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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.

## 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<sup>(1)</sup> 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.

## **BUSINESS REVIEW, OPERATING ENVIRONMENT AND OUTLOOK (CONTINUED)**

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 the 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 means more housing demand is expected in the coming years. Moreover, 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 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 abovementioned 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

## **BUSINESS REVIEW, OPERATING ENVIRONMENT AND OUTLOOK (CONTINUED)**

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.

## **NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND BONUS (CONTINUED)**

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 were 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 were 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.

## **LIQUIDITY, FINANCIAL CONDITIONS AND CAPITAL STRUCTURE (CONTINUED)**

Sources of funds of the Group are generated internally, from initial public offering, banking facilities, finance leases and hire purchase loans with an average of three to four years' maturity. During the Period, the Group has focused on shifting some short term financing to longer term when the interest rates are still at 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.

### **SHARE OPTION SCHEME**

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution of the then sole shareholder passed on 25th 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 9th April 2003, the day on which the shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Listing Date"). The maximum entitlement of each participant shall not exceed 1 per cent. of the shares in issue in any 12-month period up to the date of the latest grant of options.

## SHARE OPTION SCHEME (CONTINUED)

As at 30th September 2003, the share options granted under the Scheme were still outstanding. No options were granted, exercised, cancelled or lapsed during the six months ended 30th September 2003.

The following are the particulars of outstanding options:

Name of the participant	No. of options outstanding as at 1st April 2003	No. of options outstanding as at 30th September 2003	Date of grant	Vesting period	Exercise period	Exercise price
Mr. Lau Chun Ming	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Lau Chun Kwok	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Lau Chun Ka	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Ms. Leung Lai So	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chiu Kam Kun, Eric	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Hsu Kam Yee, Simon	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Mr. Chan Sun Kwong	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Dr. Lee Peng Fei, Allen	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
Professor Wong Sue Cheun, Roderick	500,000	500,000	28th May 2003	1 year commencing from 28th May 2003	from 28th May 2004 to 27th May 2007, both days inclusive	HK\$0.69
	<u>4,500,000</u>	<u>4,500,000</u>				

## SHARE OPTION SCHEME (CONTINUED)

The closing price of the Company's share immediately before the date on which the options were granted (i.e. 27th May 2003) was HK\$0.69. The fair value of the share options granted on 28th May 2003 with the exercise price per share of HK\$0.69 was estimated at HK\$0.68 using the Black-Scholes option pricing model. Value was estimated based on the risk-free rate of 2.06 per cent. per annum with reference to the rate prevailing on the Exchange Fund Notes, a three-month (from 9th April 2003 to 16th July 2003) period historical volatility of 0.008, assuming no dividend and an expected option life of 3 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

## DISCLOSURE OF INTERESTS OF DIRECTORS

As at 30th September 2003, the interest and short positions of directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:



## DISCLOSURE OF INTERESTS OF DIRECTORS (CONTINUED)

### Directors' interest in the Company:

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

## DISCLOSURE OF INTERESTS OF DIRECTORS (CONTINUED)

### Directors' interest in the associated corporations:

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

#### Notes:

1. On 28th May 2003, the Company granted to each of the director an option to subscribe for 500,000 shares in the share capital of the Company.
2. 22,500,000 shares were held by CKL Development Limited, a corporation which is controlled by Mr. Lau Chun Kwok.
3. 22,500,000 shares were held by Nice Fair Group Limited, a corporation which is controlled by Mr. Lau Chun Ka.
4. 180,000,000 shares were held by Actiease Assets Limited, a company wholly-owned by Silver Bright Holdings Limited which is indirectly owned by a discretionary trust of which Ms. Leung Lai So is a beneficiary.

## DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance as at 30th September 2003 were as follows:

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

## 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.

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

Hong Kong, 15th December 2003

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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	70,802	123,387
Cost of sales		(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

## CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2003

	Note	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Fixed assets		287,145	283,592
Current assets			
Trade receivables	8	48,472	20,081
Deposits, prepayments and other receivables		2,937	6,757
Inventories		4,793	4,049
Amounts due from customers for contract works		20,922	15,059
Cash and bank balances			
Unrestricted		25,685	1,041
Restricted		43,716	3,682
		146,525	50,669
Current liabilities			
Trade payables	9	14,724	9,423
Accruals and other payables		6,731	5,785
Amounts due to customers for contract works		3	14
Taxation payable		3,081	466
Secured short-term bank loans		24,575	14,380
Current portion of long-term liabilities	10	56,103	56,668
Bank overdrafts, secured		59,449	56,241
		164,666	142,977
Net current liabilities		(18,141)	(92,308)
Total assets less current liabilities		269,004	191,284

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

	Note	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Financed by:			
Share capital	11	30,000	23,250
Reserves		130,913	94,224
Shareholders' funds		160,913	117,474
Long-term liabilities	10	71,818	40,349
Deferred tax liabilities		36,273	33,461
		269,004	191,284

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	2003	2002
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(2,305)	9,896
Net cash from/(used in) investing activities	3,697	(4,586)
Net cash from/(used in) financing activities	20,044	(56,941)
Increase/(decrease) in cash and cash equivalents	21,436	(51,631)
Cash and cash equivalents at beginning of the period	(55,200)	19,353
Cash and cash equivalents at end of the period	(33,764)	(32,278)
Analysis of balances of cash and cash equivalents:		
Cash and bank balances, unrestricted	25,685	950
Bank overdrafts	(59,449)	(33,228)
	(33,764)	(32,278)



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1st April	117,474	61,038
Profit for the period	8,553	22,906
Issue of shares upon initial public offering	6,750	–
Premium on issue of shares	38,475	–
Share issue expenses	(10,339)	–
At 30th September	<b>160,913</b>	<b>83,944</b>

## NOTES TO CONDENSED ACCOUNTS

### 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.

## 1 Basis of preparation and accounting policies (Continued)

### Deferred taxation (Continued)

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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	2003	2002
	HK\$'000	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
	<b>70,802</b>	<b>123,387</b>
Other revenues		
Interest income	255	121
Maintenance service income	–	30
	<b>255</b>	<b>151</b>
Total revenues	<b>71,057</b>	<b>123,538</b>

### 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

### 3 Segment information (Continued)

(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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	2003	2002
	HK\$'000	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:

	<b>Unaudited Six months ended 30th September</b>	
	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
Current	2,614	–
Deferred	2,813	5,262
	<b>5,427</b>	<b>5,262</b>

## 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 had no dilutive potential shares as at 30th September 2002.

## 8 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 2003 amounted to HK\$16,639,000 (31st March 2003: HK\$12,796,000). The ageing analysis of the remaining trade receivables is as follows:

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
0 to 90 days	21,143	5,758
91 to 180 days	10,507	770
181 to 365 days	–	742
More than 365 days	183	15
	<b>31,833</b>	<b>7,285</b>

## 9 Trade payables

Retention payable included in trade payables as at 30th September 2003 amounted to HK\$357,000 (31st March 2003: HK\$295,000). The ageing analysis of the remaining trade payables is as follows:

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
0 to 90 days	10,113	4,126
91 to 180 days	1,618	722
181 to 365 days	674	2,396
More than 365 days	1,962	1,884
	<b>14,367</b>	<b>9,128</b>

**10 Long-term liabilities**

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Bank loans, secured	53,108	3,207
Obligations under finance leases	74,813	93,810
	127,921	97,017
Current portion of long-term liabilities	(56,103)	(56,668)
	71,818	40,349

The Group's bank loans are repayable as follows:

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Within one year	13,441	1,204
In the second year	20,710	1,233
In the third to fifth years	18,957	770
	53,108	3,207



## 10 Long-term liabilities (Continued)

Obligations under finance leases are payable as follows:

	Present value		Minimum payment	
	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Within one year	42,662	55,464	45,888	60,574
In the second year	20,784	24,366	21,858	25,749
In the third to fifth years	11,367	13,980	11,634	14,448
	<b>74,813</b>	<b>93,810</b>	<b>79,380</b>	<b>100,771</b>
Finance charges			(4,567)	(6,961)
			<b>74,813</b>	<b>93,810</b>

Interest is charged on the outstanding balances of finance leases at rates ranging from 1% below Hong Kong prime rate to 10.5% per annum.

## 11 Share capital

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Authorised: 1,000,000,000 shares of HK\$0.1 each	<b>100,000</b>	<b>100,000</b>

## 11 Share capital (Continued)

	Ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
Issued:		
Allotted and issued nil paid upon incorporation (note a)	1,000,000	–
Allotted and issued nil paid on 28th March 2003 (note a)	2	–
Issue of shares upon Reorganisation (note b)	249,998	125
Capitalisation issue (note c)	231,250,000	23,125
At 31st March 2003 (audited)	232,500,000	23,250
Issue of shares upon initial public offering (note d)	67,500,000	6,750
At 30th September 2003 (unaudited)	300,000,000	30,000

- (a) The Company was incorporated on 26th June 2002 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil-paid on 9th August 2002. Pursuant to the written resolutions dated 25th March 2003, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of additional 999,000,000 shares of HK\$0.10 each. On 28th March 2003, two additional shares were allotted and issued nil-paid.
- (b) On 28th March 2003, the Company acquired the entire issued share capital of Sam Woo Group Limited, in consideration of and in exchange for which the Company (i) allotted and issued 249,998 new shares of HK\$0.10 each and (ii) credited as fully paid the originally nil-paid shares as mentioned in (a) above.
- (c) Also on 28th March 2003, 231,250,000 shares of HK\$0.1 each were issued at par as fully paid to the then shareholders by way of capitalisation of the sum of HK\$23,125,000 standing to the contributed surplus of the Company.

## 11 Share capital (Continued)

- (d) On 8th April 2003, 67,500,000 ordinary shares of HK\$0.10 each were allotted and issued to the public and institutional investors at HK\$0.67 per share for cash. The excess of the allotted proceeds over the par value of the shares issued was credited to the share premium account.
- (e) As at 31st March 2003, the share capital of the Company was presented as if the shares described in note (a) to (c) above have been in issue throughout the accounting period presented as set out in note 1.

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 have been granted to eligible participants. The grantees are entitled to exercise their options at a price of HK\$0.69 per share at the time during 28th May 2004 to 27th May 2007. No options have been exercised by the grantees during the period.

## 12 Contingent liabilities

As at 30th September 2003, the Group had contingent liabilities of approximately HK\$6.1 million in respect of a number of litigation proceedings arising in the normal course of its business. These include both claims against the Group and counterclaims made by defendants of actions initiated by the Group. 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.

## 13 Related party transactions

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

	Note	Six months ended 30th September	
		2003 HK\$'000	2002 HK\$'000
Maintenance income from			
Sam Woo Ship Building Limited	(a)	–	30
Rental expense paid to Cheer Crown Limited	(b)	341	749
Rental expense paid to			
Nice Rainbow Investment Limited	(b)	–	150
Inventories purchase from a director	(c)	–	94
Consultancy fee to various companies	(d)	823	–
Disposal of fixed assets to Sam Woo Ship Building Limited	(e)	–	1,217

**13 Related party transactions (Continued)**

- (a) Maintenance and management fee income are charged for the provision of management and maintenance services and are based on the number of vessels and associated equipment that the Group is required to maintain.
- (b) Rental expenses are based on the tenancy agreement entered into between the parties involved with reference to market rates of similar properties.
- (c) Purchase of inventories from a director is conducted in the normal course of business at prices and terms no less favourable than those contracted with other third party suppliers.
- (d) 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.
- (e) Fixed assets were disposed at net book value to related companies.