



SAM WOO HOLDINGS LIMITED

三和集團有限公司*

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

The board ("the Board") of directors ("the Directors") of Sam Woo Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results for the six months ended 30th September 2003 of the Company and its subsidiaries ("the Group") together with the comparative figures for the corresponding previous period.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

		Unaudited Six months ended 30th September	
	Note	2003 HK\$'000	2002 HK\$'000
Turnover		70,802	123,387
Cost of sales	2	(46,132)	(84,158)
Gross profit		24,670	39,229
Other revenues	2	255	151
Other income		4,151	732
Administrative expenses		(11,890)	(7,511)
Operating profit	4	17,186	32,601
Finance costs		(3,206)	(4,433)
Profit before taxation		13,980	28,168
Taxation	5	(5,427)	(5,262)
Profit attributable to shareholders		8,553	22,906
Earnings per share	7	HK2.88 cents	HK9.85 cents

Notes:-

1. Basis of preparation and accounting policies

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set forth in the Company's prospectus dated 31st March 2003. The Company's shares were listed on the Stock Exchange on 9th April 2003.

The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). The consolidated accounts of the Group for the six months ended 30th September 2003, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

These unaudited consolidated condensed accounts are prepared in accordance with SSAP 25 "Interim financial reporting" issued by the HKSA and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These condensed accounts should be read in conjunction with the 2003 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 2003 except that the Group has changed its accounting policy following its adoption of SSAP 12 (revised) "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

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.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of SSAP 12 (revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been made.

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	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Revenue from foundation works	50,833	114,144
Rental of machinery and equipment	3,084	1,461
Sale of machinery and equipment	16,885	7,782
	70,802	123,387
Other revenues		
Interest income	255	121
Maintenance service income	-	30
	255	151
Total revenues	71,057	123,538

3. Segment information

(a) Business segments - primary reporting format

	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
	Unaudited Six months ended 30th September 2002		
	Foundation works HK\$'000	Trading of machinery and equipment HK\$'000	Total HK\$'000
Turnover	115,605	7,782	123,387
Segments results	32,147	549	32,696
Interest income			121
Unallocated expenses			(216)
Operating profit			32,601
Finance costs			(4,433)
Taxation			(5,262)
Profit attributable to shareholders			22,906

(b) Geographical segments - secondary reporting format

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

4. Operating profit

	Unaudited Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after charging the following:		
Cost of inventories sold	5,137	7,038
Staff costs	15,432	30,181
Depreciation		
Owned fixed assets	4,001	2,913
Leased fixed assets	8,365	9,457
Operating lease rentals in respect of land and buildings	960	1,487

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) 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	
	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
Current	2,614	-
Deferred	2,813	5,262
	5,427	5,262

6. Dividends

The Directors do not recommend the payment of dividend in respect of the six months ended 30th September 2003 (2002: nil).

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$8,553,000 (2002: HK\$22,906,000) and the weighted average number of 297,418,033 (2002: 232,500,000) ordinary shares in issue during the period. Diluted earnings per share is not presented as the exercise of share options would have no dilutive effect on earnings per share for the period ended 30th September 2003. The Company has no dilutive potential shares as at 30th September 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review, operating environment and outlook

The period under review had been difficult but challenging for the Group as atypical pneumonia (Severe acute respiratory syndrome) had unexpectedly inflicted more damage than most could imagine to the already sluggish Hong Kong economy leading to the hindrance and even suspension of some major infrastructure and building construction works and tenders for the first half of 2003. Most, if not all, of the foundation contractors had considerable amount of excessive production capacity. The unemployment rate of the sector remained high. Despite the prices of the construction materials, including concrete, steel reinforcement, steel H-pile, etc., had gone up, tender prices for piling works remained low. The Group had recorded a consolidated turnover of HK\$70.8 million for the six months ended 30th September 2003 (the "Period"). The gross profit margin for the Period was 34.8 per cent., comparable with the same period last year of 31.8 per cent. The administrative expenses increased by 58.3 per cent. to HK\$11.9 million and interest expenses decreased by 27.7 per cent. to HK\$3.2 million comparing with the same period last year. Gearing ratio⁽¹⁾ dropped from 1.39 as at 31st March 2003 to 0.89 as at 30th September 2003. The Directors considered it would be prudent to retain more fund within the Group, therefore, do not recommend the payment of any interim dividend for the Period.

Due to the increase in the number of visitors into Hong Kong, visitors from Mainland China in particular, the Hong Kong economy has shown some improvement during the second half of 2003. However, the construction industry may still experience insignificant recovery in the coming year due to the tightening of government spending and cumulated over-supply of properties brought from the previous years. Although deflationary pressure and unemployment rate have registered signs of improvement, cutting of government expenditures arising from budget deficit continues to play a negative role in the road to economic recovery.

Although the year ahead may still be a very challenging one, the Group is cautiously optimistic about the future of the construction industry in Hong Kong due to the following major external and internal factors.

Externally, as Mainland China has joined the World Trade Organisation and agreed the Closer Economic Partnership Arrangement with Hong Kong, more construction activities will emerge as a result of more foreign direct investment into the area, especially around the almost untapped western side of the Pearl River Delta region (the "PRD"). The starting of the preliminary design works of the Hong Kong - Zhuhai - Macau Bridge (the "Bridge") indicates that more infrastructure projects of similar kinds will be needed to directly link up the major economic centers within PRD. Further improvement and expanding of the infrastructure, rail network and transportation system within Hong Kong will also be necessary to support the Bridge and other similar infrastructures linking up the PRD. Another major development was proposed by the Planning Department of Hong Kong Special Administrative Region's Government (the "Government") to build a free-trade zone at the border of Hong Kong and Shenzhen in the near future. Exhibition venues, cargo transit facilities, entertainment complexes and numerous other major infrastructures will be built when the development is finally confirmed.

Internally, besides the recovering economy that will gradually bring up economic activities and amount of construction works, it is projected by the Planning Department that Hong Kong's population will grow by more than 11 per cent. to reach 7.6 million by year 2012. This would mean more housing demand in the coming years. In addition, the proposal to reduce the plot ratio of the buildings thereby reducing the population density will also lead to the demand for more buildings. To accommodate the above, the city has to expand its coverage making new buildings, roads, bridges and other infrastructures indispensable. In addition, during the first nine months of the year 2003, the time schedules of some construction projects were delayed and postponed. In the private sector, some contractors were holding up projects for the future as the market is having an above-mentioned over-supply of properties. In the public sector, especially the Hong Kong Housing Authority and Housing Department, projects were suspended due to tenders cancellation. These projects will be launched into the market again in the future, depending on the time schedule and policy setup by the Government. These observations from the private and public sectors create a backlog in the market. In the near future, it is expected these projects will be flowing back into the market as the economy picks up.

The Group is seeking suitable opportunities to diversify its business into other areas in the industry such as civil engineering works. This will not only complement the Group's existing foundation business but also allow the Group to handle large civil engineering construction projects.

Meanwhile, the Group will continue to offer quality services to the customers. The

Group's core competence of bored piling works has been regarded as one of the best in the industry. By persistently implementing effective cost control measures and maximizing its operational efficiency and effectiveness, the Group will continue to stay competitive and resourceful in overcoming any challenge ahead.

Note:-

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

Number of employees, remuneration policies and bonus

The Group had about 140 staff members as at 30th September 2003. The staff costs were HK\$15.4 million (2002: HK\$30.2 million).

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

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

Liquidity, financial conditions and capital structure

As at 30th September 2003, the total assets of the Group amounted to HK\$433.6 million. Fixed assets, mostly represented by machinery and equipment, amounted to HK\$287.1 million. The Group purchased HK\$15.5 million and disposed of HK\$8.5 million of machinery and equipment during the Period.

Current assets was HK\$146.5 million as at 30th September 2003, comprising of trade receivables of HK\$48.5 million, deposits, prepayments and other receivables of HK\$2.9 million, amounts due from customers for contract works of HK\$20.9 million, inventories of HK\$4.8 million and cash and bank balances of HK\$69.4 million.

As at 30th September 2003, current liabilities was HK\$164.6 million, comprising of trade payables of HK\$14.7 million, accrual and other payables of HK\$6.7 million, short term bank loans and overdrafts of HK\$84.0 million, tax payable of HK\$3.1 million and current portion of long-term liabilities of HK\$56.1 million that comprised of current portion of long-term bank loan HK\$13.4 million and obligations under finance leases of HK\$42.7 million.

Long-term liabilities amounted to HK\$108.1 million, comprising of non-current portion of long-term bank loans and finance leases of HK\$71.8 million and deferred taxation of HK\$36.3 million as at 30th September 2003.

Sources of funds of the Group are generated internally, from banking facilities, finance leases and hire purchase loans with an average of three to four years' maturity. During the Period, the Group focused on shifting some short term financing to longer term when the interest rates are still at a comparatively low level in order to extend the repayment periods and allow better budgeting. The Group's borrowings were primarily on floating interest rates basis. The Group's major operation was transacted in Hong Kong dollars and did not have any material gain or loss due to the fluctuation of the currency exchange rates.

Charges on the Group's assets

The net book values of machinery and equipment held under finance leases amounted to HK\$177.7 million and fixed assets pledged for certain long-term loans amounted to HK\$36.6 million. Certain banking facilities were secured by bank deposits of HK\$43.7 million.

Contingent liabilities

As at 30th September 2003, the Group had contingent liabilities of HK\$6.1 million in respect of a number of litigation proceedings arising in the normal course of its business. These include both claims and counterclaims made by defendants of actions initiated by the Group. The Directors, having taken into consideration the advice from the Group's legal counsels, are of the opinion that the ultimate liability under these proceedings, if any, would not have a material impact on the financial position of the Group.

REPURCHASE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company and its subsidiaries did not purchase or redeem any of the Company's listed securities during the six months ended 30th September 2003.

AUDIT COMMITTEE

The audit committee which comprises the two independent non-executive directors of the Company has held one meeting to review the internal control systems and interim results for the Period and has provided recommendations to the Board.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30th September 2003 in compliance with the Code of Best Practice as set forth in Appendix 14 to the Listing Rules.

SPONSOR'S INTEREST

Pursuant to the sponsor's agreement (the "Sponsor Agreement") dated 8th March 2002 entered into between DBS Asia Capital Limited ("DBS Asia") and the Company, the Company has appointed DBS Asia, and DBS Asia has agreed, to act as sponsor to the Company for a period of one year commenced from 9th April 2003. Save for the Sponsor's Agreement, none of the directors, employees nor associates of DBS Asia had any interest in any securities of the Company or any of its associated corporations as at 30th September 2003.

ACKNOWLEDGMENT

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

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement of the Group for the six months ended 30th September 2003 containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 15th December 2003

* For identification purpose only