



SAM WOO HOLDINGS LIMITED

三和集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

The board (the "Board") of directors of Sam Woo Holdings Limited (the "Company") is pleased to present the unaudited consolidated financial statements for the six months ended 30th September 2004 (the "Period") of the Company and its subsidiaries (collectively the "Group") together with comparative figures for the corresponding period in 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Note	Unaudited Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	8,210	70,802
Cost of sales		(29,397)	(46,132)
Gross (loss)/profit		(21,187)	24,670
Other revenue	2	91	255
Other income		979	4,151
Administrative expenses		(11,285)	(11,890)
Operating (loss)/profit	4	(31,402)	17,186
Finance costs		(2,808)	(3,206)
(Loss)/profit before taxation		(34,210)	13,980
Taxation	5	5,126	(5,427)
(Loss)/profit attributable to shareholders		(29,084)	8,553
(Loss)/earnings per share			
Basic	7	HK(9.69 cents)	HK2.88 cents

Notes:-

1 Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2004.

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	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Revenue from foundation works	7,098	50,833
Rental of machinery and equipment	1,112	3,084
Sale of machinery and equipment	-	16,885
	8,210	70,802
Other revenue		
Interest income	91	255
	91	255
Total revenues	8,301	71,057

3 Segment information

(a) Business segments - primary reporting format

	Unaudited Six months ended 30th September 2004		
	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Total 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 shareholders	-	-	(29,084)

	Unaudited Six months ended 30th September 2003		
	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Total HK\$'000
Turnover	53,917	16,885	70,802
Segments results	15,570	6,559	22,129
Interest income	-	-	255
Unallocated expenses	-	-	(5,198)
Operating profit	-	-	17,186
Finance costs	-	-	(3,206)
Taxation	-	-	(5,427)
Profit attributable to shareholders	-	-	8,553

(b) Geographical segments - secondary reporting format

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

4 Operating (loss)/profit

	Unaudited Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Operating (loss)/profit is stated after charging the following:-		
Cost of inventories sold	-	5,137
Staff costs, excluding directors' emoluments	9,037	15,432
Auditors' remuneration	80	180
Depreciation		
Owned fixed assets	8,319	4,001
Leased fixed assets	3,651	8,365
Operating lease rentals in respect of land and buildings	926	960

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the Period. The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax (credit)/charge		
Current	-	2,614
Deferred	(5,126)	2,813
	(5,126)	5,427

6 Dividends

The Directors do not recommend the payment of dividend in respect of the Period (2003: nil).

7 (Loss)/earnings per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$29,084,000 (2003: profit of HK\$8,553,000) and the weighted average number of 300,000,000 (2003: 297,418,033) ordinary shares in issue during the period. Diluted loss/earnings per share is not presented as the exercise of share options would have no dilutive effect on loss/earnings per share for the periods ended 30th September 2004 and 30th September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The construction market in Hong Kong continued to weaken in 2004. Government statistics showed that the gross value of construction works at both public and private sites recorded decline in the first half of 2004 as compared to the same period last year. Newly commenced private sector residential projects remained at very low level following years of unfavorable condition in the property market and minimal amount of land sale by the government. The drop in construction activities in the public sector were attributable to the scale-back in public housing and completion of some infrastructure projects. Contrary to the excess capacity in the construction market locally, prices of essential construction materials, including steel, concrete, fuel and lubricant, escalated further in 2004 due to high global demand and speculation. Combination of the above factors significantly impaired the profitability of construction projects.

The Group recorded a turnover of HK\$8.2 million and a gross loss of HK\$21.2 million for the Period as compared to a turnover of HK\$70.8 million and a gross profit of HK\$24.7 million for the same period in 2003. The gross loss for the Period was mainly attributable to the incurrence of fixed costs, such as depreciation and equipment maintenance. The level of administrative expenses and finance costs for the Period are generally comparable to those for the same period in 2003.

Management was conscious of the difficult conditions in the construction industry and exercised prudence in tendering for projects. Instead of engaging in cut-throat competition and undertaking potentially loss-making projects, management focused on activities that would provide a more reasonable profit and generate quicker cash flow to the Group. During the Period, the Group completed all construction projects on hand and did not commence any new projects. Meanwhile, majority of the resources was spent on negotiating for construction projects with better returns and recovering payments from completed project works, on which significant progress had been achieved and shall be reflected in the latter part of the financial year 2004/05.

More particularly, the Group had recently contracted a construction project for marine piling, which is set for commencement in January 2005 and involves higher level of technical difficulties and specialties, and is expected to provide a reasonable level of turnover and returns to the Group in 2005. Furthermore, the Group is in the final stage of negotiating settlement for claims and variation works on certain completed projects, from which considerable settlement sums shall be derived and serve to provide ample improvement to the Group's liquidity and operating results for the second half of the financial year 2004/05. Appropriate disclosure to the shareholders and the public shall be made once the Board became aware of any price-sensitive information arisen out of the settlement arrangement.

The construction industry is expected to recover gradually following the pick-up of the local property market and the demand for infrastructure to support the rapid development of the Pan-Pearl River Delta. The recently announced single-Y design for the Hong Kong-Zhuhai-Macau Bridge by the Chinese Transport Minister sees the commencement of the vast infrastructure development plan in the region. However, the process of recovery would not be instantaneous. In the near terms, the Group is placing more focus on the trading of machinery and equipment to take advantage of the high demand in developing countries, such as the Middle-East, Eastern Europe, Russia and Mainland China. At the same time, the Group is actively seeking opportunities to diversify its operation into marine related construction and engineering business to differentiate itself from competitors, targeting a broader market and benefiting from the Group's expertise.

Apart from the marine piling project mentioned earlier, the Group is currently in negotiation with a related company (the "Related Company") under the control of a director and major shareholder of the Company to appoint the Group as manager of vessel(s) owned by the Related Company. Management expects such arrangement shall bring about a steady and pleasant source of marine engineering and vessel chartering revenues and profits to the Group. Full details of this potential arrangement will be disclosed in an announcement/a circular when the terms are finalised and agreed.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

The Group's total tangible assets and net assets as at 30th September 2004 amounted to HK\$351.3 million (31st March 2004: HK\$390.7 million) and HK\$124.1 million (31st March 2004: HK\$153.2 million) respectively.

As at 30th September 2004, the Group had cash and bank balances of HK\$51.9 million (31st March 2004: HK\$56.9 million) and total borrowings of HK\$183.3 million (31st March 2004: HK\$180.2 million). Current portion of long term borrowings, short-term bank loans and bank overdrafts as at 30th September 2004 amounted to HK\$148.90 million (31st March 2004: HK\$123.0 million). The Group's gearing ratio, calculated by dividing the Group's net borrowings by total equity, was 1.06 at the end of the Period.

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

CHARGES ON ASSETS

The net book values of machinery and equipment held under finance leases amounted to HK\$86.5 million and fixed assets pledged for certain long-term loans amounted to HK\$48.1 million. Certain banking facilities were secured by bank deposits of HK\$50.3 million.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased or redeemed any of the Company's listed shares during the Period and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial statements of the Group for the six months ended 30th September 2004.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the website of the Stock Exchange.

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

Hong Kong, 9th December 2004

* For identification purpose only

As at the date of this announcement, the Board comprises Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka, Ms. Leung Lai So, Mr. Hsu Kam Yee, Simon and Mr. Chan Sun Kwong as executive directors, Mr. Chiu Kam Kun, Eric as non-executive director and Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Mr. Chan Wai Dune as independent non-executive directors.