SAM WOO HOLDINGS LTD: INVESTORS HAD BETTER PRAY THAT IT CAN OBTAIN NEW INFRASTRUCTURE CONTRACTS

Under normal circumstances, a contractor in the foundation business, one that has been moderately successful for the past 32 years or so, would be expected to continue to be successful.

But these are not normal times, especially in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

And, sadly, Sam Woo Holdings Ltd is unlikely to do very well in the next few years, in **TARGET**'s opinion.

Sam Woo Holdings went public on The Stock Exchange of Hongkong Ltd on the last day of March, this year, when it Offered a total of 75 million, 10-cent Shares at a Premium of 57 cents per Share.

It Placed 67.50 million of those Shares and Offered the investing public a tranche of 7.50 million Shares.

For some unknown reason, the founding family of this Company decided that it would take advantage of the time of the flotation: It Placed 7.50 million of its Shares, on the same basis as those Shares that were Offered and Placed.

TARGET's statement *'for some unknown reason'* is based on the fact that the 7.50 million Lau Chun Ming Family Shares only grossed about $HK5.03 million; and, this Family is not in any dire need of such a seemingly paltry amount of money.

Supporting **TARGET**'s position with regard to the Lau Chun Ming Family, not being tight for cash, is the fact that, at the end of the 2002 Year, it paid itself a Dividend of about $HK72.61 million.

Sam Woo Holdings may have been suffering Net Current Liabilities for the past 42 months or so, but the Lau Chun Ming Family does not appear to be hurting for a couple of dollars.

The history of Sam Woo Holdings can be traced back to 1970, the Prospectus states at Page 60, when Mr Lau Chun Ming, at the age of 26 years, *'commenced the business of supplying accessories of machinery and equipment to various traders in Hong Kong …'.*

It was not until 1990, about 2 decades after the commencement of the trading side of this Company, that it branched out into construction.

The final paragraph of Page 60 states:

> *'In 1990, with the rapid growth in the building and construction industry in Hong Kong which resulted in an increased demand for bored piling works, the Group began to develop its business in the foundation industry. Sam Woo Bore Pile was then established to undertake land and marine bored piling works …'.*

And so the Company went on, from one aligned business to another, eventually settling into the construction field and specialising in public sector jobs, almost entirely.

Today, Sam Woo Holdings can boast of being big in its chosen industry, having scored impressively since its 2000 Financial Year, as the following table, taken from Page 157 of the Prospectus, indicates:

	Financial Year ended March 31			Six Months to September 30
	2000	2001	2002	2002
	All Figures are Denominated in $HK'000 (except where otherwise stated)			
Turnover	80,000	259,262	450,146	123,387
Cost of Sales	(56,368)	(157,988)	(356,376)	(84,158)
Gross Profit	23,632	101,274	93,770	39,229
Gross Profit Margin*	**29.51 percent**	**39.06 percent**	**20.83 percent**	**31.79 percent**
Other Revenues	2,713	2,060	3,445	151
Other Income	5,300	20	325	732
Administrative Expenses	(10,428)	(13,976)	(21,160)	(7,511)
Transfer (to)/from Deferred Income	(3,951)	3,951	Nil	Nil
Operating Profit	17,266	93,329	75,930	32,601
Financing Costs	(3,666)	(13,291)	(12,775)	(4,433)
Profit before Taxation	13,600	80,038	63,155	28,168
Taxation	(1,703)	(8,850)	(10,421)	(5,262)
Net Profit Attributable to Shareholders	11,897	71,188	52,734	22,906
Net Profit Margin*	**14.87 percent**	**27.46 percent**	**11.71 percent**	**18.56 percent**

* These are **TARGET**'s calculations

For the Financial Year, ended March 31, 2003, Management is forecasting a Net Profit Attributable to Shareholders of not less than $HK56 million. (Page 126 of the Prospectus)

So, the 2002-2003 Financial Year could not have been a record-breaking Year for Sam Woo Holdings. Hence **...** CLICK TO ORDER FULL ARTICLE