IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Sam Woo Holdings Limited, you should hand this circular and proxy form at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SAM WOO HOLDINGS LIMITED

三和集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

ACQUISITION OF 100% INTEREST IN A VESSEL-HOLDING COMPANY

MAJOR AND CONNECTED TRANSACTION AND NOTICE OF SGM

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

KINGSTON CORPORATE FINANCE LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on page 12 of this circular. A letter from Kingston, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 24 of this circular.

A notice convening the SGM to be held at Ballroom A–C, Penthouse, Hotel Miramar, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong at 11:00 a.m. on 7 March 2006 is set out on page 102 of this circular. Whether or not you intend to be present at the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed on it to the branch share registrar of the Company in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 48 hours before the time fixed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the SGM or any adjournment thereof if you so wish.

13 February 2006

* *For identification purposes only*

CONTENTS

In this circular, the following expressions shall, unless the context otherwise requires, have the following meanings:

"Acquisition"	the acquisition of the entire issued share capital of Master View pursuant to the S&P Agreement
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Company"	Sam Woo Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2322)
"Completion"	completion of the S&P Agreement in accordance with the terms and conditions of the Agreement
"Consideration"	HK$1, being the total consideration for the purchase by the Purchaser of the entire issued share capital of Master View
"connected person(s)"	has the meaning as ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and Master View
"Expired Loan"	an interest bearing loan advanced by an independent lender to Master View and secured by, among others, a charge over the Sale Share, which was subsequently re-financed and replaced by the Independent Lender's Loan in October 2005. The principal amount of such loan remained outstanding as at 30 September 2005 was US$3 million (approximately HK$23.4 million)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board established to advise the Independent Shareholders in relation to the Acquisition, which comprises three independent non-executive Directors, namely, Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune

"Independent Lender's Loan"	an interest bearing loan owed to the Independent Lender by Master View in October 2005 which is secured by, among others, a charge over the Sale Share. The principal amount of the Independent Lender's Loan as remained outstanding as at the Latest Practicable Date was US$2.8 million (approximately HK$21.8 million)
"Independent Shareholders"	shareholders of the Company other than the Vendor and Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So, the brothers and wife of the Vendor, respectively, and their respective associates, and any connected person of the Company who is materially interested in the Acquisition
"Kingston"	Kingston Corporate Finance Limited, a licensed corporation for type 6 (advising on corporate finance) regulated activities as defined under SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"Latest Practicable Date"	10 February 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Management Accounts"	the management accounts of Master View as at 30 September 2005
"Master View"	Master View Co., Ltd., a company incorporated under the laws of the Republic of Marshall Islands with limited liability and wholly-owned by the Vendor
"Master View Accountants Report"	the accountants' report jointly prepared by the joint reporting accountants of the Company, PricewaterhouseCoopers and Lau & Au Yeung C.P.A. Limited on the financial information of Master View for the period from 8 December 2004 to 31 March 2005 and the six months ended 30 September 2005 as set out in Appendix II to this circular
"PRC"	The People's Republic of China which, for the purpose of this circular only, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Sam Woo Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

"S&P Agreement"	the agreement dated 1 December 2005 and, unless the context otherwise requires, as supplemented by the Supplemental Agreement and entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Share
"Sale Share"	the one registered share without par value in the share capital of Master View, representing the entire issued share capital of Master View
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at 11:00 a.m. on 7 March 2006, notice of which is set out on page 102 of this circular, for considering and, if thought fit, approving the Acquisition and any transactions contemplated under the S&P Agreement, and any adjournment thereof
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 12 January 2006 entered into between the Vendor and the Purchaser to supplement the terms of the S&P Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Report"	the valuation report dated 13 February 2006 and made for the purpose of formulating and expressing an opinion of the fair market value of the Vessel as at 31 October 2005 issued by CB Richard Ellis Limited, an independent qualified valuer
"Vendor"	Mr. Lau Chun Ming, a Director
"Vendor's Loans"	the advances from time to time made by the Vendor to Master View, the aggregate outstanding principal amount of which was approximately HK$51.9 million as at 30 September 2005
"Vessel"	motor vessel named "Asian Atlas" registered under the laws and flag of the Republic of the Marshall Islands
"%"	per cent.

In this circular, unless the contest otherwise requires, translations of US$ into HK$ or vice versa are made, for illustration purposes only, at the rate of US$1.00 = HK$7.80.

No representation is made in this circular that any amounts in HK$ or US$ could have been or could be converted at the above rate or any other rates at all.

SAM WOO HOLDINGS LIMITED
三和集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 2322)

Executive Directors:
Mr. Lau Chun Ming
Mr. Lau Chun Kwok
Mr. Lau Chun Ka
Ms. Leung Lai So
Mr. Hsu Kam Yee, Simon
Mr. Chan Sun Kwong

Non-executive Director:
Mr. Chiu Kam Kun, Eric

Independent non-executive Directors:
Dr. Lee Peng Fei, Allen
Professor Wong Sue Cheun, Roderick
Mr. Chan Wai Dune

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office in Hong Kong:
Units 1310-13
113 Argyle Street
Mongkok, Kowloon
Hong Kong

13 February 2006

To the Shareholders

ACQUISITION OF 100% INTEREST IN
A VESSEL-HOLDING COMPANY
MAJOR AND CONNECTED TRANSACTION

1. INTRODUCTION

By the announcement dated 9 December 2005, the Company announced that on 1 December 2005, the Purchaser, a wholly owned subsidiary of the Company, entered into the S&P Agreement with the Vendor for the acquisition of the entire issued share capital of Master View at a nominal consideration of HK$1. By another announcement dated 12 January 2006, the Company announced that on 12 January 2006, the Purchaser entered into the Supplemental Agreement with the Vendor to extend the long stop date for fulfilment or waiver of conditions to the S&P Agreement from 16 January 2006 to 15 March 2006.

The Acquisition constitutes a major and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and is therefore subject to the announcement requirements, and the approval of the Independent Shareholders at a general meeting under Chapters 14 and 14A of the Listing Rules. An Independent Board Committee comprising Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune (all being independent non-executive Directors) has been appointed to advise the Independent Shareholders in respect of the Acquisition. The Company has appointed Kingston as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

* *For identification purposes only*

The purposes of this circular are to provide you with further information relating to the S&P Agreement and the Acquisition, the letter from the Independent Board Committee containing its recommendation in connection with the terms of the Acquisition to the Independent Shareholders, the letter from Kingston containing its advice to the Independent Board Committee and the Independent Shareholders, the financial information of the Group and Master View, the Valuation Report, and a notice of the SGM to consider and, if thought fit, pass the necessary resolution to approve the Acquisition.

2. THE ACQUISITION

The S&P Agreement and the Supplemental Agreement

Date of the S&P Agreement: 1 December 2005

Date of the Supplemental Agreement: 12 January 2006

Parties

Vendor: Mr. Lau Chun Ming, the controlling shareholder of the Company by virtue of the interests of his spouse in the Company, and a Director

Purchaser: Sam Woo Group Limited, a wholly-owned subsidiary of the Company

Assets to be acquired

Under the S&P Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share, being one registered share with no par value in the share capital of Master View, representing the entire issued share capital of Master View. The Sale Share is currently subject to a share charge in favour of an independent third party lender (the "**Independent Lender**") to secure the Independent Lender's Loan. The Independent Lender's Loan was extended to Master View in October 2005 for the purpose of re-financing the Expired Loan obtained by Master View in February 2005 for the acquisition of the Vessel. The final maturity date of the Independent Lender's Loan was 13 January 2006 and on 12 January 2006, Master View and the Independent Lender agreed to extend the final maturity date to 13 April 2006. The Independent Lender has given its consent to the Vendor to enter into the S&P Agreement for the sale and purchase of the Sale Share.

Master View was incorporated in the Republic of Marshall Islands on 8 December 2004 and is wholly-owned by the Vendor. It is a vessel holding company and is the registered and beneficial owner of a motor vessel named "Asian Atlas" which is registered under the laws and flag of the Republic of the Marshall Islands and was built in 1975 in Sweden, with a length of approximately 225 metres, a breadth of approximately 41 metres, a depth of approximately 13 metres and a gross tonnage of 38,571 tons. Based on the Master View Accountants Report, the book value of the Vessel as at 30 September 2005 was approximately HK$67.5 million. Based on the Valuation Report, the fair market value of the Vessel as at 31 October 2005 was HK$86 million. The Sale Share was allotted and issued by Master View to the Vendor for US$1.00 and the original acquisition cost of the

Vessel by Master View from an independent third party on 11 February 2005 was US$8.7 million (equivalent to approximately HK$68 million). The total asset value of Master View as at 30 September 2005 was approximately HK$76.3 million based on the Master View Accountants Report.

The Vessel has been undergoing repair and maintenance works since its acquisition by Master View for the purposes of renewing various certificates with Det Norske Veritas, one of the recognized classification society. Interest expenses were also incurred in respect of the Expired Loan and the Vendor's Loan. Master View has not commenced substantive operation until October 2005 and therefore a net loss was incurred from the date of its incorporation to 30 September 2005. Based on the Master View Accountants Report, the net loss of Master View was approximately HK$2.7 million and HK$6.5 million for the period from 8 December 2004, being the date of incorporation, to 31 March 2005 and for the six months ended 30 September 2005 respectively. The audited net liabilities of Master View as at 30 September 2005 were approximately HK$9.2 million. The assets of Master View comprised mainly of the Vessel and inventory of bunker and diesel for consumption by the Vessel while the liabilities of Master View comprised mainly of the Expired Loan of a principal amount of approximately HK$23.4 million and the Vendor's Loans which amounted to approximately HK$51.9 million as at 30 September 2005.

The Vessel has successfully renewed its classification status in September 2005 and Master View has put the Vessel into substantive shipping operations in October 2005. Master View's principal source of income will be from chartering of the Vessel. The Vessel will be chartered to both independent third parties and members of the Group to facilitate its machinery trading and foundation construction businesses.

The Consideration

The Consideration for the sale and purchase of the Sale Share is HK$1. It was determined after arm's length negotiations between the parties with reference to the unaudited adjusted net liabilities of Master View of approximately US$165,000 (equivalent to approximately HK$1.3 million) based on the Management Accounts. Such unaudited adjusted net liabilities were calculated based on the unaudited net liabilities of Master View as at 30 September 2005 of approximately US$2.64 million (equivalent to approximately HK$20.6 million) based on the Management Accounts, as adjusted for the surplus of approximately US$2.48 million (equivalent to approximately HK$19.3 million) arising from the difference between the fair market value of HK$86 million of the Vessel as at 31 October 2005 based on the Valuation Report and the book value of US$8.5 million (equivalent to approximately HK$66 million) of the Vessel as at 30 September 2005 based on the Management Accounts. The Consideration shall be settled in cash upon Completion.

The Directors consider that the Consideration is fair and reasonable so far as the Company and its shareholders are concerned.

Completion

Completion of the S&P Agreement is conditional upon, among others,

(i) the Purchaser being satisfied with the results of the due diligence review of Master View's assets, liabilities, activities, operations, prospects and affairs;

(ii) the Purchaser having obtained a legal opinion to be issued by lawyers in the Republic of the Marshall Islands, in such form and substance to the Purchaser's satisfaction, in respect of, among other matters, the due incorporation and subsistence of Master View and its ownership in the Vessel;

(iii) all requisite approvals, consents, authorizations and licences in relation to the Acquisition from the relevant governmental authorities or other third parties being obtained (if required); and

(iv) the approval from the Independent Shareholders approving the S&P Agreement and the transactions contemplated thereby.

None of the above conditions had been fulfilled as at the Latest Practicable Date. Under the S&P Agreement, in the event the conditions referred to above not having been fulfilled or, as the case may be, waived by the Purchaser on or before 12:00 noon on 16 January 2006 or such later date as the Purchaser may agree, the obligations of the parties under the S&P Agreement will cease and determine and neither party shall have any claim under the S&P Agreement against the other save in respect of any antecedent breach of the S&P Agreement. By virtue of the Supplemental Agreement, the Purchaser and the Vendor agreed to extend the above long stop date for the fulfillment or waiver of the conditions to the S&P Agreement from 16 January 2006 to 15 March 2006.

Completion shall take place at 10:00 a.m. on the second business day after the date on which all the conditions set out in the S&P Agreement have been satisfied.

Benefits of and the reasons for the Acquisition

The Group is principally engaged in foundation works, leasing and trading of machinery and equipment for foundation works. The Group leases foundation works related machinery and equipment which can be applied to both land and marine foundation construction.

For the year ended 31 March 2005, the Group had audited turnover and segment loss of approximately HK$55.8 million and HK$14.5 million respectively from its foundation work projects. On the other hand, the trading of machinery and equipment had an audited turnover and segment income of approximately HK$6.7 million and HK$5.2 million respectively for the year ended 31 March 2005. As reported in its interim report for the six-months ended 30 September 2005, the Group's machinery and equipment trading income has increased to over HK$8 million. In view of the escalating prices of essential construction materials, including steel, concrete, fuel and lubricant, combined with the weakened construction market in Hong Kong, which resulted in impaired profitability of construction projects, instead of competing for unprofitable foundation work projects, the management intends to place the Group's focus on the trading of construction machinery, to specialize on marine foundation projects and to explore potential marine engineering and marine transportation ventures. The Directors are aware that there is significant geographic imbalance in construction resources within the south-east Asia and the middle-east region. There are a notable number of fast-expanding economies within the region with high demand for infrastructures. Moreover, and more particularly in Dubai, Malaysia and Taiwan, a number of sizeable marine infrastructure projects are already underway and more in the offing. Such high level of infrastructure construction activities poses high demand for, among others, relatively immobile resources such as machinery and equipment and offshore working facilities.

With the Acquisition, the Enlarged Group will be able to mobilize its resources to enhance competitiveness and expedite its existing businesses in construction projects and machinery trading. Furthermore, it will also serve to lead the Group to diversify into the lucrative marine transportation industry for the shipment of construction machinery and other offshore production facilities.

The Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the S&P Agreement are fair and reasonable.

3. VENDOR'S LOANS

It is a condition of the S&P Agreement that upon Completion, Master View as borrower and the Vendor as lender shall enter into a loan agreement ("**Vendor Loan Agreement**") to regulate the terms of the Vendor's Loans. As at 30 September 2005, the aggregate amount of indebtedness owing by Master View to the Vendor was approximately HK$51.9 million. Under the Vendor Loan Agreement, the Vendor's Loans will bear interest at a rate which is 0.5% below the US dollars prime rate from time to time quoted by The Hongkong & Shanghai Banking Corporation Limited. The Vendor's Loans will be repayable upon the expiry of 24 months after Completion. Master View has the right to prepay the Vendor's Loans at any time prior to maturity in integral multiples of US$10,000.

4. FINANCIAL IMPACT OF THE ACQUISITION

As disclosed in the Company's interim report for the six months ended 30 September 2005, the unaudited consolidated net asset value of the Group as at 30 September 2005 was about HK$133.6 million. The audited consolidated net loss before and after taxation credit of the Group for the financial year ended 31 March 2005 amounted to about HK$27.0 million and HK$22.2 million, respectively, and the net profit before and after taxation of the Group for the financial year ended 31 March 2004 amounted to about HK$5.1 million and HK$1.1 million, respectively.

Immediately upon Completion, Master View will be 100% owned by the Group and will be accounted for as a subsidiary of the Company.

Net asset value

As at 30 September 2005, the unaudited consolidated net assets of the Group amounted to approximately HK$133.6 million. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated net assets of the Enlarged Group as at 30 September 2005 will amount to approximately HK$124.4 million.

Current and gearing ratios

The Group's current ratio and gearing ratio were 0.71 and 0.52 as at 30 September 2005, respectively. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, the current ratio and the gearing ratio of the Enlarged Group as at 30 September 2005 would be 0.62 and 1.16, respectively.

Earnings

Although Master View had recorded losses in the periods prior to 30 September 2005 as reported in the Master View Accountants Report, the Directors expect that, based on findings from the Company's due diligence review on Master View, the operations and results of Master View will be able to turnaround in the near future and therefore its results will not have any significant adverse impact on the earnings of the Enlarged Group.

Although in the short term, the results, gearing, liquidity and return on assets of the Group will be adversely affected by the consolidation of the financial results and the assets and liabilities of Master View into that of the Group upon Completion, the Directors expect that such adverse impacts are only of transitory nature and that the Acquisition will complement the Group's existing business strategies and promote the results, cash flow and return on assets and equity of the Enlarged Group. The Group has no present intention to provide finance for the operation of Master View from its internal resources. Based on information provided by the Vendor, Master View has already secured five charters of favourable prices for the Vessel with voyages running from September 2005 to April 2006 and out of which four voyages were completed up to the Latest Practicable Date. Master View has been in negotiation for several potential hires from May to September 2006 that are expected to provide a stable source of revenue, operating profit and cash flow in its initial stage of operation. As business builds up, it is expected that Master View can finance its own operation and generate positive operating results in the near future. With the revenue generated from these completed voyages, Master View has been able to repay part of its indebtedness and consequently, the balance of the Vendor's Loans was reduced to HK$34.1 million and the Independent Vender's Loan was reduced to HK$22.8 million as at 31 December 2005.

5. IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio of the assets test (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction under the Listing Rules. In addition, as the Vendor, being a Director, is also the sole shareholder of Master View, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the S&P Agreement is subject to the reporting and announcement requirements and the approval of the Independent Shareholders at a general meeting under Chapters 14 and 14A of the Listing Rules.

The Vendor Loan Agreement to be entered into on Completion constitutes financial assistance provided by a connected person. Given that no security is given by the Group in respect of the financial assistance, and the terms of the Vendor Loan Agreement are on normal commercial terms (or better to the Company), the Vendor Loan Agreement is exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

6. SGM

The Directors will convene the SGM to be held at Ballroom A–C, Penthouse, Hotel Miramar, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong at 11:00 a.m. on 7 March 2006 to consider and, if thought fit, approve the Acquisition. The notice of the SGM is set out on page 102 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed on it to the branch share registrar of the Company in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 48 hours before the time fixed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the SGM or any adjournment thereof if you so wish.

As required under the Listing Rules, the votes of the Independent Shareholders to be taken at the SGM will be taken on a poll, with any connected person of the Company who is materially interested in the Acquisition, and Shareholders with a material interest in the Acquisition and their respective associates abstaining from voting. The Vendor and Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So, the brothers and wife of the Vendor, respectively, and their respective associates who hold an aggregate of approximately 75% equity interest in the Company and are connected persons of the Company who are materially interested in the Acquisition and are therefore required to abstain from voting on the resolution to be proposed at the SGM for approving the Acquisition and any matters relating thereto.

7. POLL PROCEDURES

Pursuant to Bye-law 66 of the bye-laws of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three Shareholders present in person (or in case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

The Chairman will demand a poll for the resolution to be proposed at the SGM. The vote-taking at the SGM will be scrutinized by Tengis Limited, the Hong Kong branch share registrar of the Company. The poll result will be published by way of announcement on the business day immediately after the date of the SGM.

8. RECOMMENDATIONS

The Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM for approving the Acquisition. Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular and the letter of advice from Kingston to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Acquisition and the principal factors and reasons considered by them in arriving at such advice set out on pages 13 to 24 of this circular. You are advised to read these letters carefully before deciding how to vote on the resolution to be proposed at the SGM to approve the Acquisition.

9. GENERAL

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Sam Woo Holdings Limited
Lau Chun Ming
Chairman

SAM WOO HOLDINGS LIMITED
三和集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 2322)

13 February 2006

To the Independent Shareholders

Dear Sirs,

**ACQUISITION OF 100% INTEREST IN
A VESSEL-HOLDING COMPANY
MAJOR AND CONNECTED TRANSACTION**

We refer to the circular issued by the Company to its Shareholders dated 13 February 2006 ("**Circular**") of which this letter forms part. Terms defined in this Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Acquisition. Kingston has been appointed as independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Kingston set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Kingston set out in its letter of advice, we consider that the terms of the Acquisition are fair and reasonable in so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition at the SGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Lee Peng Fei, Allen Wong Sue Cheun, Roderick Chan Wai Dune
Independent non-executive Directors

* *For identification purposes only*

The following is the full text of the letter from Kingston setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition for the inclusion in this circular.

KINGSTON CORPORATE FINANCE LIMITED
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

13 February 2006

To the Independent Board Committee
and the Independent Shareholders
of Sam Woo Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
relating to the acquisition of 100% interest in a vessel-holding company

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the S&P Agreement, details of which are set out in the letter from the Board (the "Board Letter") contained in the Company's circular dated 13 February, 2006 (the "Circular") of which this letter forms part. We have been engaged to advise the Independent Board Committee and the Independent Shareholders as to whether or not the Acquisition is fair and reasonable insofar as the Independent Shareholders are concerned, and to recommend the Independent Board Committee and the Independent Shareholders on whether the Independent Shareholders should vote in favour of the resolution to be proposed at the SGM for approving the Acquisition. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Pursuant to the S&P Agreement dated 1 December 2005 and a supplemental agreement dated 12 January 2006, Sam Woo Group Limited (a wholly-owned subsidiary of the Company) has agreed to acquire, subject to conditions, the entire equity interest of Master View from Mr. Lau Chun Ming (a Director and a controlling Shareholder of the Company by virtue of the interests of his spouse in the Company). Given that Mr. Lau Chun Ming, being the Vendor, is a connected person (as defined under the Listing Rules) of the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, the Acquisition constitutes a major and connected transaction for the Company and will require, among others, the approval of the Independent Shareholders at the SGM, in which the Vendor and Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So, the brothers and wife of the Vendor respectively, and their respective associates will abstain from voting on the resolution for approving the Acquisition.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have sought and received confirmation from the Directors that there are no other facts or representations the omission of which would make any statement in the Circular misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs of Master View, the Company or its respective subsidiaries or associated companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Acquisition, we have taken into consideration, inter alia, the following principal factors and reasons:

I. Background information

A. Financial Position of the Group

The Group is principally engaged in foundation works, leasing and trading of machinery and equipment for foundation works. The Group leases foundation work related machinery and equipment which can be applied to both land and marine foundation construction.

As stated in the Company's annual report for the year ended 31 March 2005 (the "Annual Report"), the audited consolidated turnover of the Company for the years ended 31 March 2005 and 31 March 2004 had continuously declined by approximately 54.41% and approximately 32.45% respectively as compared to the respective previous financial years. For the year ended 31 March 2005, the Group suffered an audited consolidated net loss of approximately HK$22.17 million, as compared to the audited consolidated net profit of approximately HK$1.08 million and approximately HK$56.44 million for the years ended 31 March 2004 and 31 March 2003 respectively. The gross margin of the Group had dropped from 44.05% for the year ended 31 March 2003 to 26.29% for the year ended 31 March 2004, and further declined to 1.90% for the year ended 31 March 2005. According to the management of the Company, the operational deterioration as reflected in the financial figures was mainly attributable to the Group's nearly static foundation works' business activities; the worsening of the Group's financial performance was resulted from the continuous contraction of the construction market in Hong Kong; and the tightening in gross margin was mainly attributable to the increase in cost of sales which is mainly caused by the crude oil price surge, which caused sharp increase in prices of construction materials, including fuel oil, petroleum side-products and other commodities such as steel.

According to the unaudited interim report for the six months ended 30 September 2005 (the "Interim Report") which was released by the Company on 29 December 2005, the Group had recorded an unaudited consolidated turnover of approximately HK$20.75 million for six months ended 30 September 2005, as compared to approximately HK$8.21 million for the six months ended 30 September 2004 and the unaudited profit attributable to the equity holders of the Company was approximately HK$2.57 million during the six months ended 30 September 2005 as compared to the unaudited loss attributable to the equity holders of the Company of approximately HK$29.08 million during the corresponding period in 2004 . Such improvement was mainly attributable to the following three reasons; (i) recovery of the bad debt of approximately HK$15 million; (ii) gain of approximately HK$8 million on machinery and equipment trading and marine foundation project; and (iii) reduction in cost of sales due to the decrease in depreciation charge of machinery and equipment of the Group and provision for work in progress.

A summary of the audited consolidated profit and loss accounts of the Group for the three years ended 31 March 2005 and the unaudited consolidated interim reports of the Group for the six-month period ended 30 September 2005 are set out in Appendix I to the Circular. The following table summarizes the Group's financial results for the three years ended 31 March 2005 and each of the six-month period ended 30 September 2004 and 30 September 2005:

	(Audited)	**(Audited)**	**(Audited)**
Year ended 31 March	**2005**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	62,498	137,083	202,950
Gross Profit	1,185	36,039	89,401
Operating (Loss)/Profit	(21,479)	11,551	75,285
(Loss)/Profit before tax	(26,971)	5,114	66,860
(Loss)/Profit attributable to shareholders	(22,174)	1,081	56,436

	(Unaudited)	**(Unaudited)**
Six months ended 30 September	**2005**	**2004**
	HK$'000	*HK$'000*
Turnover	20,753	8,210
Gross Profit/(Loss)	494	(21,187)
Operating Profit/(Loss)	5,425	(31,402)
Profit/(Loss) before tax	2,221	(34,210)
Profit/(Loss) attributable to equity holders of the Company	2,571	(29,084)

B. Reasons for entering into the S&P Agreement

According to the Directors, the Group is facing a harsh operating environment due to decreasing profitability, soaring operational costs, heightening competition and the weakening construction market, and the Group urges for new strategies. The Directors are also aware of the potential demand for infrastructural development in fast-expanding economies within the south-east Asia and the middle-east region, particularly in Dubai, Malaysia, Taiwan, and the PRC. In order to overcome the unfavourable reality which the Group is facing in its bidding for tenders for those highly competitive terrestrial foundational work projects, the Group will focus on less competitive business with potential growth, including construction machinery and equipment trading and leasing, marine foundation projects and marine engineering ventures, the profitability of which are not directly affected by the sharp increase in prices of construction materials and petroleum side-products and more importantly, the cut-throat competition in local construction market. The Directors believe that the exploration in marine business by way of the Acquisition may (i) offer the Group the opportunities to diversify into a business with growth potential; and (ii) also serve to complement the Group's existing marine foundation projects.

Regarding the future prospect of the maritime business in Hong Kong, we have conducted some market research on the maritime industry in Hong Kong. The publication of the summary statistics on shipping industry of Hong Kong issued by Economic Development and Labour Bureau on October 2005 illustrated that there were 103 ship owners or operators of sea-going vessels in Hong Kong in year 2003, being the latest year of the industry statistics and the total revenue generated by such operators had recorded approximately HK$30,143 million, representing 26.1% increase as compared to that in year 2002. The total number of cargo ships operating in Hong Kong as at October 2005 was 768. As an international shipping and maritime centre, Hong Kong has a long history of being a major shipping centre and has grown over the years to become the seventh largest ship owning and ship management centre in the world. With the rapid opening up the vast market in the PRC following its accession to the World Trade Organisation, Hong Kong will benefit from further increase in the volume of cargo shipment and the demand for the maritime services.

In view of the potential growth of the Hong Kong maritime business, we consider that as long as the Company is able to retain expertise for running Master View in future, there is room for development in its maritime business. In addition, having considered that the Vessel acquired under the Acquisition may facilitate the mobilization of resources of the Group such as machinery and equipment to undertake overseas construction projects and offshore working facilities, we share the Directors' view that the acquisition of the Vessel for carrying marine engineering machines will complement the Group's strategy in development its marine foundation projects. Apart from engaging the Vessel for carrying machines for the Group's projects, the Group can effectively utilize the capacity of the Vessel by chartering it to others in order to widen its source of income. As such, we are of the view that the Acquisition is in line with the Group's strategies on diversifying its business into prospective marine related business and improving the Group's profitability by broadening and complementing its existing business.

C. Assets to be acquired

Pursuant to the S&P Agreement, the Purchaser conditionally agreed to acquire the entire 100% equity interest in Master View (a Vessel holding company) from the Vendor for a total consideration of HK$1. On Completion, Master View will become a wholly-owned subsidiary of the Company.

(i) Master View

Master View, a vessel holding company, was incorporated in the Republic of Marshall Islands with US$1 share capital on 8 December 2004 and is wholly owned by the Vendor. Based on the Master View Accountants Report, the company had recorded turnover of HK$7.73 million since its incorporation on 8 December 2004 and up to 30 September 2005. The accumulated loss incurred by Master View as at 30 September 2005 amounted to approximately HK$9.18 million which was mainly attributed to its daily operation. The only major tangible asset of the Master View as at 30 September 2005 was the Vessel at the book value of HK$67.45 million, with other current assets amounting to approximately HK$8.80 million while its major liabilities comprised a secured, interest-bearing loan from an independent lender amounting to HK$23.4 million (excluding accrued interest cost as of 30 September 2005 which amounted to approximately HK$2.29 million), and an unsecured, interest-bearing shareholder's loan from the Vendor amounting to approximately HK$51.95 million (excluding accrued interest cost as of 30 September 2005 which amounted to approximately HK$1.58 million). Other than the abovesaid loans, HK$10.09 million was recorded as other current liabilities in Master View as at 30 September 2005.

(ii) the Vessel and the related expertise

The Vessel, a major asset of Master View named "Asian Atlas", was built in Sweden and launched in 1975 as a conventional oil tanker, and it was converted into a semi-submersible heavy lift vessel in 1982. The Vessel has a long and low well deck between a forward pilothouse and an after machinery space. It is similar to a dry bulk carrier or some form of oil tanker in appearance. The difference is that it has a ballast tanks that the Vessel can be flooded to lower the well deck below the water surface, allowing its cargo or shipment to be floated in proper position for loading. At present the Vessel's deck is designed for an even spread cargo load of 22 ton/sq m during cargo handling under calm weather conditions and 14 ton/sq m during transit. The total available area for deck loading is approximately 4,800 square meters. The Vessel is used for the transportation of offshore production equipment, drilling rigs, container cranes, port infrastructure equipment, military vessels and private yachts. In 2005, the Vessel was sold to Master View at a price of US$8.7 million (equivalent to HK$67.86 million) and renamed as "Asian Atlas". According to the Directors, it is expected that in future, about 20% to 30% of the usage time of the Vessel will be occupied by the Group itself for transportation of the Group's machinery to facilitate the Group's machinery trading and foundation construction businesses and the rest of the usage time of the Vessel will be chartered to independent third parties.

According to the Directors, the Vessel is required to have a minimum of twenty two crew members on board to manage its operation during transit, and the existing crews will remain unchanged for its daily operation. As at the Latest Practicable Date, there is a qualified ship manager to manage the daily operations of the Vessel and according to the Directors, this manager will continue to provide management service after completion of the Acquisition. We consider that given that the Group does not have any expertise in operating vessels, it is important for the Group to retain the service of the qualified ship manager and all existing crews and engineers for the operation of the Vessel in the future.

(iii) Valuation and remaining life estimate of the Vessel

The Valuation Report dated 13 February 2006 in respect of the valuation of the Vessel is set out in Appendix IV to the Circular. As set out in the Valuation Report, three generally accepted approaches had been used to evaluate the Vessel, (i) the cost approach; (ii) the market approach; and (iii) the income approach. The Vessel was valued at the amount of HK$86 million as of 31 October 2005. In the opinion of CB Richard Ellis Limited (the "Valuer"), an independent qualified valuer, these approaches are generally accepted approach to value the Vessel.

(a) Income Approach

Due to insufficient financial data being available, the Valuer has considered and excluded the income approach and has used a combination of the cost approach and the market approach in arriving at its conclusion of value.

(b) Cost Approach

Due to lack of the historical documentations related to the Vessel, the original cost of the Vessel cannot be obtained. Notwithstanding the absence of the physical supporting documents, an alternative method, namely replacement cost new, was used by the Valuer to estimate the replacement cost of the Vessel. The observed condition technique was used to consider current prices of materials, manufactured equipment, labour, contractor's overhead, profit and fees, and all other attendant cost associated with construction and acquisition of the Vessel. The replacement cost new of the Vessel has been estimated to be approximately HK$432,000,000 and the Vessel was determined to have 33 years of useful life.

(c) Market Approach

Due to lack of records of the Vessel rebuilding, overhauling and maintenance history, the basic factors in measuring the effective age of the Vessel, the Valuer cannot be able to compute the depreciation value of the Vessel. Furthermore, as there are fewer than 20 of such type of vessels operating in the world, the Valuer cannot obtain any second-hand market information available that allow the Valuer to make a direct market comparison. Based on the above two reasons, indirect market comparison technique was used to determine the fair market value of the Vessel. This technique under the market approach considers comparison between the replacement cost new of the comparable and its secondary value in the market place and then applied the ratio to the replacement cost new of the Vessel.

Having considered the replacement cost new and the indirect market comparison of the Vessel, the Valuer has estimated the fair market value of the Vessel would be approximately HK$86 million and the remaining economic life of the Vessel has been determined at approximately 10 years.

Therefore, based on the foregoing, we are of the view that (i) the assumptions for the valuation of the Vessel are made on a prudent basis after taking into consideration the procedures taken by the Valuer in assessing the physical condition of the Vessel, and (ii) the fair market value of the Vessel in continued use together with the estimates of its remaining economic life have been arrived at on a fair and reasonable basis.

II. Bases of Consideration for the Acquisition

A. Bases of determining the Consideration

The consideration for the Sale Share of Master View is HK$1, which was determined after arm's length negotiations between the Vendor and the Purchaser. The audited net liabilities of Master View as at 30 September 2005 have been summarized below:

Audited net liabilities of Master View

	Account balance as of 30 September 2005 *(audited)* *HK$'000*
Fixed Asset	67,450
Current Assets	8,802
Total Assets	76,252
Current Liabilities	(33,487)
Non-current Liabilities	(51,949)
Total Liabilities	(85,436)
Net Liabilities	(9,184)

According to unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in appendix III to the Circular ("Pro Forma Accounts"), upon Completion, the Vessel will be stated at the historical cost as a result of the business combination and no goodwill will be recognized in this regards. In other words, the Group is acquiring an asset with net liabilities of approximately HK$9.18 million with a consideration of HK$1 on the face.

Based on the Master View Accountants Report, the Vessel was stated at a net book value of HK$67.45 million as at 30 September 2005. No fair value adjustment has been made to the Pro Forma Accounts as a result of the business combination between the Group and Master View. We are of the view that notwithstanding that the Group is acquiring a company with net liabilities, based on the valuation conducted by the Valuer valuing the Vessel at HK$86 million, the Group is better off on commercial basis by paying for the Acquisition for a consideration of HK$1. In addition, given that the Group will not act as a guarantor of the loans owing by Master View and such obligation will be solely responsible by Master View, there will not be any cash flow impact on the Group. Therefore, we consider that the Acquisition is commercially justifiable by acquiring a revenue generating asset without incurring cash outflow, save for the consideration of HK$1, from the Group.

B. Cash flow position of Master View

As at the Latest Practicable Date, Master View has secured five chartering contracts for the Vessel with voyages running from September 2005 to April 2006 and has been in negotiation for several potential hires from May 2006 to September 2006 that are expected to provide a stable source of revenue, operating profit and cash flow in its initial stage of operation.

The principal terms of five secured contracts of the Vessel are as follows:

Contract Date	Shipment Date	Price Approximately *HK$*
8/8/2005 - 11/12/2005	9/2005 – 04/2006	81,900,000

Due to the fact that the Vessel has not been in substantial shipping operation until October 2005, no historical operating cost can be anticipated and accordingly there is no concrete track record to justify the profitability of Master View. However, based on the future prospect of the maritime business in Hong Kong as described earlier and the charter contracts secured by Master View and, according to the Directors, several potential charters being in negotiation, we are of the view that Master View will be able to generate revenue at its initial stage of operation. Nevertheless, the ability of Master View to turn itself into a profitable business will depend on many factors including i) the control on the financing cost including how Master View is going to handle the interest expenses arising from the loans and to seek other sources of funding at a lower cost to refinance the loans; and ii) the ability of the Group to retain expertise to manage the operations of Master View in future as mentioned above in the sub-section headed "the Vessel and the related expertise".

C. Payment Terms

As mentioned in the Board Letter, the Consideration is in the sum of HK$1 and will be paid in cash upon Completion.

D. Liabilities carried by Master View

The liabilities of Master View as at 30 September 2005 mainly comprise the Expired Loan and the Vendor's Loans.

As a condition of the S&P Agreement, upon Completion Master View as borrower and the Vendor as lender shall enter into the Vendor Loan Agreement under which the Vendor's Loans will bear interest at a rate which is 0.5% below the US dollars prime rate from time to time as quoted by The Hongkong & Shanghai Banking Corporation Limited (being 7.0% (i.e. 7.5% – 0.5%) as at the Latest Practicable Date) and will be repayable upon expiry of 24 months after Completion (i.e. March 2008). According to the management accounts of the Master View, the Vendor's Loans have an outstanding principal balance of HK$32.79 million and an outstanding interest cost of HK$1.32 million as at 31 December 2005.

According to the management accounts of the Master View, the Independent Lender's Loan has an outstanding principal balance of HK$21.84 million and an outstanding interest cost of approximately HK$1.00 million as at 31 December 2005. The Independent Lenders' Loan bears 18% annual interest rate and expires on 13 April 2006. The payment of the Independent Lender's Loan according to the Directors will be satisfied by either internal resources of the Master View or be re-financed should the need arise. Based on preliminary enquiry with commercial banks, the Directors anticipate that new financing for Master View, if required, can be negotiated at an annual interest rate lower than the existing interest rate of 18% on the Independent Lender's Loan. However, no agreement relating to such refinancing has been entered into by Master View as at the Latest Practicable Date. The Directors represented to us that such refinancing will be arranged after completion of the Acquisition. The Vessel has been pledged as security for the Independent Lender's Loan. The Directors has confirmed that the Group will not act as a guarantor of the loans of Master View and such repayment obligation will be solely responsible for by Master View.

The Directors realize that if Master View is unable to satisfy the Independent Lender's Loan the Vessel will be seized. Meanwhile, the Directors will (i) negotiate with existing lender to extend the maturity date of the Independent Lenders' Loan; and (ii) if possible, to procure refinancing from commercial bank or other independent third parties for the Independent Lender's Loan. We are of the view that should the vessel chartering business build up and maintain a stable source of revenue, Master View will be able to generate cash flow to support its operating expenses and to procure loan refinancing from commercial banks or other independent third parties on its own.

The following table shows the interest rate on the loans of companies (the "Comparables") listed on the Stock Exchange and with a principal business in shipping and owning vessels (based on their respective latest published audited financial statements):

Name of company	**Interest rate** *Per annum*
Orient Overseas (International) Limited	3.50%-10.06%
Chu Kong Shipping Development Company Limited	6.00%
China COSCO Holdings Company Limited	4.25%-6.64%
Pacific Basin Shipping Limited	3.50%-4.90%
China Shipping Container Lines Company Limited	5.25%

Based on the above range of loan interest rates, we consider that the interest rate on the Vendor's Loans based on the Vendor Loan Agreement is comparable to the interest rate on the loans of the Comparables whereas that of 18% per annum on the Independent Lender's Loan is above the interest rate on the loans of the Comparables. According to the Directors' understanding from the Vendor, given that the Vessel has not been in substantial shipping operation until October 2005, it was difficult for Master View to procure financing of lower interest rate. In view of the industry average loan interest rate and there being several vessel chartering contracts in place, we consider that there is higher chance for Master View to bargain for re-financing for the Independent Lender's Loan at a lower interest rate in the near future. However, Independent Shareholders should note that the probability to obtain a lower loan interest rate for new financing by the Group is subject to, amongst others, business performance of Master View and negotiation between the lender and Master View. No agreement relating to such financing has been entered into by Master View as at the Latest Practicable Date. Regarding the Vendor's Loans, given that it will be due after 24 months and the interest rate on such loan is comparable to the interest rate on the loans of the Comparables, we concur with the Directors that Master View should closely monitor the market interest rate from time to time and bargain, if possible, for better terms from other source of funding before the expiry of the Vendor's Loans.

Having considered (i) the Acquisition entered into after arms' length negotiation between the Vendor and the Purchaser; (ii) valuation of the Vessel conducted by the Valuer; (iii) the potential vessel chartering business that will generate cash flow to relieve the burden imposed by the liabilities of Master View; and (iv) the plan on the refinancing of the Independent Lender's Loan and the Vendor's Loans, we are of the opinion that the Consideration of HK$1 paid for Master View is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

III. Financial effects of the Acquisition on the Group

A. Financial performance and assets of the Enlarged Group

As a result of the Acquisition, the unaudited pro forma net asset of the Group would drop by about HK$9.18 million, representing approximately 6.87% of the Group's net assets of approximately HK$133.62 million as at 30 September 2005.

According to the Directors, the Vessel has successfully renewed its classification status in September 2005 and Master View has put the Vessel into substantive shipping operations in October 2005. As such, its track record is too short to be taken as a reference for its contributions to earnings of the Group in future.

However, in view of the charter contracts secured by Master View, the valuation on the Vessel and with the Vessel chartering business gradually building up, we consider that Master View is likely to contribute an additional source of income for the Group and generate cash flows in the near future, and accordingly such reduction in net assets of the Enlarged Group is of transitory nature.

B. Liquidity of the Enlarged Group

Based on the Master View Accountants Report, the aggregate amount of indebtedness owing by Master View to the Vendor and on the Expired Loan (subsequently replaced by the Independent Lender's Loan) were approximately HK$51.95 million and HK$23.4 million respectively. The aggregate finance costs incurred as a result of the Vendor's Loan and Expired Loan (subsequently replaced by the Independent Lender's Loan) were approximately HK$3.87 million, representing a total of approximately 22.85% of the total expenses of Master View of HK$16.91 million during the period from the date of its incorporation up until 30 September 2005.

Based on the annual report as at 31 March 2005 and the interim report as at 30 September 2005 of the Company, the indebtedness owing by the Group were approximately HK$148.95 million and HK$117.43 million respectively. The financial cost incurred in the respective period was approximately HK$5.49 million and HK$3.20 million, representing approximately 19% and 25% of the total expenses of the Group of HK$28.33 million and HK$12.82 million. The bank balances, deposits and cash of the Group was approximately HK$50.56 million and HK$47.92 million respectively whereas Master View, as a private company, did not retain cash at all based on the Master View Accountants Report. Based on the Pro Forma Accounts, the Enlarged Group has a negative working capital and current ratio of approximately 0.62. The negative working capital and the low current ratio indicate the difficulty of the Enlarged Group to meet its short-term financial obligations when becomes due.

According to the Directors, 70 to 80% of the time of the Vessel will be used for chartering business. We have discussed with the Directors and noted from their understanding from the Vendor that most of the chartering contracts have been procured 1 to 2 months before the shipment commencement date, and the latest secured chartering contract refers to a shipment commencing in February 2006 and completing in April 2006 tentatively. Accordingly, Master View has more than 2 months to negotiate with potential clients for vessel chartering in the rest of year 2006. As such, we consider that despite the low liquidity of the Enlarged Group for the moment, the secured and the potential vessel chartering contracts will gradually generate revenue for Master View to support its operations and financing cost which will likely be the case should lower-cost financing be procured to substitute its outstanding loans. We also concur with the Directors that as the principal business of Master View builds up, more cash flow will be generated. The Group has no present intention to provide financing for the operations of Master View from its internal resource. However, we would also like to draw attention to the possibility that in the event that Master View cannot procure refinancing for the Independent Lender Loan which is due on 13 April 2006 or other source of financing at lower cost, the liquidity of Master View may fall substantially.

C. Gearing ratio of the Enlarged Group

The unaudited pro forma consolidated net assets of the Enlarged Group are as follows:

	Account balance as of 30 September 2005 (Unaudited) *HK$'000*	**Upon completion of the Acquisition** (Unaudited) *HK$'000*
Current assets	95,585	104,387
Non-current assets	208,095	275,545
Total Assets	303,680	379,932
Current liabilities	134,863	168,350
Non-current liabilities	35,202	87,151
Total Liabilities	170,065	255,501
Total Equity	133,615	124,431
Debt to Asset ratio	0.56	0.67
Debt to Equity ratio	1.27	2.05

Based on the ratio analysis shown in the above, the Group's debt-to-asset ratio will be lifted up from 0.56 to 0.67 and debt-to-equity ratio will be lifted up from 1.27 to 2.05 immediately following the Acquisition. The increase in gearing ratio suggests that the Enlarged Group will have higher reliance on creditor financing as a result of the Acquisition though as mentioned earlier, as represented by the Directors, Master View itself will be solely responsible for financing its operations.

Although the Acquisition may have an adverse financial impact on the Group in short run given the substantial amount of the loans that are required to be repaid in the foreseeable future, having regard to i) the potential growth of the maritime business in Hong Kong; ii) the number of vessel chartering contracts secured by Master View as at the Latest Practicable Date; and iii) the possibility of Master View to procure refinancing for the existing loans at a lower cost, we consider that Master View may finance its own operation and generate cash flow to reduce its gearing ratio, thereby reducing its adverse financial impact on the financial position of the Enlarged Group.

RECOMMENDATION

Having taking into consideration of the above factors and reasons, in particular, that (i) the Acquisition provides the Group with opportunities to mobilize its resources and enhance its competitive edge to undertake construction projects and machinery trading business overseas, and to diversify into marine transportation business with growth potentials; (ii) the vessel-related business of Master View provides the Group with an opportunity to another source of revenue; (iii) the consideration for the Acquisition is only HK$1; and (iv) the loans owing by Master View will be settled by its internal resource or be re-financed if necessary and the Group is not required to provide guarantee to the Vendor's Loans and the Independent Lender's Loan such that the worst case will be the foreclosure of the Vessel should Master View be unable to repay the loans when due or to pay the related interest expenses or procure refinancing at a lower interest rate, we are of the opinion that the Acquisition bringing in a new business with growth potential but at a consideration of HK$1 is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Acquisition.

Yours faithfully,
For and on behalf of
Kingston Corporate Finance Limited
Elton Cheung **Gregory Ho**
Director *Director*

1. SUMMARY OF FINANCIAL INFORMATION

1.1 Unaudited interim results of the Group for the six months ended 30 September 2005 and the audited consolidated results for the Group for the three years ended 31 March 2005

Summary of the unaudited interim results and of the assets and liabilities of the Group for the six months ended 30 September 2005 (extracted from the interim report of the Company for the six months ended 30 September 2005) and of the audited consolidated results and of the assets and liabilities of the Group for each of the three financial years ended 31 March 2005 (extracted from the annual reports of the Company for each of the two financial years ended 31 March 2005) is set out below (the auditors' report in respect of the audited financial statements of the Group for each of the three financial years ended 31 March 2005 did not contain any qualification):

Results

	(Unaudited) Six months ended 30 September	(Audited) Year ended 31 March		
	2005	**2005**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	20,753	62,498	137,083	202,950
Profit/(loss) before taxation	2,221	(26,971)	5,114	66,860
Profit/(loss) attributable to shareholder	2,571	(22,174)	1,081	56,436
Earnings/(loss) per share	HK0.86 cents	(HK7.39 cents)	HK0.36 cents	HK24.0 cents

Assets and Liabilities

	(Unaudited) As at 30 September	(Audited) As at 31 March		
	2005	**2005**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	208,095	227,733	263,975	283,592
Current assets	95,585	98,218	126,687	50,669
Current liabilities	134,863	142,330	142,895	142,977
Non-current liabilities	35,202	52,577	94,549	73,810
Shareholders' fund	133,615	131,044	153,218	117,474

1.2 Audited financial statements

The audited financial statements of the Group for the year ended 31 March 2005 (as extracted from the annual report of the Group for the year ended 31 March 2005) is set out below:

Consolidated Profit and Loss Account
For the year ended 31st March 2005

	Note	2005 HK$'000	2004 HK$'000
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(7.39 cents)	HK0.36 cents

1.2 Audited financial statements (continued)

Consolidated Balance Sheet
As at 31st March 2005

	Note	2005 HK$'000	2004 HK$'000
Fixed assets	12	226,822	263,773
Deferred tax assets	21	911	202
		227,733	263,975
Current assets			
Trade receivables	14	20,545	34,190
Deposits, prepayments and other receivables		1,598	3,494
Inventories		8,686	4,321
Amounts due from customers for contract works	15	16,115	26,826
Tax recoverable		710	961
Cash and bank balances			
Unrestricted		3,964	13,213
Restricted	17	46,600	43,682
		98,218	126,687
Current liabilities			
Trade payables	16	7,011	14,040
Accruals and other payables		5,184	5,816
Deferred income		936	–
Secured short-term bank loans	17	33,915	29,078
Current portion of long-term liabilities	17, 18	37,149	50,630
Bank overdrafts	17	58,135	43,331
		142,330	142,895
Net current liabilities		(44,112)	(16,208)
Total assets less current liabilities		183,621	247,767
Financed by:			
Share capital	19	30,000	30,000
Reserves	20	101,044	123,218
Shareholders' funds		131,044	153,218
Long-term liabilities	17, 18	19,750	57,146
Deferred taxation	21	32,827	37,403
		183,621	247,767

1.2 Audited financial statements (continued)

Balance Sheet
As at 31st March 2005

	Note	2005 HK$'000	2004 HK$'000
Fixed assets	12	11	17
Deferred tax assets	21	82	–
		93	17
Subsidiaries	13	114,989	115,118
Current assets			
Prepayments		77	187
Bank balances	17	37,874	37,919
		37,951	38,106
Current liabilities			
Accruals		1,350	1,246
Net current assets		36,601	36,860
Net assets		151,683	151,995
Financed by:			
Share capital	19	30,000	30,000
Reserves	20	121,683	121,995
Shareholders' funds		151,683	151,995

1.2 Audited financial statements (continued)

Consolidated Cash Flow Statement
For the year ended 31st March 2005

	Note	2005 HK$'000	2004 HK$'000
Cash flows from operating activities			
Net cash generated from operations	24(a)	11,484	27,010
Interest paid		(3,947)	(3,048)
Interest element of finance lease rental payments		(1,545)	(3,389)
Hong Kong profits tax paid		(237)	(1,720)
Net cash from operating activities		5,755	18,853
Cash flows from investing activities			
Purchase of fixed assets		(86)	(6,451)
Proceeds from disposals of fixed assets		18,997	1,745
Interest received		239	366
Net cash from/(used in) investing activities		19,150	(4,340)
Cash flows from financing activities	24(b)		
Capital element of finance lease payments		(30,512)	(60,339)
Refinancing of equipment		5,940	6,357
Repayment of long-term bank loans		(26,305)	(9,950)
Drawdown of long-term bank loans		–	65,140
Net increase in short-term bank loans		4,837	14,698
Issue of ordinary shares		–	45,225
Share issue expenses		–	(10,562)
Increase in restricted bank balances		(2,918)	(40,000)
Net cash (used in)/from financing activities		(48,958)	10,569
(Decrease)/increase in cash and cash equivalents		(24,053)	25,082
Cash and cash equivalents at beginning of the year		(30,118)	(55,200)
Cash and cash equivalents at end of the year		(54,171)	(30,118)
Analysis of balances of cash and cash equivalents:			
Cash and bank balances, unrestricted		3,964	13,213
Bank overdrafts		(58,135)	(43,331)
		(54,171)	(30,118)

1.2 Audited financial statements (continued)

Consolidated Statement of Changes in Equity
For the year ended 31st March 2005

	2005 *HK$'000*	2004 *HK$'000*
Total equity at beginning of the year	153,218	117,474
(Loss)/profit attributable to shareholders	(22,174)	1,081
Issue of shares upon initial public offering	–	6,750
Premium on issue of shares	–	38,475
Share issue expenses	–	(10,562)
Total equity at end of the year	131,044	153,218

1.2 Audited financial statements (continued)

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

(a) 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.

(b) Consolidation

The consolidated accounts included the accounts of the Company and its subsidiaries made up to 31st March. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of members on the board of directors; or to cast majority of votes at meetings of the board of directors.

In the Company's balance sheet, the investments in subsidiaries are carried at cost, less any provision for long-term impairment in value. The results of the subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

(c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of both owned and leased fixed assets is calculated to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. Estimated useful lives are summarised as follows:

Machinery and equipment	10 – 15 years
Furniture and fixtures	5 years
Motor vehicles	5 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Fixed assets and depreciation (continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amounts of the assets are estimated and where relevant, an impairment loss is recognised to the profit and loss account to reduce the assets to their recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Profit or loss on disposal of a fixed asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is dealt with in the profit and loss account.

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(f) Inventories

Inventories comprise machinery and equipment for resale purpose and are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Contracting work in progress

Contracting work in progress is valued at cost plus estimated attributable profits, less foreseeable losses and progress payments received and receivable. Cost comprises direct materials, labour and overhead expenses incurred.

Revenue from contracting work is recognised based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as compared to the total contract sum receivable under the contract, or the total costs attributable to work performed to date as compared to the estimated total contract costs, whichever is the lower. When it is probable that total contract costs will exceed total contract revenue, the foreseeable loss is recognised as an expense immediately. Profits calculated in this manner are transferred from gross profit to deferred income on the balance sheet and is released to the profit and loss account in accordance with the stage of completion of the contracts when the outcome of the relevant contract can be measured reliably.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers for contract works under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers for contract works under current liabilities.

(h) Provision

Provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts.

(k) Revenue recognition

Revenue from contracting work is recognised based on the stage of completion of the contracts as detailed in note 1(g) above.

Machinery rental income is recognised on a time proportion basis.

Sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. All exchange differences arising are dealt with in the profit and loss account.

(m) Employee benefits

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and the assets of the scheme are held separately from those of the Group in an independently administered fund.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, contracting work in progress, receivables, and mainly exclude cash and bank balances and corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as taxation, bank overdrafts and corporate liabilities. Capital expenditure comprised additions to fixed assets.

(o) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand and deposits held at call with banks, less bank overdrafts.

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	**2004**
	HK$'000	*HK$'000*
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
	62,498	137,083
Other revenue		
Interest income	239	366
	62,737	137,449

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

3. SEGMENT INFORMATION

(a) Business segments – primary reporting format

	Foundation works HK$'000	Trading of machinery and equipment HK$'000	Total HK$'000
Year ended 31st March 2005			
Turnover	55,824	6,674	62,498
Segment results	(14,541)	5,177	(9,364)
Interest income			239
Unallocated expenses			(12,354)
Operating loss			(21,479)
Finance costs			(5,492)
Taxation credit			4,797
Loss attributable to shareholders			(22,174)
As at 31st March 2005			
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
Year ended 31st March 2005			
Capital expenditure	86	–	86
Depreciation	23,666	7	23,673
Provision for doubtful debts	27	–	27

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

3. SEGMENT INFORMATION (continued)

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

	Foundation works *HK$'000*	**Trading of machinery and equipment** *HK$'000*	**Total** *HK$'000*
Year ended 31st March 2004			
Turnover	92,966	44,117	137,083
Segment results	4,285	18,913	23,198
Interest income			366
Unallocated expenses			(12,013)
Operating profit			11,551
Finance costs			(6,437)
Taxation charge			(4,033)
Profit attributable to shareholders			1,081
As at 31st March 2004			
Segment assets	318,444	13,956	332,400
Unallocated assets			58,262
Total assets			390,662
Segment liabilities	147,687	7,777	155,464
Unallocated liabilities			81,980
Total liabilities			237,444
Year ended 31st March 2004			
Capital expenditure	16,002	–	16,002
Depreciation	24,627	7	24,634
Provision for doubtful debts	652	79	731

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

3. SEGMENT INFORMATION (continued)

(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	2004
	HK$'000	*HK$'000*
Operating (loss)/profit is stated after crediting:		
Gain on disposal of fixed assets	5,633	10
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	27	731

5. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest		
Bank loans and overdrafts	3,947	3,048
Finance leases	1,545	3,389
	5,492	6,437

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

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	2004
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	(488)	(293)
Deferred *(Note 21)*	5,285	(463)
Change in opening net deferred tax liabilities resulting from an increase in tax rate	–	(3,277)
	4,797	(4,033)

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the statutory taxation rate due to the following:

	2005	2004
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(26,971)	5,114
Calculated at statutory rate of 17.5% (2004: 17.5%)	4,720	(895)
Income not subject to taxation	3	608
Expenses not deductible for taxation purposes	(175)	(324)
Tax losses not recognised	(21)	(98)
Utilisation of previously unrecognised tax losses	71	245
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	(3,277)
Others	199	(292)
Taxation credit/(charge)	4,797	(4,033)

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.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

9. EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	2005	**2004**
	HK$'000	*HK$'000*
Fees	590	480
Salaries, allowances and benefits in kind	5,406	5,400
Retirement benefits scheme contributions	108	108
	6,104	5,988

No directors of the Company waived any emoluments during the year. Fees paid to independent non-executive directors during the year amounted to HK$590,000 (2004: HK$480,000).

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
	2005	**2004**
Nil to HK$1,000,000	6	5
HK$1,000,001 to HK$1,500,000	4	4
	10	9

(b) Five highest paid individuals

The five highest paid individuals included five directors (2004: five), details of whose emoluments are included in the above.

During the year, no emoluments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. RETIREMENT BENEFIT SCHEMES

With effect from 1st December 2000, a Mandatory Provident Fund scheme (the "MPF scheme") has been set up for all employees in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the rules of the MPF scheme, the employer and its employees are each required to contribute 5% of their gross earnings with a ceiling of HK$1,000 per month to the MPF scheme. Retirement benefit costs during the year amounted to HK$636,000 (2004: HK$1,160,000).

11. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(Loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK$312,000 (2004: loss of HK$142,000).

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

12. FIXED ASSETS

Group	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 31st March 2004	369,019	1,541	4,753	375,313
Additions	–	9	77	86
Disposals	(27,442)	(35)	(1,344)	(28,821)
At 31st March 2005	341,577	1,515	3,486	346,578
Accumulated depreciation				
At 31st March 2004	107,971	741	2,828	111,540
Charge for the year	22,932	291	450	23,673
Disposals	(15,150)	(34)	(273)	(15,457)
At 31st March 2005	115,753	998	3,005	119,756
Net book value				
At 31st March 2005	225,824	517	481	226,822
At 31st March 2004	261,048	800	1,925	263,773

Note: The net book values of machinery and equipment held under finance leases and pledged for certain long-term bank loans amounted to HK$79,748,000 (2004: HK$135,115,000) and HK$43,433,000 (2004: HK$55,865,000), respectively.

Company	Furniture and fixtures
	HK$'000
Cost	
At 31st March 2004 and 2005	27
Accumulated depreciation	
At 31st March 2004	10
Charge for the year	6
At 31st March 2005	16
Net book value	
At 31st March 2005	11
At 31st March 2004	17

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

13. SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	117,567	117,567
Amounts due from subsidiaries	–	3,403
Amounts due to subsidiaries	(2,578)	(5,852)
	114,989	115,118

Details of subsidiaries are set out in note 26 to the accounts.

The amounts receivables and payables are unsecured, carry interests at Hong Kong prime rate and have no fixed terms of repayment.

14. TRADE RECEIVABLES

Receivables in respect of contracting work in progress are under credit terms of around one month after the issuance of architects' certificates. Retention held by customers for contract works included in trade receivables amounted to HK$7,679,000 (2004: HK$16,169,000). The aging analysis of the remaining trade receivables is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 90 days	7,977	15,130
91 to 180 days	106	2,071
181 to 365 days	939	636
More than one year	3,844	184
	12,866	18,021

15. CONTRACTING WORK IN PROGRESS

	2005	2004
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	565,350	526,402
Progress billings to date	(549,235)	(499,576)
	16,115	26,826
Represented by:		
Amounts due from customers for contract works	16,115	26,826

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

16. TRADE PAYABLES

Retention payable included in trade payables amounted to HK$131,000 (2004: HK$187,000). The aging analysis of the remaining trade payables is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
0 to 90 days	5,063	11,660
91 to 180 days	33	255
181 to 365 days	19	789
More than one year	1,765	1,149
	6,880	13,853

17. BANKING FACILITIES

As at 31st March 2005, the Group's banking facilities totaling approximately HK$132,592,000 were secured by the following:

(a) Bank deposits of the Group amounting to HK$46,600,000.

(b) Certain machinery and equipment of the Group (note 12).

(c) Corporate guarantee given by the Company and two subsidiaries for an amount of HK$141,089,000 in aggregate.

(d) Cross guarantee for HK$17,000,000 among two of the subsidiaries.

(e) Personal guarantee for HK$7,000,000 by a director of the Company.

(f) Bank deposits of Cheer Crown Limited, a company beneficially owned by Mr. Lau Chun Ming, amounting to HK$30,000,000.

18. LONG-TERM LIABILITIES

	2005	**2004**
	HK$'000	*HK$'000*
Bank loans, secured *(Note (a))*	32,092	58,397
Obligations under finance leases *(Note (b))*	24,807	49,379
Wholly repayable within five years	56,899	107,776
Less: amounts due within one year included under current liabilities	(37,149)	(50,630)
	19,750	57,146

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

18. LONG-TERM LIABILITIES (continued)

Notes:

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

	2005	**2004**
	HK$'000	*HK$'000*
Within one year	20,875	21,353
In the second year	11,217	24,321
In the third to fifth years	–	12,723
	32,092	58,397

Interest is charged on the balances at rates ranging from 1.75% above HIBOR to 1% above Hong Kong prime rate. Details of security and guarantee are given in note 17.

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

	Present value		**Minimum payment**	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	16,274	29,277	17,079	30,742
In the second year	7,216	14,752	7,424	15,290
In the third to fifth years	1,317	5,350	1,343	5,421
	24,807	49,379	25,846	51,453
Finance charges			(1,039)	(2,074)
			24,807	49,379

Interest is charged on the outstanding balances of finance leases at rates ranging from 1.5% above HIBOR to 1% above Hong Kong prime rate. The finance leases are secured by certain of the Group's machinery and equipment.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

19. SHARE CAPITAL

	2005	2004
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 shares of HK$0.1 each	100,000	100,000

	Ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
Issued:		
At 31st March 2003	232,500,000	23,250
Issue of shares upon initial public offering	67,500,000	6,750
At 31st March 2004 and 2005	300,000,000	30,000

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

20. RESERVES

Group

	Share premium	Merger reserve	Retained profit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31st March 2003	–	(12,974)	107,198	94,224
Profit attributable to shareholders	–	–	1,081	1,081
Premium on issue of shares	38,475	–	–	38,475
Share issue expense	(10,562)	–	–	(10,562)
At 31st March 2004	27,913	(12,974)	108,279	123,218
Loss attributable to shareholders	–	–	(22,174)	(22,174)
At 31st March 2005	27,913	(12,974)	86,105	101,044

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

20. RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus *(note)* HK$'000	Accu-mulated loss HK$'000	Total HK$'000
At 31st March 2003	–	94,317	(93)	94,224
Loss for the year	–	–	(142)	(142)
Premium on issue of shares	38,475	–	–	38,475
Share issue expense	(10,562)	–	–	(10,562)
At 31st March 2004	27,913	94,317	(235)	121,995
Loss for the year	–	–	(312)	(312)
At 31st March 2005	27,913	94,317	(547)	121,683

Note: Under the Companies Act of Bermuda (as amended) and the Bye-Laws of the Company, the contributed surplus is distributable to the shareholders. Accordingly, the total distributable reserves of the Company amounted to HK$93,770,000 (2004: HK$94,082,000).

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2004: 17.5%). The movement on the net deferred tax liabilities is as follows:

Group

	2005 HK$'000	2004 HK$'000
At beginning of the year	(37,201)	(33,461)
Deferred taxation credited/(charged) to profit and loss account	5,285	(3,740)
At end of the year	(31,916)	(37,201)

Company

	2005 HK$'000	2004 HK$'000
At beginning of the year	–	–
Deferred taxation credited to profit and loss account	82	–
At end of the year	82	–

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

21. DEFERRED TAXATION (continued)

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

Group

Deferred tax liabilities	**Accelerated depreciation allowances**	
	2005	**2004**
	HK$'000	*HK$'000*
At beginning of the year	(40,732)	(35,336)
Credited/(charged) to profit and loss account	2,729	(5,396)
At end of the year	(38,003)	(40,732)

Deferred tax assets	**Tax losses**	
	2005	**2004**
	HK$'000	*HK$'000*
At beginning of the year	3,531	1,875
Credited to profit and loss account	2,556	1,656
At end of the year	6,087	3,531

Company

Deferred tax assets	**Tax losses**	
	2005	**2004**
	HK$'000	*HK$'000*
At beginning of the year	–	–
Credited to profit and loss account	82	–
At end of the year	82	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

21. DEFERRED TAXATION (continued)

Group

	2005	**2004**
	HK$'000	*HK$'000*
Deferred tax assets	911	202
Deferred tax liabilities	(32,827)	(37,403)
	(31,916)	(37,201)

Deferred tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. As at year end, the Group has unrecognised temporary differences arising from unutilized tax losses of HK$150,000 (2004: HK$819,000). There is no expiry for the temporary differences.

22. 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:

	2005	**2004**
	HK$'000	*HK$'000*
Within one year	781	1,468
In the second to fifth years inclusive	178	375
	959	1,843

23. CONTINGENT LIABILITIES

As at 31st March 2005, the Group had contingent liabilities of approximately HK$12.7 million (2004: HK$6.2 million) in respect of a number of litigation proceedings 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.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

24. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash generated from operations

	2005 HK$'000	2004 HK$'000
Operating (loss)/profit	(21,479)	11,551
Interest income	(239)	(366)
Depreciation	23,673	24,634
Gain on disposal of fixed assets	(5,633)	(10)
Provision for doubtful debts	27	731
Cash (used in)/from operations before working capital changes	(3,651)	36,540
Decrease/(increase) in trade receivables	13,618	(14,840)
Decrease in deposits, prepayments and other receivables	1,896	3,263
(Increase)/decrease in inventories	(4,365)	9,180
Decrease/(increase) in contracting work in progress	11,647	(11,781)
(Decrease)/increase in trade payables	(7,029)	4,617
(Decrease)/increase in accruals and other payables	(632)	31
Net cash generated from operations	11,484	27,010

(b) Analysis of changes in financing during the year

	Share capital and share premium HK$'000	Short-term bank loans HK$'000	Secured long-term bank loans HK$'000	Obligations under finance leases HK$'000	Restricted bank balances HK$'000
At 31st March 2003	23,250	14,380	3,207	93,810	(3,682)
Cash inflow/(outflow) from financing	34,663	14,698	55,190	(53,982)	(40,000)
Inception of new finance leases[1]	–	–	–	9,551	–
At 31st March 2004	57,913	29,078	58,397	49,379	(43,682)
Cash inflow/(outflow) from financing	–	4,837	(26,305)	(24,572)	(2,918)
At 31st March 2005	57,913	33,915	32,092	24,807	(46,600)

[1] *Non-cash transactions*

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

25. RELATED PARTY TRANSACTIONS

During the year, apart from those disclosed elsewhere in the accounts, the following significant transactions with related companies had taken place:

	2005	2004
	HK$'000	*HK$'000*
Paid and payable to related parties:		
Rental expense to Cheer Crown Limited *(Note (a))*	1,080	1,041
Hiring expense to Sam Woo Ship Building Limited *(Note (a))*	905	–
Consultancy fee paid to various companies *(Note (b))*	1,680	1,714

Notes:

(a) Rental expense and hiring expense are based on the tenancy agreement entered into between the parties involved with reference to market rates of similar properties.

(b) Consultancy fees were paid to companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric, directors of the Company, have interests in respect of their services provided to the Group, and were charged at monthly fees agreed by the parties involved.

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 terms mutually agreed between the Group and the respective related parties.

1.2 Audited financial statements (continued)

Notes to the Accounts (continued)

26. SUBSIDIARIES

Listed below are the Group's subsidiaries, all of which are wholly owned and operated in Hong Kong.

Company	Issued and fully paid ordinary share capital	Principal activities
Incorporated in the British Virgin Islands, directly held		
Sam Woo Group Limited	10,000 shares of US$1 each	Investment holding
Incorporated in Hong Kong, indirectly held		
Sam Woo Bore Pile Foundation Limited	10,000,000 shares of HK$1 each	Foundation works
Sam Woo Civil Contractors Limited	10,000 shares of HK$1 each	Civil engineering works
Sam Woo Construction Limited	10,000 shares of HK$1 each	Foundation works
Sam Woo Construction & Engineering Limited	100,000 shares of HK$1 each	Trading of used foundation works related machinery and equipment
Sam Woo Engineering Equipment Limited	500,000 shares of HK$1 each	Leasing and trading of machinery and equipment for foundation works
Sam Woo Civil Works Limited	2 shares of HK$1 each	Inactive
Sam Woo Finance Limited	2 shares of HK$1 each	Provision of financial service to Group companies
Sam Woo Foundation Limited	2 shares of HK$1 each	Inactive
Sam Woo Group (Holdings) Limited	2 shares of HK$1 each	Inactive
三和集團有限公司	1 shares of HK$1 each	Inactive

27. ULTIMATE HOLDING COMPANY

The directors of the Company regarded Silver Bright Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

28. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 22nd July 2005.

1.3 Unaudited interim results

The unaudited interim results of the Group for the six months ended 30 September 2005 (as extracted from the interim report of the Group for the six months ended 30 September 2005) is set out below:

Consolidated Profit and Loss Account
For the six months ended 30th September 2005

		Unaudited Six months ended 30th September	
		2005	**2004**
	Note	*HK$'000*	*HK$'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*	HK0.86 cents	HK(9.69 cents)

1.3 Unaudited interim results (continued)

Consolidated Balance Sheet
As at 30th September 2005

	Note	Unaudited 30th September 2005 HK$'000	Audited 31st March 2005 HK$'000
ASSETS			
Non-current assets			
Fixed assets		206,459	226,822
Deferred tax assets	16	1,636	911
		208,095	227,733
Current assets			
Trade receivables	10	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	15	30,000	30,000
Reserves		103,615	101,044
Total equity		133,615	131,044
LIABILITIES			
Non-current liabilities			
Long-term liabilities	14	4,127	19,750
Deferred tax liabilities	16	31,075	32,827
		35,202	52,577

1.3 Unaudited interim results (continued)

Consolidated Balance Sheet (continued)
As at 30th September 2005

	Note	Unaudited 30th September 2005 HK$'000	Audited 31st March 2005 HK$'000
Current liabilities			
Trade payables	*11*	5,853	7,011
Accruals and other payables		4,492	5,184
Deferred income		2,093	936
Amounts due to related companies	*12*	2,251	–
Amounts due to directors	*13*	5,730	–
Secured short-term bank loans		20,000	33,915
Current portion of long-term liabilities	*14*	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

1.3 Unaudited interim results (continued)

Consolidated Statement of Changes in Equity
For the six months ended 30th September 2005

	Unaudited			
	Share capital	**Other reserves**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2004	30,000	14,940	108,278	153,218
Loss for the period	–	–	(29,084)	(29,084)
At 30th September 2004	30,000	14,940	79,194	124,134
At 1st April 2005	30,000	14,940	86,104	131,044
Profit for the period	–	–	2,571	2,571
At 30th September 2005	30,000	14,940	88,675	133,615

1.3 Unaudited interim results (continued)

Condensed Consolidated Cash Flow Statement
For the six months ended 30th September 2005

	Unaudited Six months ended 30th September 2005 HK$'000	2004 HK$'000
Net cash from/(used in) operating activities	14,525	(15,467)
Net cash from investing activities	14,354	7,376
Net cash used in financing activities	(33,554)	(38,810)
Decrease in cash and cash equivalents	(4,675)	(46,901)
Cash and cash equivalents at beginning of the period	(54,171)	(30,118)
Cash and cash equivalents at end of the period	(58,846)	(77,019)
Analysis of balances of cash and cash equivalents:		
Cash and bank balances, unrestricted	1,262	1,581
Bank overdrafts	(60,108)	(78,600)
	(58,846)	(77,019)

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts

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**
	HK$'000	*HK$'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		
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.

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

4. SEGMENT INFORMATION

(a) Business segments-primary reporting format

	Unaudited Six months ended 30th September 2005		
	Foundation works	**Trading of machinery and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'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

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

4. SEGMENT INFORMATION (continued)

(a) Business segments-primary reporting format (continued)

	Unaudited Six months ended 30th September 2004		
	Foundation works	**Trading of machinery and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'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.

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

5. OPERATING PROFIT/(LOSS)

	Unaudited Six months ended 30th September	
	2005	**2004**
	HK$'000	*HK$'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
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	**2004**
	HK$'000	*HK$'000*
Hong Kong profits tax (credit)/charge		
Current	2,127	–
Deferred *(note 16)*	(2,477)	(5,126)
	(350)	(5,126)

7. DIVIDENDS

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

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

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.

9. CAPITAL EXPENDITURE

During the six months ended 30th September 2005, the Group acquired plant and machinery and furniture and fixtures totaling HK$706,000 (six months ended 30th September 2004: HK$35,000) and disposed of plant and machinery and other fixed assets with a net book value of HK$9,955,000 (six months ended 30th September 2004: HK$6,360,000).

10. TRADE RECEIVABLES

Receivables in respect of contracting work in progress are under credit terms of around one month after the issuance of architects' certificates. Retention held by customers for contract works included in trade receivables as at 30th September 2005 amounted to HK$6,414,000 (31st March 2005: HK$7,679,000). The ageing analysis of the remaining trade receivables is as follows:

	Unaudited 30th September 2005	**Audited 31st March 2005**
	HK$'000	*HK$'000*
0 to 90 days	4,989	7,977
91 to 180 days	143	106
181 to 365 days	–	939
More than one year	4,034	3,844
	9,166	12,866

11. TRADE PAYABLES

Retention payable included in trade payables as at 30th September 2005 amounted to HK$132,000 (31st March 2005: HK$131,000). The ageing analysis of the remaining trade payables is as follows:

	Unaudited 30th September 2005	**Audited 31st March 2005**
	HK$'000	*HK$'000*
0 to 90 days	1,057	5,063
91 to 180 days	1,739	33
181 to 365 days	89	19
More than one year	2,836	1,765
	5,721	6,880

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

12. AMOUNTS DUE TO RELATED COMPANIES

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

13. AMOUNTS DUE TO DIRECTORS

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

14. LONG-TERM LIABILITIES

	Unaudited 30th September 2005 *HK$'000*	**Audited 31st March 2005** *HK$'000*
Bank loans, secured *(note (a))*	21,941	32,092
Obligations under finance leases *(note (b))*	15,378	24,807
Wholly repayable within five years	37,319	56,899
Less: amounts due within one year included under current liabilities	(33,192)	(37,149)
	4,127	19,750

Notes:

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

	Unaudited 30th September 2005 *HK$'000*	**Audited 31st March 2005** *HK$'000*
Within one year	20,860	20,875
In the second year	1,081	11,217
	21,941	32,092

Interest is charged on the balances at rates ranging from 1.5% above HIBOR to 1% above Hong Kong prime rate. The banking facilities were secured by certain of the Group's bank deposits, machinery and equipment, corporate guarantee given by certain companies of the Group and personal guarantee provided by Mr. Lau Chun Ming, a director of the Company.

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

14. LONG-TERM LIABILITIES (continued)

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

	Present value		Minimum payment	
	Unaudited 30th September 2005	**Audited 31st March 2005**	**Unaudited 30th September 2005**	**Audited 31st March 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	12,332	16,274	12,934	17,079
In the second year	2,771	7,216	2,881	7,424
In the third to fifth years	275	1,317	277	1,343
	15,378	24,807	16,092	25,846
Finance charges			(714)	(1,039)
			15,378	24,807

Interest is charged on the outstanding balances of finance leases at rates ranging from 2.75% above HIBOR to Hong Kong prime rate. The finance leases are secured by certain of the Group's machinery and equipment.

15. SHARE CAPITAL

	Unaudited 30th September 2005	**Audited 31st March 2005**
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 shares of HK$0.1 each	100,000	100,000
Issued:		
300,000,000 shares of HK$0.1 each	30,000	30,000

Pursuant to a resolution of the sole shareholder passed on 25th March 2003, the Share Option Scheme was approved and adopted. On 28th 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 28th May 2004 to 27th May 2007. During the period, no option has been granted or cancelled under the Scheme and no option has been exercised by the grantees.

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

16. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2005: 17.5%). The movement of the net deferred tax liabilities is as follows:

	Unaudited 30th September 2005 *HK$'000*	Audited 31st March 2005 *HK$'000*
At beginning of the period/year	(31,916)	(37,201)
Deferred taxation credited to profit and loss account *(note 6)*	2,477	5,285
At end of the period/year	(29,439)	(31,916)

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:

Deferred tax liabilities	Accelerated depreciation allowances	
	Unaudited 30th September 2005 *HK$'000*	Audited 31st March 2005 *HK$'000*
At beginning of the period/year	(38,003)	(40,732)
Credited to profit and loss account	2,756	2,729
At end of the period/year	(35,247)	(38,003)

Deferred tax assets	Tax losses	
	Unaudited 30th September 2005 *HK$'000*	Audited 31st March 2005 *HK$'000*
At beginning of the period/year	6,087	3,531
(Charged)/credited to profit and loss account	(279)	2,556
At end of the period/year	5,808	6,087

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

17. CONTINGENT LIABILITIES

As at 30th September 2005, the Group had contingent liabilities of approximately HK$11.9 million (31st March 2005: HK$12.7 million) in respect of a number of litigation proceedings 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 in respect of a fatal accident that happened during the year ended 31st March 2005. No specific claim amount has been specified in the application submitted to court. The case is still at its early stage and it is not possible to estimate the net loss, if any, which may result.

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. Accordingly, no provision has been made in the accounts.

18. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30th September	
	2005	**2004**
	HK$'000	*HK$'000*
Vessel hiring expense to a related company *(note (a))*	2,100	–
Rental expenses to related companies *(note (a))*	1,488	540
Consultancy fee to related companies *(note (b))*	840	840

Notes:

(a) Rental and hiring expenses are paid to companies beneficially owned by the directors of the Company based on the agreements entered into between the parties involved with reference to market rates of similar vessels/properties.

(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.

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 terms mutually agreed between the Group and the respective related parties.

1.3 Unaudited interim results (continued)

Notes to Condensed Accounts (continued)

18. RELATED PARTY TRANSACTIONS (continued)

(ii) Key management compensation

	Unaudited Six months ended 30th September	
	2005	**2004**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	3,030	2,966
Retirement benefit scheme contribution	54	54

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

	Unaudited 30th September 2005	**Audited 31st March 2004**
	HK$'000	*HK$'000*
Rental payable to related companies	1,264	–
Vessel hiring charges payable to a related company	887	–
Advance from a related company	100	–
Salaries payable to directors	1,232	–
Advance from directors	4,498	–

19. EVENTS AFTER THE BALANCE SHEET DATE

On 1st December 2005, the Group signed a conditional agreement with the director, Mr. Lau Chun Ming, to acquire 100% interest in Master View Co., Ltd which is principally engaged in vessel holding and chartering. This constitutes a major and connected transaction subject to independent shareholders' approval at a general meeting. Details of this transaction are set out in the announcement made by the Company dated 9th December 2005.

1.4 Business review and prospects

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 six months ended 30 September 2005 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 six months ended 30 September 2005, 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 six months ended 30 September 2005 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 the S&P Agreement to purchase Master View, 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 marine transportation business. Further details on the Acquisition are set out in this circular.

The Group did not hold any significant investments and had not acquired or disposed of any of its subsidiaries and associated companies during the six months ended 30 September 2005.

Liquidity, Financial Resources, Capital Structure and Gearing

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

As at 30 September 2005, the Group had cash and bank balances of HK$47.9 million (31 March 2005: HK$50.6 million) and total borrowings of HK$117.4 million (31 March 2005: HK$148.9 million). Current portion of long term borrowings, short term bank loans and bank overdrafts as at 30 September 2005 amounted to HK$113.3 million (31 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 as at 30 September 2005.

The Group's borrowings are denominated and operations conducted mainly in local currency and United States 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 as at 30 September 2005. Certain banking facilities were secured by bank deposits of HK$46.7 million.

Contingent Liabilities

Contingent liabilities of the Group are disclosed in note 17 "Contingent Liabilities" to the unaudited interim results of the Group for the six months ended 30 September 2005.

Number of Employees and Remuneration Policies

The Group had about 55 (excluding directors) staff member as at 30 September 2005 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. 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 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 2005, all the share options granted under the Scheme were still outstanding. No options were exercised, cancelled or lapsed up to 30 September 2005.

Review and Outlook of Master View

The major asset of Master View is the Vessel with a book value of HK$67.45 million as at 30 September 2005. The Vessel was acquired in February 2005 and has been undergoing upgrading works until late September 2005. The remaining assets of Master View mainly comprised of inventory of bunker and diesel for consumption by the Vessel. The indebtedness of Master View as at 30 September 2005 mainly comprised of the Vendor's Loans of HK$51.95 million and the Expired Loan of HK$23.4 million. The Vessel is pledged to the Independent Lender to secure for the Independent Lender's Loan obtained by Master View in October 2005.

Master View has appointed a firm of qualified ship manager to manage the operations of the Vessel since its acquisition and does not have its own crew or staff engaged in the daily operations of the Vessel.

Master View has put the Vessel in full operation in October 2005 and has secured five charters for the Vessel with voyages running from September 2005 to April 2006 and out of which four voyages were completed up to the Latest Practicable Date. With the revenue generated from these completed voyages, Master View has been able to repay part of its indebtedness and consequently, the balance of the Vendor's Loans was reduced to HK$34.1 million and the Independent Lender's Loan was reduced to HK$22.8 million as at 31 December 2005.

1.5 Financial and trading prospects of the Enlarged Group

The Directors are aware that there is significant geographic imbalance in construction resources within the south-east Asia and the middle-east region. There are a notable number of fast-expanding economies within the region with high demand for infrastructures. Moreover, and more particularly in Dubai, Malaysia and Taiwan, a number of sizeable marine infrastructure projects are already underway and more in the offing. Such high level of infrastructure construction activities poses high demand for, among others, relatively immobile resources such as machinery and equipment and offshore working facilities.

With the Acquisition, the Enlarged Group will be able to mobilize its resources to enhance competitiveness and expedite its existing businesses in construction projects and machinery trading. Furthermore, it will also serve to lead the Group to diversify into the lucrative marine transportation industry for the shipment of construction machinery and other offshore production facilities.

Although in the short term, the results, gearing, liquidity and return on assets of the Group will be adversely affected by the consolidating of those of Master View, the Directors expect that such adverse impact only of transitory nature. The Group has no present intention to provide finance for the operations of Master View from its internal resources. Based on information provided by the Vendor, Master View has, up to the Latest Practicable Date, already secured a number of contracts of favourable prices that are expected to provide a stable source of revenue, operating profit and cash flow in its initial stage of operation. As business builds up, it is expected that Master View can finance its own operation and generate positive operating results in the near future. The Directors anticipate that the Acquisition can complement the Group's existing business strategies and contribute positively to the results, cash flow and return on assets and equity of the Enlarged Group in a sustained manner in the medium and long term.

The following is the text of a report, prepared for the purpose of incorporation in this Circular, received from the joint reporting accountants of the Company, PricewaterhouseCoopers and Lau & Au Yeung C.P.A. Limited, Certified Public Accountants, Hong Kong.

PRICEWATERHOUSECOOPERS

LAU AU YEUNG 劉歐陽會計師事務所有限公司 LAU & AU YEUNG C.P.A. LIMITED

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Lau & Au Yeung C.P.A. Limited
Unit 2701, 27/F, Wing On House
71 Des Voeux Road Central
Hong Kong

The Directors
Sam Woo Holdings Limited

13 February 2006

Dear Sirs,

We set out below our report on the financial information relating to Master View Co., Ltd ("Master View") for the period from 8 December 2004 (date of incorporation) to 31 March 2005 and the six months ended 30 September 2005 (the "Relevant Periods") for inclusion in the circular of Sam Woo Holdings Limited (the "Company") dated 13 February 2006 (the "Circular") in connection with the proposed acquisition of 100% equity interest in Master View by Sam Woo Group Limited, a wholly owned subsidiary of the Company, from Mr. Lau Chun Ming, the controlling shareholder and a director of the Company.

Master View was incorporated in the Republic of Marshall Islands on 8 December 2004 with limited liability under the laws of the Republic of Marshall Islands. At the date of this report, Master View is wholly owned by Mr. Lau Chun Ming.

Master View has adopted 31 March as its financial year end date. No audited accounts of Master View have been prepared since its date of incorporation as there is no statutory requirement under the laws of the Republic of Marshall Islands. For the purpose of this report, the directors of Master View have prepared management accounts of Master View in accordance with Hong Kong Financial Reporting Standards for the Relevant Periods.

We have examined the unaudited management accounts of Master View and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information of Master View as set out in sections I to III below (the "Financial Information") has been prepared based on the management accounts of Master View on the basis set out in Note 2.1 of Section II below. The directors of Master View, at the Relevant Periods, are responsible for preparing the accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Master View as at 31 March 2005 and 30 September 2005, and of the results and cash flows of Master View for the periods then ended.

I. FINANCIAL INFORMATION

1. Income Statements

	Note	Period from 8 December 2004 (date of incorporation) to 31 March 2005 (Audited) *HK$'000*	Six months ended 30 September 2005 (Audited) *HK$'000*
Turnover from voyage chartering of vessel		–	7,729
Direct costs	*5*	(1,398)	(10,607)
Other operating expenses		(85)	(784)
Administrative expenses		(16)	(159)
Operating loss before financing		(1,499)	(3,821)
Finance costs	*6*	(1,176)	(2,688)
Loss for the period		(2,675)	(6,509)
Attributable to:			
Equity holder of Master View		(2,675)	(6,509)

2. Balance Sheets

	Note	As at 31 March 2005 (Audited) HK$'000	As at 30 September 2005 (Audited) HK$'000
ASSETS			
Fixed assets	9	68,671	67,450
Current assets			
Deposits, prepayments and other receivables		977	1,790
Inventories		2,162	7,010
Bank deposits, unrestricted		2	2
		3,141	8,802
Total assets		71,812	76,252
EQUITY			
Capital and reserves attributable to the equity holder of Master View			
Share capital	12	–	–
Accumulated losses		(2,675)	(9,184)
Total equity		(2,675)	(9,184)
LIABILITIES			
Non-current liabilities			
Loan from the shareholder	10	36,765	51,949
Current liabilities			
Accruals and other payables		2,622	8,877
Trade deposits received		–	1,210
Other loan, secured	11	35,100	23,400
		37,722	33,487
Total equity and liabilities		71,812	76,252
Net current liabilities		(34,581)	(24,685)
Total assets less current liabilities		34,090	42,765

3. Statement of Changes in Equity

	Note	Share capital HK$'000	Accumulated losses HK$'000	Total HK$'000
At 8 December 2004 (date of incorporation)		–	–	–
Issuance of share	12	–	–	–
Loss for the period		–	(2,675)	(2,675)
At 31 March 2005		–	(2,675)	(2,675)
Loss for the period		–	(6,509)	(6,509)
At 30 September 2005		–	(9,184)	(9,184)

4. Cash Flow Statements

	Period from 8 December 2004 (date of incorporation) to 31 March 2005	**Six months ended 30 September 2005**
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss for the period	(2,675)	(6,509)
Adjustments for:		
Depreciation	203	1,221
Interest expense	1,176	2,688
Changes in working capital:		
Increase in deposits, prepayments and other receivables	(977)	(813)
Increase in inventories	(2,162)	(4,848)
Increase in accruals and other payables	1,446	3,567
Increase in deposits received	–	1,210
Net cash used in operating activities	(2,989)	(3,484)
Cash flows from investing activities		
Purchase of fixed assets	(68,874)	–
Net cash used in investing activities	(68,874)	–
Cash flows from financing activities		
Loan from the shareholder	36,765	15,184
Proceeds from other loan	35,100	–
Repayment of loan from the shareholder	–	–
Repayment of other loan	–	(11,700)
Net cash from financing activities	71,865	3,484
Net increase in cash and cash equivalents	2	–
Cash and cash equivalents at beginning of period	–	2
Cash and cash equivalents at end of period	2	2
Analysis of balances of cash and cash equivalents:		
Cash and bank balances, unrestricted	2	2

II. NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACTIVITY

Master View Co., Ltd ("Master View") is incorporated in the Republic of Marshall Islands on 8 December 2004 with limited liability under the laws of the Republic of Marshall Islands and is principally engaged in vessel holding and chartering. The registered address of Master View is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960.

Master View commenced voyage chartering in late September 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all periods presented.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Master View.

2.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of Master View are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Master View is United States Dollars. The financial statements are presented in Hong Kong Dollars to facilitate the analysis of financial information of Sam Woo Holdings Limited upon successful acquisition of Master View.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

The results and financial positions of Master View are translated into the presentational currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

2.3 Fixed assets and depreciation

Fixed assets represented a vessel which is stated at cost less accumulated depreciation and impairment losses. Depreciation of the vessel is calculated to write off its cost less impairment losses to its estimated residual value over its estimated useful life of 10 years on a straight-line basis.

When a vessel is acquired, the costs of major components which are usually replaced or renewed at the next dry-docking are identified and depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of a vessel are capitalised and depreciated over the period to the next estimated dry-docking date.

The residual value and useful life of the vessel are reviewed and adjusted, if appropriate, at the end of each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

2.4 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation. They are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.5 Inventories

Inventories mainly comprise bunkers on board of vessels, lubricating oil and marine products. Inventories are stated at the lower of cost and net realisable value. Cost is determined using first-in first-out (FIFO) method and represents purchase cost.

2.6 Cash and cash equivalents

Cash and cash equivalents are deposits held at call with banks. All deposits are denominated in United States Dollars.

2.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition of borrowings. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. All borrowing costs are expensed as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at lease 12 months after the balance sheet date.

2.8 Provision

Provision is recognised when Master View has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where Master View expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.9 Revenue recognition

Revenues from chartering of vessel are recognised on the following basis.

Time charter	Time proportion
Voyage charter	Percentage of completion

3. FINANCIAL RISK MANAGEMENT

Master View is exposed to the following financial risks:

(a) Cash flow and fair value interest rate risk

Master View has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The interest rate risk of Master View arises from its various borrowings. Borrowings issued at floating rates expose Master View to cash flow interest rate risk while those issued at fixed rates expose Master View to fair value interest rate risk.

Master View maintains a close relationship and communicates regularly with its finance providers to explore financing alternatives to monitor and mitigate interest rate risk.

(b) Liquidity risk

Master View currently relies heavily on fundings from its shareholder. As Master View's operations build up, management's objective is to reduce and eliminate the need for financial support from the company's shareholder and to maintain a balance between continued funding and flexibility through the use of term loans and overdraft facilities.

(c) Foreign currency risk

Operations of Master View are mainly conducted in United States Dollars and its revenue, expenses, assets, liabilities and borrowings are principally denominated in United States Dollars and do not pose significant foreign currency risk at present. Procedures are in place to monitor possible exposure to foreign currency risk in the operations of Master View on a continuous basis.

(d) Credit risk

Master View has no significant concentration of credit risk. Policies are in place to ensure charter fees from hirers are received in advance or within a very short period or possibly secured by pledging of assets or bank guarantee.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 Critical accounting estimates

Master View determines the residual value of its vessel by referencing to current prices in the market. The residual value of vessel is reviewed and adjusted, if appropriate, at the end of each financial year.

4.2 Critical judgement in applying the accounting policies of Master View

In determining the charter revenue during the Relevant Periods, management has taken into consideration a set of objective attributes which, based on management's judgment, can provide a fair and consistent basis for recognition of revenue by Master View.

5. DIRECT COSTS

	Period from 8 December 2004 (date of incorporation) to 31 March 2005	**Six months ended 30 September 2005**
	HK$'000	*HK$'000*
Vessel operating costs	1,195	9,386
Depreciation on vessel	203	1,221
	1,398	10,607

Vessel operating costs comprise technical expenses that are incurred in operating the vessel. These include bunkers, crew expenses, cost of stores and spare, parts supplied, repair and maintenance expenses, insurance and other miscellaneous running costs.

6. FINANCE COSTS

	Period from 8 December 2004 (date of incorporation) to 31 March 2005	**Six months ended 30 September 2005**
	HK$'000	*HK$'000*
Interest:		
Loan from the shareholder	204	1,372
Other loan, secured	972	1,316
	1,176	2,688

7. TAXATION AND DEFERRED TAXATION

No taxation or deferred taxation has been provided as Master View and its operations during the Relevant Periods are not subject to the taxation of any jurisdictions.

8. DIRECTORS' EMOLUMENTS

No emoluments have been paid to the directors of Master View during the Relevant Periods.

9. FIXED ASSETS

	Vessel
	HK$'000
Cost	
At 8 December 2004	–
Addition	68,874
At 31 March 2005 and 30 September 2005	68,874
Accumulated depreciation	
At 8 December 2004	–
Charge for the period	203
At 31 March 2005	203
Charge for the period	1,221
At 30 September 2005	1,424
Net book value	
At 31 March 2005	68,671
At 30 September 2005	67,450

The vessel has been pledged as security for a third party loan of Master View *(Note 11)* and a loan borrowed by the shareholder from a third party.

10. LOAN FROM THE SHAREHOLDER

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

The carrying value of the loan from the shareholder approximated its fair value as at 31 March 2005 and 30 September 2005.

11. OTHER LOAN

The loan is borrowed from an independent third party, secured by the vessel and the entire issued share capital of Master View and guaranteed by the sole shareholder of Master View, Mr. Lau Chun Ming. The loan bears interest at 2% to 4% above US dollars prime rate. The loan was refinanced and replaced by independent lender's loan on 14 October 2005 (Note 14).

12. SHARE CAPITAL

	31 March 2005 *HK$*	**30 September 2005** *HK$*
Authorised:		
500 shares with no par value	–	–
Issued:		
1 share at US$1 each	HK$8	HK$8

One share of no par value was issued on 7 February 2005 for US$1 to the sole shareholder of Master View.

13. RELATED PARTY TRANSACTIONS

Amount of loan interests paid and nature and terms of loan balance payable to the sole shareholder have been disclosed in Note 6 and 10 to this Accountants' Report respectively.

14. EVENT AFTER THE BALANCE SHEET DATE

On 14 October 2005, an independent lender extended a loan of HK$25.7 million (US$3.3 million) to Master View for the purpose of refinancing another loan obtained by Master View in February 2005 for the acquisition of the Vessel. The original maturity date of this independent lender's loan was 13 January 2006 and a partial repayment of US$0.5 million was made by Master View in December 2005. On 12 January 2006, the lender agreed with Master View and its shareholder to extend the final maturity date of the loan to 13 April 2006.

III. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Master View in respect of any period subsequent to 30 September 2005 up to the date of this report.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Lau & Au Yeung C.P.A. Limited
Certified Public Accountants
Hong Kong

Franklin Lau Shiu Wai, Director
Practising Certificate Number: P1886

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group set out below should be read in conjunction with the sections titled "Financial Information of the Group" and "Financial Information of Master View" as set out in Appendices I and II respectively to this circular.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2005 as extracted from its published interim report for the six months ended 30 September 2005 and the audited balance sheet of Master View as at 30 September 2005 as shown in the accountants' report as set out in Appendix II to this circular to reflect the acquisition as if it had been completed on 30 September 2005.

The pro forma statement of assets and liabilities of the Enlarged Group has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 30 September 2005, or at any future date.

	(Unaudited) **The Group** *HK$'000*	**Master View** *HK$'000* *Note (i)*	*(Unaudited)* **Pro forma Enlarged Group** *HK$'000*
ASSETS			
Non-current assets			
Fixed assets	206,459	67,450	273,909
Deferred tax assets	1,636	–	1,636
	208,095	67,450	275,545
Current assets			
Trade receivables	15,580	–	15,580
Deposits, prepayments and other receivables	2,037	1,790	3,827
Inventories	7,138	7,010	14,148
Amounts due from customers for contract works	22,909	–	22,909
Cash and bank balances			
Unrestricted	1,262	2	1,264
Restricted	46,659	–	46,659
	95,585	8,802	104,387
Total assets	303,680	76,252	379,932

	(Unaudited) **The Group** *HK$'000*	**Master View** *HK$'000* *Note (i)*	*(Unaudited)* **Pro forma Enlarged Group** *HK$'000*
LIABILITIES			
Non-current liabilities			
Loan from the shareholder	–	51,949	51,949
Long-term liabilities	4,127	–	4,127
Deferred tax liabilities	31,075	–	31,075
	35,202	51,949	87,151
Current liabilities			
Trade payables	5,853	–	5,853
Accruals and other payables	4,492	8,877	13,369
Deferred income	2,093	–	2,093
Trade deposits received	–	1,210	1,210
Amounts due to related companies	2,251	–	2,251
Amounts due to directors	5,730	–	5,730
Secured short-term bank loans	20,000	–	20,000
Current portion of long-term liabilities	33,192	–	33,192
Other loan, secured	–	23,400	23,400
Taxation payable	1,144	–	1,144
Bank overdrafts	60,108	–	60,108
	134,863	33,487	168,350
Total liabilities	170,065	85,436	255,501
Net current liabilities	(39,278)	(24,685)	(63,963)
Total assets less current liabilities	168,817	42,765	211,582
Net assets/(deficits)	133,615	(9,184)	124,431

Note:

(i) The acquisition of Master View by the Group constitutes a business combination of entities under common control. Management considers the use of merger accounting as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants is appropriate for recording of the common control combination. Accordingly, (a) the assets and liabilities of Master View are stated at their historical cost. No fair value adjustment has been made as a result of this business combination; and (b) no goodwill/negative goodwill has been recognised in respect of this business combination. The difference between the purchase consideration and the issued share capital of Master View of HK$7 will be credited to a reserve account.

B. LETTER ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of a letter from PricewaterhouseCoopers and Lau & Au Yeung C.P.A. Limited, the joint auditors of the Company, in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

LAU AU YEUNG 劉歐陽會計師事務所有限公司 LAU & AU YEUNG C.P.A. LIMITED

Lau & Au Yeung C.P.A. Limited
Unit 2701, 27/F Wing On House
71 Des Voeux Road Central
Hong Kong

The Directors
Sam Woo Holdings Limited

13 February 2006

Dear Sirs,

We report on the unaudited pro forma financial information of Sam Woo Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 81 to 82 under the heading of unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Statement of Assets and Liabilities") in Appendix III to the Company's circular dated 13 February 2006 in connection with the proposed acquisition of 100% equity interest in Master View Co., Ltd ("Master View") (the "Proposed Acquisition"). The Unaudited Pro Forma Statement of Assets and Liabilities has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposed Acquisition might have affected the financial of the Group as at 30 September 2005.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Statement of Assets and Liabilities in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Technical Release 18/98 "Pro Forma Financial Information – Guidance for the preparers under the Listing Rules" issued by the Institute of Chartered Accountants in England and Wales.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Statement of Assets and Liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Statement of Assets and Liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Unaudited Pro Forma Statement of Assets and Liabilities.

The Unaudited Pro Forma Statement of Assets and Liabilities has been prepared on the bases set out on pages 81 and 82 of the Circular for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group at any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Statement of Assets and Liabilities has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Statement of Assets and Liabilities as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Lau & Au Yeung C.P.A. Limited
Certified Public Accountants
Hong Kong

Franklin Lau Shiu Wai, Director
Practising Certificate number: P1886

C. INDEBTEDNESS

Borrowings

At 31 December 2005, the Enlarged Group had outstanding indebtedness as summarised below:

	HK$'000
Bank overdrafts, secured	59,035
Short-term bank loans, secured	17,200
Current portion of long-term liabilities, secured	26,299
Loans and advances from a shareholder, unsecured and interest-bearing	34,104
Advances from directors, unsecured and interest-free	15,778
Amount due to a related company, unsecured and interest-free	100
Other loans	22,835
Long-term liabilities	1,858
	177,209

The borrowings of the Enlarged Group were secured by the following:

(a) Bank deposits of the Group amounting to HK$46.7 million.

(b) Certain machinery and equipment of the Group with carrying value of HK$82.2 million.

(c) Corporate guarantee given by the companies within the Group totaling HK$106.0 million.

(d) Personal guarantee for HK$7.0 million by a director of the Company.

(e) Bank deposits of a related company of the Group amounting to HK$30.0 million.

(f) The vessel of Master View.

(g) Charge on the entire issued capital of Master View.

(h) Personal guarantee for US$2.9 million by the shareholder of Master View.

(i) Cross guarantee for HK$17 million between Sam Woo Bore Pile Foundation Limited and Sam Woo Engineering Equipment Limited, two wholly owned subsidiaries of the Company, for joint banking facilities granted to them.

Facilities for financing of vessel

Master View currently relies heavily on fundings from its shareholder. As Master View's operations build up, management's objective is to reduce and eliminate the need for financial support from the company's shareholder and to maintain a balance between continued funding and flexibility through the use of term loans and overdraft facilities.

Contingent liabilities

As at the Latest Practicable Date, the Enlarged Group had no contingent liabilities other than those as disclosed in Note 17 "Contingent Liabilities" to the unaudited interim results of the Group for the six months ended 30 September 2005 as set out in Appendix I to this circular.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 31 December 2005, any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 December 2005.

D. WORKING CAPITAL

The directors are of the opinion that upon completion of the acquisition of Master View, and based on available banking facilities and other facilities and internal resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its requirements currently and for the period ending 12 months from the date of this circular.

E. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, there is no material adverse changes in the financial or trading position of the Group since 31 March 2005 (being the date to which the latest published audited report and financial statements of the Group were made up).

The text of the Valuation Report received from CB Richard Ellis Limited, an independent valuer, in connection with their valuation of the Vessel as at 31 October 2005 is set out below:

CBRE
CB RICHARD ELLIS
世邦魏理仕

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地產代理（公司）牌照號碼
Estate Agent's Licence No. C-004065

13 February 2006

The Directors
Sam Woo Holdings Limited
Units 1310-1313, 13/Floor
113-115 Argyle Street
Mongkok
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions, we have conducted an investigation and valuation of a semi submersible heavy lift vessel exhibited to us by Sam Woo Holdings Limited ("Sam Woo") and now submit this report concerning our findings.

The valuation was made for the purpose of formulating and expressing an opinion of the fair market value of the vessel as at 31 October 2005. It is our understanding that this valuation is for the major and connected transaction reference purposes.

Fair market value is defined herein as the estimated amount at which the subject asset in its continued use might be expected to be purchased or sold between a willing buyer and a willing seller, neither being under compulsion, each having a reasonable knowledge of all relevant facts with equity to both as at the date of valuation.

This summary report forms part of the detailed valuation report dated 30 November, 2005, which comprises:–

– A narrative section, which identifies the vessel valued, scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of value;

– Limiting conditions; and

– Valuers' qualification and experience.

VESSEL BACKGROUND AND DESCRIPTION

Background

Originally designed as a conventional oil tanker, the ship was built in Sweden and launched in 1975 as MV Kollbriss. In 1982 she returned to Sweden for conversion into a semi-submersible heavy lift vessel and renamed M/V Ferncarrier.

Generally, a semi-submersible heavy lift vessel has a long and low well deck between a forward pilothouse and an after machinery space. It is similar to a dry bulk carrier or some form of oil tanker in appearance. The difference is that it has a ballast tanks that can be flooded to lower the well deck below the water surface, allowing its cargo to be floated in position for loading.

In November 1985 Cormorant Shipholding purchased Ferncarrier, she was re-flag as an American vessel and renamed M/V American Cormorant. She was again sold to Master View Co., Ltd and subsequently renamed MV Asian Atlas. At present the vessel deck is designed for an even spread cargo load of 22ton/ sq m during calm weather conditions when handling cargo and 14 ton/ sq m during transit. Her total available area for deck loading is approximately 4,800 square meters.

Technical Description

The vessel is a single screw all steel construction with the following technical details:–

Name of Vessel	:	M/V Asian Atlas (formerly American Cormorant)
Type of Service	:	Semi Submersible Heavy Lift
Class Society	:	Det Norske Veritas
Year/Place Built	:	1975 Sweden (Rebuilt 1982/Sweden)
Construction	:	Single Screw/All Steel
Port of Registry	:	Majuro
Length (Overall)	:	225.06 meters
Breadth	:	41.15 meters
Depth	:	13.55 meters
Gross Tonnage	:	38,571
Deadweight on summer Loadline	:	52,092 tons
Water Ballast Capacity	:	88,823.5 cu m
Submersing Time	:	12 hours
Deballasting Time	:	12 hours

Main Machinery	:	1-Propulsion Engine- Burmeister & Wain, type 10K84EF, 19,700 BHP, 100rpm, 10 cylinders, 2 cycle, single acting supercharged, complete with controls and other standard accessories 3-AC Generators- NEBB, 1120kVA, 450V, 60Hz powered by "Bergen" diesel engine, 720 rpm complete with controls and other standard accessories 1-AC Generator (for Thruster)- Van Kaik, 1120kVA, 400V, 60Hz powered by "MAN" diesel engine, 900 rpm complete with controls and other standard accessories 1-Exhaust Gas Recovery Boiler- Blohm & Voss A, 300sq m heating surface, 14kg.sq/cm, complete with controls and other standard accessories 2-Oil Fired Boiler- Ericksberg, 32.5 tons per hour, 14kg/sq cm, complete with controls and other standard accessories 1-37.5kVA Emergency Generator
Cargo Handling/Positioning Equipment	:	1lot- Anchor & Mooring Equipment- comprising; 2- 20 tonner Steam Driven Windlasses 4-20 tonner Steam Driven Mooring Winches 2-14.3 tons Stockless Bow Anchors 2-4 tons Bruce Stern Anchors 2-Transverse Thrusters- 2,400mm propeller diameter. 270 rpm driven by 1600 kW electric motor, complete with controls and other standard accessories 1lot-Lifting Equipment- comprising; 1-40ton x 28m boom "Krupp" Crane 1-3ton x 5m reach "Sig Bergesen" Lifter 1-2.27ton Forklift 1lot-Ballast System- comprising; 4-3000cu m/hr Steam Turbine Driven Vertical Centrifugal Pumps 1-2000cu m/hr Steam Turbine Driven Vertical Centrifugal Pump 1lot- Cargo Loading Computer System

Navigation & Other Electronic Equipment	:	1lot- Bridge Equipment- comprising; 2-"Furono" Radar (models FAR 2815 & FAR 2835S) 2-GPS (Furuno GP-80 & Trimble NavTrac XL) 1-"Simrad" EN250 Fathometer 1-"Anshutz Kiel" Gyrocompass & Accessories 1-"Anshutz Kiel" 104-20 Course Recorder 1-"Observator" NSK76 Course Alarm 1-"Furuno" NX-500 NavTex Receiver 1-"Furuno" FX-207 Weather Facsimile 1lot-Other Bridge Equipment consisting of chronometer, anemometer, barometer, pelorus, magnetic compass, ship clocks and sextants. 1lot- Global Maritime Distress Safety System (GMDSS) 1-Emergency Position Indicating Radio Beacon (EPIRB) 4-"ACR" Lifeboat Survival Radios 2-Search & Rescue (Radar) Transponders (SART) 1lot-Communication Equipment- comprising; 3-SAT A Terminals (2 JRC & 1 Panasonic) 1-Min M Satellite Telephone 13- "Motorola" UHF Radios 6-VHF Radios (3 located at bridge)

INSPECTION AND INVESTIGATION

We have personally inspected the vessel whilst afloat off Lamma Island, Hong Kong. Based on records and documents furnished to us, our findings are as follows:–

1. The Survey and Certificate report issued by Det Norske Veritas (DNV) indicates that the motor vessel is owned by Master View Co., Ltd and managed by Viatech Engineering Ltd.

2. The Provisional Certificate of Registry indicates that the motor vessel is registered in the Republic of Marshall Islands under Master View Co., Ltd of Majuro, Marshall Islands

3. The Extension Certificate of Registry issued by the Office of the Maritime Administrator of the Republic of Marshall Islands indicates that the motor vessel's Provisional Certificate of Registry was extended and is going to expire on 24 February 2006.

4. The motor vessel was granted Short Term International Load Line Certificate by Det Norske Veritas (DNV) on 13 August 2005 with validity until 12 January 2006.

5. The Short Term International Load Line Certificate indicates that the motor vessel has been surveyed and that the freeboards have been assigned and load lines have been marked in accordance with the International Convention on Load Lines, 1966.

From the general examination of the vessel whilst afloat as far as practicable without removal to expose parts concealed at the time of inspection and without witnessing in operation, we are of the opinion that the vessel is fit and in suitable condition for the purpose it was built.

We have excluded in our assessment any mooring rights or debentures that maybe associated with the motor vessel.

VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative. Assets for which there is an established used market may be appraised by this approach.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

Analysis

Any number or combination of the three approaches to value may be used in a particular valuation, depending upon the appraisal's objectives and the nature of the property involved.

In all situations, all approaches to value must be considered, as one or more may be applicable to the subject asset. In some situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

We have considered and excluded the income approach due to insufficient financial data being available and have used a combination of the cost approach and the market approach in arriving at our conclusion of value.

Valuation Comment

In arriving at our assessment we have firstly utilised the cost approach by developing the Replacement Cost New (RCN) of the vessel. RCN was developed through Contractor's Estimate technique also known as Quantity Surveyor's technique, this cost estimation technique considers current prices of materials, manufactured equipment, labour, contractor's overhead, profit and fees, and all other attendant cost associated with construction and acquisition of the vessel but without provision for overtime or bonuses or premium for materials. Having developed the RCN of the vessel which we have estimated to be approximately HK$ 432,000,000 we are now ready to apply depreciation by Age/Life technique.

Age/Life is a depreciation technique under the cost approach wherein Age refers to the *Effective age* of the vessel and Life refer to its *Normal useful life*. Normal useful life of an ocean going vessel is set at 33 years according to Bulletin F issued by the Inland Revenue Services of the United States of America for purpose of depreciation calculation.

Effective age is the apparent age of a property in comparison with a new property of like kind; that is, the age indicated by the actual condition of a property. In estimating the effective age, the valuer considers the effect that overhauls, rebuilds, and above-average or below average maintenance may have on the property's current condition, it can be lower, higher or equal to its chronological age.

Due to the lack of records of the vessel rebuilding, overhauling and maintenance history, the very basic factors in measuring the effective age of the vessel and likewise due to the subjectivity of Observed Condition technique, an alternative method of measuring physical depreciation, which we have placed to be at 30% new as observed during our ocular inspection. We have alternatively searched for similar used vessel in the second-hand market however, we found out there are fewer than 20 of such type vessels operating in the world at present, as such we found no second-hand market information available that we can used to make a direct market comparison.

In arriving at our opinion of value using the market approach we have utilised the indirect market comparison technique. This technique under the market approach considers comparison between the RCN of the comparable and its secondary value in the market place. By this method of comparison we developed a ratio between the RCNs and secondary value of bulk carriers and tankers in the market place and then applied this ratio to the RCN of the subject vessel.

Based upon the above investigation and analysis we are of the opinion that ocean going sea worthy vessels with the same chronological age as MV Asian Atlas can be sold for approximately 20 to 30 per cent new depending upon its condition.

Remaining Life Estimate

Although, the normal useful life of an ocean going vessel is set at 33 years, there are many ocean going vessels, past their normal useful life but seaworthy are still commercially used today. Any vessel receiving regular overhauls, not to mention rebuilding, will normally last longer than its normal useful life.

It is our opinion that if the current maintenance is continued the vessel will be adequate for another 10 years. The above opinion is based on a brief examination of the vessel whilst afloat.

OPINION OF VALUE

Premised on the foregoing, we are of the opinion that as at 31 October 2005 the fair market value of the vessel is fairly represented in the amount of **HK$ 86,000,000 (HONG KONG DOLLARS EIGHTY SIX MILLION)**.

We hereby certify that we have neither a present nor a prospective interest in the vessel appraised or the value reported.

For and on behalf of
CB Richard Ellis Limited

Mario E. Maninggo *BSME*	**Gary C Ip** *MHKIS MRICS RPS(GP)*
Director	*Director*
Valuation & Advisory Services	*Valuation & Advisory Services*

Note: Mario E. Maninggo is a mechanical engineer who has 14 years of extensive experience in plant and machinery and marine vessel valuation in Hong Kong, the PRC and the Asia Pacific region. Gary C Ip is a Chartered General Practitioner Surveyor who has 24 years of extensive valuation experience in Hong Kong, the PRC and the Asia Pacific region.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under SFO) or were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(a) Interest in Shares

Name of Director	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Mr. Lau Chun Ming	Beneficial owner	500,000 Shares (L) *(Notes 3 & 4)*	0.16%
Mr. Lau Chun Kwok	Beneficial owner and interest in a controlled corporation	23,000,000 Shares (L) *(Notes 3 & 5)*	7.66%
Mr. Lau Chun Ka	Beneficial owner and interest in a controlled corporation	23,000,000 Shares (L) *(Notes 3 & 6)*	7.66%
Ms. Leung Lai So	Beneficial owner and beneficiary of a discretionary trust	180,500,000 Shares (L) *(Notes 3 & 7)*	60.16%
Mr. Hsu Kam Yee, Simon	Beneficial owner	500,000 Shares (L) *(Note 3)*	0.16%
Mr. Chan Sun Kwong	Beneficial owner	500,000 Shares (L) *(Note 3)*	0.16%
Mr. Chiu Kam Kun, Eric	Beneficial owner	500,000 Shares (L) (Note 3)	0.16%
Dr. Lee Peng Fei, Allen	Beneficial owner	500,000 Shares (L) *(Note 3)*	0.16%
Professor Wong Sue Cheun, Roderick	Beneficial owner	500,000 Shares (L) *(Note 3)*	0.16%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. The percentage of shareholding is calculated on the basis of 300,000,000 Shares in issue, without taking into account any Shares which may be issued pursuant to the exercise of any options granted to any of the Directors.

3. On 28 May 2003, the Company granted to each of the Directors options to subscribe for 500,000 Shares at the exercise price of HK$0.69 per Share. The options are exerciseable during the period of three years commencing from 28 May 2004 and expiring on 27 May 2007.

4. Mr. Lau Chun Ming's interest in Shares does not include the interest of his spouse, Ms. Leung Lai So, in the Shares.

5. These 22,500,000 Shares were held by CKL Development Limited, a corporation which is controlled by Mr. Lau Chun Kwok. Mr. Lau Chun Kwok was deemed to be interested in all the Shares in which CKL Development Limited was interested by virtue of the SFO.

6. These 22,500,000 Shares were held by Nice Fair Group Limited, a corporation which is controlled by Mr. Lau Chun Ka. Mr. Lau Chun Ka was deemed to be interested in all the Shares in which Nice Fair Group Limited was interested by virtue of the SFO.

7. These 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. Ms. Leung Lai So was deemed to be interested in all the Shares in which Actiease Assets Limited was interested by virtue of the SFO.

(b) Interest in shares of the associated corporations

Name of Director	Name of the associated corporation	Capacity	Number of shares *(Note)*	Approximate percentage of shareholding
Ms. Leung Lai So	Actiease Assets Limited	Beneficiary of a discretionary trust	61 shares (L)	100%
Ms. Leung Lai So	Silver Bright Holdings Limited	Beneficiary of a discretionary trust	10,000 shares (L)	100%

Note: The letter "L" denotes the Director's long position in the shares of the relevant associated corporation of the Company.

Save as disclosed above, none of the Directors or chief executive of the Company had been notified of any interest or short position in the shares, underlying shares or debenture of the Company or any of its associated corporations as defined in Part XV of the SFO as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS

(a) As at the Latest Practicable Date, as far as it was known by the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company disclosed under "Directors' Interests and Short Positions in Securities" section above) had an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the normal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of the issued share capital**
Actiease Assets Limited	Beneficial owner	180,000,000 Shares(L) *(Note 2)*	60%
Silver Bright Holdings Limited	Interest of a controlled corporation	180,000,000 Shares (L) *(Note 2)*	60%
ManageCorp Limited	Trustee	180,000,000 Shares (L) *(Note 2)*	60%
Dao Heng Trustee (Jersey) Limited as trustee of The LCM 2002 Trust	Trustee	180,000,000 Shares (L) *(Note 2)*	60%
CKL Development Limited	Beneficial owner	22,500,000 Shares (L) *(Note 3)*	7.5%
Nice Fair Group Limited	Beneficial owner	22,500,000 Shares (L) *(Note 4)*	7.5%
Ms. Tang Lin Ngor	Interest of her spouse	22,500,000 Shares (L) *(Note 3)*	7.5%
Ms. Ip Fung Sheung	Interest of her spouse	22,500,000 Shares (L) *(Note 4)*	7.5%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. These 180,000,000 Shares were held by Actiease Assets Limited, a company wholly-owned by Silver Bright Holdings Limited which is wholly-owned by ManageCorp Limited. ManageCorp is a corporation wholly-owned by Dao Heng Trustee (Jersey) Limited as trustee of The LCM 2002 Trust. Silver Bright Holdings Limited, ManageCorp Limited and Dao Heng Trustee (Jersey) Limited as trustee of The LCM 2002 Trust were deemed to be interested in all the Shares in which Actiease Assets Limited was interested by virtue of the SFO.

3. These 22,500,000 Shares were held by CKL Development Limited, a corporation which is controlled by Mr. Lau Chun Kwok, the husband of Ms. Tang Lin Ngor. Ms. Tang Lin Ngor was deemed to be interested in all the Shares in which Mr. Lau Chun Kwok was interested by virtue of the SFO.

4. These 22,500,000 Shares were held by Nice Fair Group Limited, a corporation which is controlled by Mr. Lau Chun Ka, the husband of Ms. Ip Fung Sheung. Ms. Ip Fung Sheung was deemed to be interested in all the Shares in which Mr. Lau Chun Ka was interested by virtue of the SFO.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company.

(b) So far as is known to the Directors, as at the Latest Practicable Date, the following person was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group or had any option in respect of such capital:

Name of shareholder	Name of the company	Capacity	Number of shares	Approximate percentage of the issued share capital
Mr. Lau Chun Ming	Master View	Beneficial owner	1 registered share of no par value in Master View	100%

Save as disclosed above, as at the Latest Practicable Date and so far as is known to the Directors, there was no other person (other than a Director or chief executive of the Company) who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group or had any option in respect of such capital.

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, save as enclosed in note 17 “Contingent Liabilities” to the unaudited interim results of the Group for the six months ended 30 September 2005 as set out in appendix I to this circular, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective associates was interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. INTEREST IN ASSETS

Some of the Directors had the following interest in the asset which have been since 31 March 2005, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group:

(a) Mr. Lau Chun Ming, one of the executive Directors, is interested in Master View, the entire issued share capital of which is proposed to be acquired by the Group under the Acquisition. He is interested in Master View by virtue of his shareholding and control in Master View and the share charge and personal guarantee given by him in favour of the Independent Lender to secure the payment obligations of Master View in respect of the Independent Lender's Loan;

(b) Mr. Lau Chun Ming, one of the executive Directors, is interested in a premises leased by the Group under a tenancy agreement dated 1 August 2005 entered into by the Group with Cheer Crown Limited. The premises is situated at Yuen Long, New Territories, Hong Kong with a total gross area of about 118,984 square feet and is used by the Group for open storage. Cheer Crown Limited is wholly owned and controlled by Mr. Lau Chun Ming. The tenancy agreement was for a term of 24 months commenced from 1 August 2005 with a monthly rental payable by the Group of HK$90,000; and

(c) Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So, four of the Directors, are interested in various staff quarters and car parking spaces leased by the Group under five tenancy agreements all dated 1 August 2005 entered into by the Group with Long Ascent Development Limited, Healthy World Investment Limited, Cheer Wealth International Development Limited, Cheer Profit International Enterprise Limited and East Ascent Enterprise Limited. Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So have beneficial interests in the issued share capital of these five companies. The tenancy agreements were for a term of 24 months commenced from 1 April 2005 with an aggregate monthly rental payable by the Group of HK$158,000.

(d) The Group had on 21 December 2005 entered into an agreement to undertake certain construction works for erecting of a factory building on a property owned by Cheer Crown Limited, a company wholly owned by Mr. Lau Chun Ming, one of the executive Directors. The contract sum for the construction works was HK$7,919,900. The construction works are expected to be completed within six months from the date on which the requisite consent is given by the Buildings Department, with a warranty period of twelve months from the date of completion.

Save as disclosed above, none of the Directors or Kingston had any interest, direct or indirect, in any asset which have been since 31 March 2005, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL INTEREST IN CONTRACTS

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Interest in Assets" in this appendix, the service agreements of the Directors and the consultancy services provided by various companies in which Mr. Chan Sun Kwong and Mr. Chiu Kam Kun, Eric, being two of the Directors, are interested, particulars of which are set out in note 18 to the interim report of the Company for the six months ended 30 September 2005 as extracted in Appendix I of this circular, none of the Directors was materially interested in any contracts or arrangement subsisting as at the date hereof which was significant in relation to the business of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which may be material:

(a) the S&P Agreement; and

(b) the supplemental agreement dated 12 January 2006 and entered into between the Vendor and the Purchaser to supplement certain provisions in the S&P Agreement.

10. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The followings are the qualifications of the experts who have given their reports, opinions or advice which are contained in this circular:

Name	Qualification
Kingston	licensed corporation for type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Lau & Au Yeung C.P.A. Limited	Certified Public Accountants
CB Richard Ellis Limited	property valuer

Kingston is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Acquisition and the transactions contemplated thereby. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation herein.

The Master View Accountants Report and the letter on unaudited pro forma statements of assets and liabilities of the Enlarged Group as set out in Appendices II and III of this circular, which were dated as of the date of this circular and prepared jointly by PricewaterhouseCoopers and Lau & Au Yeung C.P.A. Limited, were given for the purpose of incorporation therein.

The Valuation Report, dated 30 November 2005 and given by CB Richard Ellis Limited, was given for the purpose of formulating and expressing an opinion on the fair value of the Vessel as at 31 October 2005 for the purpose of the Acquisition and for the purpose of incorporation therein.

(b) Each of Kingston, PricewaterhouseCoopers, Lau & Au Yeung C.P.A. Limited and CB Richard Ellis Limited has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and/or reports and the references to its name included in this circular in the forms and contexts in which they are respectively included.

(c) As at the Latest Practicable Date, none of Kingston, PricewaterhouseCoopers, Lau & Au Yeung C.P.A. Limited and CB Richard Ellis Limited had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. GENERAL

(a) The company secretary and the qualified accountant of the Company is Mr. Chan Sun Kwong. He is a fellow member of both the Association of Chartered Certified Accountants in the UK and the Hong Kong Institute of Certified Public Accountants.

(b) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners in Hong Kong at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 13 February 2006 up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the S&P Agreement;

(c) the Supplemental Agreement;

(d) letter issued by the Independent Lender giving its consent to the Vendor to enter into the S&P Agreement;

(e) the loan agreement in regard of the Independent Lender's Loan;

(f) the loan agreement in regard of the Expired Loan;

(g) the annual reports of the Company for each of the two financial years ended 31 March 2005;

(h) the interim report of the Company for the six months ended 30 September 2005;

(i) the audited financial statements of the Group for each of the three financial years ended 31 March 2005;

(j) the unaudited financial statements of the Group for the six months ended 30 September 2005;

(k) the Master View Accountants Report;

(l) the letter from PricewaterhouseCoopers and Lau & Au Yeung C.P.A. Limited in connection with the unaudited pro forma assets and liabilities statement of the Enlarged Group as set out in Appendix III to this circular;

(m) the Valuation Report;

(n) the letter from the Independent Board Committee, the text of which is set out on page 12 of this circular;

(o) the letter from Kingston, the text of which is set out on pages 13 to 24 of this circular;

(p) the letters of consent referred to in paragraph 10 of this appendix; and

(q) this circular.

SAM WOO HOLDINGS LIMITED
三和集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 2322)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sam Woo Holdings Limited ("**Company**") will be held at Ballroom A–C, Penthouse, Hotel Miramar, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong at 11:00 a.m. on 7 March 2006 to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"**THAT** the sale and purchase agreement dated 1 December 2005 and a supplemental agreement dated 12 January 2006 and made between Sam Woo Group Limited ("**Sam Woo**"), a subsidiary of the Company and Mr. Lau Chun Ming (the "**Vendor**") in relation to, among other things, the acquisition (the "**Acquisition**") by Sam Woo from the Vendor for the entire issued share capital of Master View Co., Ltd. at HK$1, copies of which have been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and that all the transactions in relation to the Acquisition contemplated thereunder be and they are hereby approved."

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

Hong Kong, 13 February 2006

Principal place of business in Hong Kong:
Units 1310-13
113 Argyle Street
Mongkok, Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. To be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer offices in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for scheduled for holding the meeting or adjourned meeting thereof.

* *For identification purposes only*