



**SAM WOO HOLDINGS LIMITED**

**三和集團有限公司\***

(Incorporated in Bermuda with limited liability)

(Stock code : 2322)



Interim Report

**2006/07**



\* For identification purposes only



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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 30 September 2006 (the "Period") of the Company and its subsidiaries (collectively the "Group"), together with comparative figures for the corresponding period in 2005 (the "Previous Period").

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

The Group recorded a turnover of HK\$74.8 million for the Period, a more than 1.5 times increase from that of HK\$28.5 million for the Previous Period. Revenue contributed by heavy marine transportation increased to HK\$40.1 million, whereas that for the Previous Period was only HK\$7.7 million as the Group's semi-submersible vessel, m/v Asian Atlas, was not yet in full operation during the Previous Period. The turnover of the trading of construction machinery and equipment doubled to HK\$16.5 million for the Period from that of HK\$8.1 million for the Previous Period as certain sales had been finalized after a period of negotiations. Revenue contribution from foundation works increased to HK\$18.1 million due to works on a private property development project having commenced during the Period.

The gross profit for the Period was HK\$31.3 million whereas a gross loss of HK\$2.4 million was recorded for the Previous Period. Heavy marine transportation brought in a gross profit of HK\$20.1 million for the Period while gross loss of HK\$2.9 million was incurred for the Previous Period.

Overall, the Group recorded an after tax profit of HK\$16.5 million for the Period as compared to an after tax loss of HK\$3.9 million for the Previous Period. The improvement in results is mainly attributable to contributions from heavy marine transportation, partially offset by the reduction in other income. The amount of other income in the Previous Period was mainly related to claims received for works on a completed foundation project.

Heavy marine transportation's contribution to the Group's turnover and profits are expected to grow further in the second half of the current financial year when m/v Asian Atlas can operate on a continuous basis following completion of upgrading works in June 2006. The Group has been actively pursuing negotiations on settlement for variation works of certain previously completed projects during the Period and envisages satisfactory conclusion can be reached and be reflected in the Group's full year results for the current financial year. Numerous and frequent enquiries have been received from established and potential customers expressing interests in purchasing used construction equipment and it is expected that further sales at attractive prices will be completed within the current financial year.

The Group enjoys strong net cash inflows from heavy marine transportation and takes the leading position in the provision of heavy marine transportation business in the region. The Company is committed to generating the highest possible return for its shareholders. It is the Group's strategy to continuously enhance its capacity in heavy marine transportation, including through the acquisition of additional transport vessels should the need and opportunity arise. At the same time, with its established construction and transportation capabilities, the Group is well-fitted and keen to take on profitable construction projects in overseas markets. By strengthening its foothold in the heavy marine transport industry and establishing a presence in the field of marine engineering and in foundation construction market overseas, the Group faces new challenges ahead as well as great prospects of rewards.

## **LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING**

The Group's total assets and net assets as at 30 September 2006 amounted to HK\$346.5 million (31 March 2006: HK\$357.4 million) and HK\$149.2 million (31 March 2006: HK\$132.7 million) respectively.

As at 30 September 2006, the Group had cash and bank balances of HK\$39.5 million (31 March 2006: HK\$48.7 million) and total borrowings of HK\$135.6 million (31 March 2006: HK\$157.9 million). Current portion of long term borrowings, short term bank loans and bank overdrafts as at 30 September 2006 amounted to HK\$91.0 million (31 March 2006: HK\$117.0 million). The Group's gearing ratio, calculated by dividing the Group's net borrowings by total equity, was 0.64 (31 March 2006: 0.82) at the end of the Period. 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 machinery and equipment held under finance leases and pledged for long-term bank loans amounted to HK\$18.1 million and HK\$11.7 million respectively. A vessel with net book value of HK\$78.5 million is pledged to secure for other loan. Certain banking facilities were secured by bank deposits of HK\$37.0 million.

### **CONTINGENT LIABILITIES**

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

### **NUMBER OF EMPLOYEES AND REMUNERATION POLICIES**

The Group had about 45 (excluding directors) staff members as at the end of the Period and provides competitive remuneration packages to employees which commensurate with individual job nature and performance.

The Group adopted a share option scheme as incentive to eligible persons for their contributions to the Group. Details of the scheme are set out under separate heading in this report.

## DISCLOSURE OF INTERESTS OF DIRECTORS

As at the date of this report, the interest and short positions of directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

### (a) Directors' interest in the Company:

Name of director	Number of shares	Approximate percentage of shareholding	Capacity
Mr. Lau Chun Ming	Long position 500,000 shares (Note 1 & 5)	0.16%	Beneficial owner
Mr. Lau Chun Kwok	Long position 23,000,000 shares (Notes 1 & 2)	7.66%	Beneficial owner and interest of a controlled company
Mr. Lau Chun Ka	Long position 23,000,000 shares (Notes 1 & 3)	7.66%	Beneficial owner and interest of a controlled company
Ms. Leung Lai So	Long position 180,500,000 shares (Notes 1 & 4)	60.16%	Beneficial owner and beneficiary of a discretionary trust
Mr. Hsu Kam Yee, Simon	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chan Sun Kwong	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Mr. Chiu Kam Kun, Eric	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Dr. Lee Peng Fei, Allen	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner
Professor Wong Sue Cheun, Roderick	Long position 500,000 shares (Note 1)	0.16%	Beneficial owner

(b) Directors' interests in the associated corporations:

Name of director	Name of company	Number of shares	Approximate percentage of shareholding	Capacity
Ms. Leung Lai So	Actiease Assets Limited	Long position 61 shares	100%	Beneficiary of a discretionary trust
Ms. Leung Lai So	Silver Bright Holdings Limited	Long position 10,000 shares	100%	Beneficiary of a discretionary trust

Notes:

- 1 On 28 May 2003, the Company granted to each of the director an option to subscribe for 500,000 shares in the share capital of the Company.
- 2 22,500,000 shares were held by CKL Development Limited, a corporation which is controlled by Mr. Lau Chun Kwok.
- 3 22,500,000 shares were held by Nice Fair Group Limited, a corporation which is controlled by Mr. Lau Chun Ka.
- 4 180,000,000 shares were held by Actiease Assets Limited, a company wholly-owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is a beneficiary.
- 5 Mr. Lau Chun Ming's interest does not include the 60.16% interest of his spouse, Ms. Leung Lai So, in the Company.

## DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the directors are aware, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance as at the date of this report are as follows:

<b>Name of substantial shareholder</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>	<b>Capacity</b>
Actiease Assets Limited	Long position 180,000,000 shares	60%	Beneficial owner
Silver Bright Holdings Limited	Long position 180,000,000 shares	60%	Interest of a controlled company
ManageCorp Limited	Long position 180,000,000 shares	60%	Trustee
Dao Heng Trustee (Jersey) Limited as trustee of The LCM 2002 Trust	Long position 180,000,000 shares	60%	Trustee
CKL Development Limited	Long position 22,500,000 shares	7.5%	Beneficial owner
Nice Fair Group Limited	Long position 22,500,000 shares	7.5%	Beneficial owner
Ms. Tang Lin Ngor	Long position 22,500,000 shares	7.5%	Interest of her spouse
Ms. Ip Fung Sheung	Long position 22,500,000 shares	7.5%	Interest of her spouse

## SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution of the sole shareholder passed on 25 March 2003. The maximum number of shares in respect of which options may be granted shall not exceed 30,000,000 shares representing 10 per cent. in nominal amount of the issued share capital of the Company on 9 April 2003 (the "Listing Date"). The maximum entitlement of each participant shall not exceed 1 per cent. of the shares in issue in any 12-month period up to the date of the latest grant of options.

As at 30 September 2006, all share options granted under the Scheme were still outstanding. No options were exercised, cancelled or lapsed during the Period.





## SHARE OPTION SCHEME (CONTINUED)

Except for the foregoing, during the Period and up to the date of this report, none of the directors (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF 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 has not adopted written terms on division of responsibilities between its chairman and chief executive officer. The Board considers that the responsibilities of the two positions are fundamentally distinct and therefore written terms of division are not necessary.

Two of the Company's directors have been serving on the Board for four consecutive years up to the Company's last Annual General Meeting held on 1 September 2006, at which all directors whom have served consecutively for three or more years retired in accordance with the Company's amended bye-laws. As at the end of the Period, none of the directors have served for more than three consecutive years.

## 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 code regarding securities transactions by directors of the Company and its subsidiaries and employees of the Group who are likely to be in possession of unpublished price-sensitive information. All directors have confirmed, upon specific enquiry made, that they have complied with the Model Code throughout the Period.

## REVIEW BY AUDIT COMMITTEE

The audit committee, comprising three independent non-executive directors, has reviewed the interim report and unaudited financial statements of the Group for the six months ended 30 September 2006.

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

Hong Kong, 21 November 2006

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
		<b>HK\$'000</b>	HK\$'000
	<i>Note</i>		
Turnover	3	<b>74,779</b>	28,482
Cost of sales		<b>(43,482)</b>	(30,866)
Gross profit/(loss)		<b>31,297</b>	(2,384)
Other income	4	<b>1,486</b>	15,700
Administrative expenses		<b>(10,345)</b>	(10,555)
Transfer to deferred income		–	(1,157)
Operating profit	5	<b>22,438</b>	1,604
Finance costs		<b>(6,124)</b>	(5,892)
Profit/(loss) before income tax		<b>16,314</b>	(4,288)
Income tax credit	7	<b>163</b>	350
Profit/(loss) for the period		<b>16,477</b>	(3,938)
Attributable to:			
Equity holders of the Company		<b>16,477</b>	(3,938)
Earnings/(loss) per share attributable to the equity holders of the Company during the period			
Basic and diluted	9	<b>HK5.49 cents</b>	HK(1.31 cents)

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

		Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	10	236,319	255,603
Deferred tax assets	16	1,612	1,401
		<b>237,931</b>	257,004
<b>Current assets</b>			
Trade receivables	11	33,138	20,875
Deposits, prepayments and other receivables		3,866	5,849
Inventories		13,599	9,822
Amounts due from customers for contract work		15,367	15,105
Amount due from a related company	18	3,049	–
Cash and bank balances			
Unrestricted		2,507	1,928
Restricted		37,000	46,782
		<b>108,526</b>	100,361
<b>Total assets</b>		<b>346,457</b>	357,365
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	13	30,000	30,000
Reserves		119,222	102,745
<b>Total equity</b>		<b>149,222</b>	132,745

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)  
AS AT 30 SEPTEMBER 2006

		Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loan from a director	14	42,623	40,152
Long-term liabilities	15	1,975	727
Deferred tax liabilities	16	27,619	29,436
		<b>72,217</b>	70,315
<b>Current liabilities</b>			
Trade payables	17	13,100	5,425
Accruals and other payables		9,339	9,048
Amounts due to related companies	18	783	3,598
Amounts due to directors	19	7,674	17,655
Short-term borrowings	20	35,140	39,040
Current portion of long-term liabilities	15	3,818	17,523
Taxation payable		3,164	1,576
Bank overdrafts	20	52,000	60,440
		<b>125,018</b>	154,305
<b>Total liabilities</b>		<b>197,235</b>	224,620
<b>Total equity and liabilities</b>		<b>346,457</b>	357,365
<b>Net current liabilities</b>		<b>(16,492)</b>	(53,944)
<b>Total assets less current liabilities</b>		<b>221,439</b>	203,060

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006**

	<b>Unaudited</b>			<b>Total</b>
	<b>Share capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	30,000	14,940	83,429	128,369
Loss for the period	–	–	(3,938)	(3,938)
At 30 September 2005	30,000	14,940	79,491	124,431
At 1 April 2006	30,000	14,940	87,805	132,745
Profit for the period	–	–	16,477	16,477
At 30 September 2006	30,000	14,940	104,282	149,222

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Net cash (used in)/from operating activities		<b>(11,402)</b>	11,041
Net cash from investing activities		<b>24,525</b>	14,354
Net cash used in financing activities		<b>(4,104)</b>	(30,070)
Increase/(decrease) in cash and cash equivalents		<b>9,019</b>	(4,675)
Cash and cash equivalents at beginning of the period		<b>(58,512)</b>	(54,169)
Cash and cash equivalents at end of the period	12	<b>(49,493)</b>	(58,844)

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1 General information

The Company and its subsidiaries (together the "Group") are principally engaged in foundation works, leasing and trading of machinery and equipment for foundation works and vessel chartering. The Company is a limited liability company incorporated in Bermuda and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The Company's principal place of business is Units 1310-13, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

The condensed financial statements have been approved for issue by the board of directors of the Company on 21 November 2006.

### 2 Summary of significant accounting policies

These unaudited condensed consolidated 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 Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements.

The Group had not appointed the auditors to carry out any review of the interim financial statements for the six months ended 30 September 2006 in accordance with SAS 700.

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 31 March 2006 except as described below.

In the current period, the Group has applied for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The application of these new HKFRSs 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 May 2006 or later periods. The Group has not early adopted these new standards, amendments and interpretations for the period ended 30 September 2006. 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 Summary of significant accounting policies (continued)

### *Application of merger accounting*

The Group applied the Accounting Guideline No. 5 – “Merger Accounting for Common Control Combination”, using the principles of merger accounting to account for the acquisition of Master View Co., Ltd (“Master View”) which was completed on 15 March 2006.

The acquisition is a combination of businesses under common control since Mr. Lau Chun Ming is the substantial shareholder of both the Group and Master View. As a result, the Group accounted for the acquisition in a manner similar to a uniting of interests, whereby the assets and liabilities acquired are accounted for at historical cost to the Group. The consolidated financial statements have been restated to give effect to the acquisition with all periods presented as if the operations of the Group and Master View have always been combined. The difference between the purchase consideration and the issued share capital of Master View of HK\$7 has been adjusted against equity.

The effect of adopting merger accounting to account for the acquisition of Master View to the condensed consolidated income statement for the period is as follows:

The condensed consolidated income statement for the period ended 30 September 2006:

	<b>The Group</b>	<b>Master View</b>	<b>Adjustments</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to equity holders				
of the Group	932	15,545	–	16,477

The condensed consolidated income statement for the period ended 30 September 2005:

	<b>The Group</b>	<b>Master View</b>	<b>Adjustments</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to equity				
holders of the Group	2,571	(6,509)	–	(3,938)

### 3 Segmental information

(a) *Business segments – primary reporting format*

	Unaudited			
	Six months ended 30 September 2006			
	Trading of			
	Foundation	machinery and	Vessel	Total
	works	equipment	chartering	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	18,139	16,499	40,141	74,779
Segment results	(6,128)	14,559	18,928	27,359
Interest income				869
Unallocated expenses				(5,790)
Operating profit				22,438
Finance costs				(6,124)
Income tax credit				163
Profit attributable to equity holders of the Company				16,477
Capital expenditure	274	–	13,876	14,150
Depreciation	7,620	–	1,596	9,216

#### As at 30 September 2006, unaudited

Segment assets	189,120	11,404	104,378	304,902
Unallocated assets				41,555
Total assets				346,457
Segment liabilities	31,119	70	77,006	108,195
Unallocated liabilities				89,040
Total liabilities				197,235

**3 Segmental information (continued)**

(a) *Business segments – primary reporting format (continued)*

	Unaudited			
	Six months ended 30 September 2005			
	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Vessel chartering HK\$'000	Total HK\$'000
Turnover	12,604	8,149	7,729	28,482
Segment results	4,804	4,900	(3,821)	5,883
Interest income				437
Unallocated expenses				(4,716)
Operating profit				1,604
Finance costs				(5,892)
Income tax credit				350
Loss attributable to equity holders of the Company				(3,938)
Capital expenditure	706	–	–	706
Depreciation	11,114	–	1,221	12,335
<b>As at 31 March 2006, audited</b>				
Segment assets	224,651	9,149	73,141	306,941
Unallocated assets				50,424
Total assets				357,365
Segment liabilities	45,610	70	66,859	112,539
Unallocated liabilities				112,081
Total liabilities				224,620

### 3 Segmental information (continued)

(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.

### 4 Other income

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>869</b>	437
Gain on disposal of other fixed assets	<b>22</b>	27
Write-back of provision for impairment of receivables	–	15,000
Write off of accounts payable	<b>595</b>	–
Sales of scrap material	–	229
Sundries	–	7
	<b>1,486</b>	15,700

### 5 Operating profit

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Operating profit is stated after charging:		
Cost of inventories sold	<b>1,900</b>	3,236
Staff costs, excluding directors' emoluments	<b>3,290</b>	6,491
Auditors' remuneration	–	100
Depreciation		
Owned plant and equipment	<b>8,344</b>	9,976
Leased plant and equipment	<b>872</b>	2,359
Operating lease rentals in respect of land and buildings	<b>1,715</b>	1,723
Vessel hiring expenses	<b>2,100</b>	2,100

**6 Finance costs**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interest expense		
bank loans and overdrafts	<b>2,497</b>	2,632
loan from a director	<b>1,510</b>	1,372
other loan, secured and repayable within 5 years	<b>1,873</b>	1,316
finance leases	<b>244</b>	572
	<b>6,124</b>	5,892

**7 Income tax credit**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. The amount of taxation credited to the condensed consolidated income statement represents:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
Current income tax	<b>1,865</b>	2,127
Deferred income tax (note 16)	<b>(2,028)</b>	(2,477)
	<b>(163)</b>	(350)

**8 Dividends**

The Directors do not recommend the payment of dividend in respect of the six months ended 30 September 2006 (2005: nil).

## 9 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the consolidated profit attributable to equity holders of the Company of approximately HK\$16,477,000 (2005: loss of approximately HK\$3,938,000) by 300,000,000 (2005: 300,000,000) ordinary shares in issue during the period.

The exercise of share options would have no dilutive effect on the earnings/(loss) per share for the periods ended 30 September 2006 and 30 September 2005.

## 10 Capital expenditure

During the six months ended 30th September 2006, the Group acquired plant and equipment totaling HK\$14,150,000 (six months ended 30 September 2005: HK\$706,000) and disposed plant and machinery and other fixed assets of net book value HK\$24,218,000 (six months ended 30 September 2005: HK\$9,955,000).

## 11 Trade receivables

Receivables in respect of contracting work in progress are usually received within one month after the issuance of architects' certificates. Retention held by customers for contract works included in trade receivables as at 30 September 2006 amounted to HK\$5,503,000 (31 March 2006: HK\$5,503,000). The ageing analysis of the remaining trade receivables is as follows:

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>23,946</b>	9,983
91 to 180 days	–	801
181 to 365 days	<b>1,140</b>	953
More than one year	<b>2,549</b>	3,635
	<b>27,635</b>	15,372

12 Cash and cash equivalents

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Cash at bank and in hand	<b>818</b>	1,016
Short-term bank deposits	<b>38,689</b>	46,907
	<b>39,507</b>	47,923
Less: Cash at bank and in hand – restricted	<b>(37,000)</b>	(46,659)
	<b>2,507</b>	1,264

Cash and bank overdrafts include the following for the purpose of the cash flow statement:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Cash and cash equivalents	<b>2,507</b>	1,264
Bank overdrafts	<b>(52,000)</b>	(60,108)
	<b>(49,493)</b>	(58,844)

13 Share capital

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.1 each	<b>100,000</b>	100,000
Issued:		
300,000,000 shares of HK\$0.1 each	<b>30,000</b>	30,000

**13 Share capital (continued)**

Pursuant to a resolution of the sole shareholder passed on 25 March 2003, the Share Option Scheme was approved and adopted. On 28 May 2003, options to subscribe for 4,500,000 ordinary shares of the Company were granted to directors. The grantees are entitled to exercise their options at a price of HK\$0.69 per share at any time during the period from 28 May 2004 to 27 May 2007. During the period, no option has been granted or cancelled under the Scheme and no option has been exercised by the grantees.

**14 Loan from a director**

The loan from a director is unsecured, bearing interest at 0.5% below US dollars prime rate and has no fixed terms of repayment. The director has confirmed that he will not request for repayment of the loan until the Group is in a position to repay. Accordingly, the loan is classified as non-current liabilities.

The carrying value of the loan from the director approximated its fair value as at 30 September 2006.

**15 Long-term liabilities**

	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Bank loans, secured (note (a))	<b>1,085</b>	11,240
Obligations under finance leases (note (b))	<b>4,708</b>	7,010
Wholly repayable within five years	<b>5,793</b>	18,250
Less: amounts due within one year included under current liabilities	<b>(3,818)</b>	(17,523)
	<b>1,975</b>	727

Notes:

- (a) The Group's bank loans are repayable as follows:

	<b>Unaudited 30 September 2006 HK\$'000</b>	Audited 31 March 2006 HK\$'000
Within one year	<b>1,085</b>	11,240

Interest is charged on the balance at Hong Kong prime rate and was secured by the certain of the Group's machinery and equipment, the Company's bank deposits and corporate guarantee.



**15 Long-term liabilities (continued)**

(b) Obligations under finance leases are payable within the following periods:

	Present value		Minimum payment	
	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within one year	2,733	6,283	2,954	6,521
In the second year	1,238	727	1,323	751
In the third to fifth years	737	–	755	–
	<b>4,708</b>	7,010	<b>5,032</b>	7,272
Finance charges			<b>(324)</b>	(262)
			<b>4,708</b>	7,010

Interest is charged on the outstanding balances of finance leases at rates ranging from one month HIBOR to 0.5% above Hong Kong prime rate. The finance leases are secured by certain of the Group's machinery and equipment.

**16 Deferred taxation**

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2006: 17.5%). The movement of the net deferred tax liabilities is as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
At beginning of the period/year	<b>(28,035)</b>	(31,916)
Recognised in the income statement (note 7)	<b>2,028</b>	3,881
At end of the period/year	<b>(26,007)</b>	(28,035)

**16 Deferred taxation (continued)**

The movements in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the period/year are as follows:

<b>Deferred tax liabilities</b>	<b>Accelerated depreciation allowances</b>	
	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
At beginning of the period/year	<b>(32,834)</b>	(38,003)
Recognised in the income statement	<b>5,913</b>	5,169
At end of the period/year	<b>(26,921)</b>	(32,834)

<b>Deferred tax assets</b>	<b>Tax losses</b>	
	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
At beginning of the period/year	<b>4,799</b>	6,087
Recognised in the income statement	<b>(3,885)</b>	(1,288)
At end of the period/year	<b>914</b>	4,799

**17 Trade payables**

Retention payable included in trade payables as at 30 September 2006 amounted to HK\$181,000 (31 March 2006: HK\$149,000). The ageing analysis of the remaining trade payables is as follows:

	<b>Unaudited</b>	
	<b>30 September</b>	Audited
	<b>2006</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>11,644</b>	3,149
91 to 180 days	<b>323</b>	194
181 to 365 days	<b>369</b>	360
More than one year	<b>583</b>	1,573
	<b>12,919</b>	5,276

**18 Amounts due from/to related companies**

Amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment.

**19 Amounts due to directors**

The amounts payable to directors are unsecured, interest free and have no fixed terms of repayment.

**20 Short-term borrowings**

	<b>Unaudited</b> <b>30 September</b> <b>2006</b> <b>HK\$'000</b>	Audited 31 March 2006 HK\$'000
Bank overdrafts, secured	<b>52,000</b>	60,440
Short-term bank loans, secured	<b>17,200</b>	17,200
Short-term bank borrowings, secured	<b>69,200</b>	77,640
Other loans, secured	<b>17,940</b>	21,840
	<b>87,140</b>	99,480

**21 Operating lease commitments**

The future aggregate minimum lease rental expenses in respect of land and buildings under non-cancellable operating leases are payable in the following periods:

	<b>Unaudited</b> <b>30 September</b> <b>2006</b> <b>HK\$'000</b>	Audited 31 March 2006 HK\$'000
Within one year	<b>1,602</b>	1,258
In the second to fifth years inclusive	<b>490</b>	360
	<b>2,092</b>	1,618

## 22 Related party transactions

- (i) Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Vessel hiring expense to a related company (note (a))	<b>2,100</b>	2,100
Rental expense to related companies (note (a))	<b>1,488</b>	1,488
Consultancy fee paid to various companies (note (b))	<b>840</b>	840
Interest expense to a director (note (c))	<b>1,510</b>	1,372
Contracting income from a related company (note (d))	<b>3,049</b>	–

*Notes:*

- (a) Rental expenses and vessel hiring expenses are paid to companies beneficially owned by certain directors of the Company based on agreements entered into between the parties involved with reference to market rates of similar properties/vessels.
- (b) Consultancy fees were paid to companies in which the directors, Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric have beneficial interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.
- (c) For the terms of loans, please refer to note 14.
- (d) Contracting income are received from a related company beneficially owned by certain directors of the Company based on agreement entered into between the parties involved at fair market terms.

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at fair market terms mutually agreed between the Group and the respective related parties.

**22 Related party transactions (continued)**

- (ii) Key management compensation

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>3,130</b>	3,030
Retirement benefit scheme contribution	<b>54</b>	54

- (iii) Period/year end balance arising from abovementioned transactions are as follows:

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
Rental payable to related companies	<b>248</b>	2,748
Vessel hiring charges payable to a related company	<b>350</b>	850
Advance from a related company	<b>185</b>	–
Contracting income receivables from a related company	<b>3,049</b>	–
Salaries payable to directors	<b>1,787</b>	1,796
Advance from directors	<b>5,887</b>	15,859