant and machinery purchased for the Group were transacted in US dollars or Euro. However, this represented a comparatively smaller amount of the Group's total purchase. The Group did not have any material gain or loss due to the fluctuation of the currency exchange rates.

### **Charges on the Group's assets**

As at 31 March 2003, the net book values of machinery and equipment held under finance leases amounted to HK\$215.1 million and fixed assets pledged for certain long-term loans amounted to HK\$3.0 million. Certain banking facilities were secured by a bank deposit of a subsidiary of approximately HK\$3.7 million.

### **Contingent liabilities**

As at 31 March 2003, the Group had contingent liabilities of approximately HK\$6.1 million in respect of a number of litigation proceedings arising in the normal course of its business. These include both claims and counterclaims made by defendants of actions initiated by the Group. The Directors, having taken into consideration the advice from the Group's legal counsels, 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.

### **Operating environment and outlook**

The collaboration among the cities within the Pearl River Delta ("PRD") region has become imminent, making infrastructures, including highways, bridges, railroads, stations and cross-boundary links and facilities a necessity to accommodate the increase in all kinds of economic, political and social activities within the PRD region. Within Hong Kong, more infrastructures are needed to sustain the economy and population growth. The Central Reclamation, Widening of Yuen Long Highway, Lai Chi Kok Viaduct and Eagle's Nest Tunnel are some of the major infrastructure projects that will be commenced in the year 2003. According to the Government's policy address, the Kowloon-Canton Railway Corporation and Mass Transit Railway Corporation will also invest billions of dollars in infrastructure projects over the next 10 years. All of the abovementioned construction projects require substantial piling works that mean great opportunities and prospect for the Group.

While the economy is on the road to recovery, the overall operating environment will still be very challenging and competitive in the coming years. The Group will continue to concentrate its expertise and experience in providing high standard foundation works and related services. Being one of the most dependable contractors in the foundation industry with full range of machinery and equipment, experienced management team and over a decade of good job references, we remain fully confident of the Group's future development.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 20 August 2003 to Wednesday, 27 August 2003 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 19 August 2003.

### **PURCHASES OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

Neither the Company, nor any of its subsidiaries purchased or redeemed any of the Company's listed shares during the period from the listing of the Company's shares on 9 April 2003 to the date of this announcement.

## **AUDIT COMMITTEE**

The Company established an audit committee on 25 March 2003 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee comprises the two independent non-executive directors, Dr Lee Peng Fei, Allen and Professor Wong Sue Cheun, Roderick. The Committee had held one meeting to review the internal control systems and annual results and provided recommendations to the Board of Directors since 25 March 2003.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period from the listing of the Company’s shares on 9 April 2003 to the date of this announcement.

## **SPONSOR’S INTEREST**

Pursuant to the sponsor’s agreement (the “Sponsor’s Agreement”) dated 8 March 2002 entered into between DBS Asia Capital Limited (“DBS Asia”) and the Company, the Company has appointed DBS Asia, and DBS Asia has agreed, to act as sponsor to the Company for a period of one year commenced from 2 April, 2003. Save for the Sponsor’s Agreement, none of the directors, employees nor associates of DBS Asia had any interest in any securities of the Company or any of its associated corporations as at 31 March 2003.

## **ACKNOWLEDGMENT**

I would like to take this opportunity to express my respect and appreciation to my fellow board members, management team, staff members, suppliers, subcontractors, other business partners and most important of all our customers for their support, commitment and patronage throughout the years, especially in the midst of those tough years. With your continuing support, we are hopeful that we will achieve new heights in the future.

## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed results announcement of the Group for the year ended 31 March 2003 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 and Managing Director*

Hong Kong, 16 July 2003

\* *For identification purpose only*

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the Members of Sam Woo Holdings Limited (the “Company”) will be held at Ming Room, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 27 August 2003 at 10:00 a.m. for the following purposes:–

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 March 2003;
2. To elect Directors and to authorise the Board of Directors to fix Directors’ remuneration;
3. To appoint Auditors and to authorise the Board of Directors to fix Auditors’ remuneration;
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
  - (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
  - (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:–
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution passed by the Company’s shareholders in general meeting; and
    - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held.”
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:–

**“THAT**



- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or dealt with during or after the end of the Relevant Period (as defined below), be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, the total nominal amount of additional shares to be allotted, issued, dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with shall not in total exceed 20 per cent. of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
- (b) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution passed by the Company’s shareholders in general meeting; and
  - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held.”
6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:–

“**THAT** the general mandate granted to the Directors of the Company pursuant to resolution no. 5 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares since the granting of such general mandate referred to in the above resolution no. 4, provided that such amount shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution.”

By Order of the Board  
**Sam Woo Holdings Limited**  
**CHAN Sun Kwong**  
*Company Secretary*

Hong Kong, 16 July 2003

*Notes:*

- (a) The Register of Members of the Company will be closed from Wednesday, 20 August 2003 to Wednesday, 27 August 2003 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 19 August 2003.
- (b) A shareholder of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) To be valid, a form of proxy and the instrument appointing the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Annual General Meeting or the adjournment thereof.

Please also refer to the published version of this announcement in South China Morning Post dated on 17-7-2003.