



# VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

## 盈信控股有限公司

(incorporated in Bermuda with limited liability)  
(Stock code: 15)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

The directors (the "Directors") of Vantage International (Holdings) Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005 together with comparative figures for the corresponding period in the previous year. The results have been reviewed by the Company's Audit Committee.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Notes	Six months ended	
		30 September 2005 (unaudited) HK\$'000	2004 (unaudited) (restated) HK\$'000
<b>TURNOVER</b>	5	<b>612,523</b>	788,218
Contract costs		(574,904)	(753,339)
Property expenses		(740)	-
Gross profit		<b>36,879</b>	34,879
Other revenue and gains	5	<b>3,987</b>	415
Administrative expenses		(13,125)	(16,219)
Other operating expenses, net		-	(63)
Gain on revaluation of investment properties		<b>25,427</b>	-
Profit from operating activities	6	<b>53,168</b>	19,012
Finance costs		(7,283)	(242)
Share of loss of a jointly-controlled entity		(11)	(6)
Profit before tax		<b>45,874</b>	18,764
Tax	7	(8,164)	(3,311)
<b>Profit for the period</b>		<b>37,710</b>	15,453
<b>Attributable to:</b>			
Shareholders of the Company		37,710	15,453
Minority interests		-	-
		<b>37,710</b>	15,453
<b>Interim dividend</b>	8	-	4,704
<b>Earnings per share</b>	9		
- Basic		<b>4.008 cents</b>	1.643 cents
- Fully diluted		N/A	N/A

#### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	Notes	30 September 2005 (unaudited) HK\$'000	31 March 2005 (audited) (restated) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		17,504	17,840
Investment properties	10	485,420	229,800
Deposits for purchase of properties		670	33,836
Goodwill		14,717	14,717
Interests in a jointly-controlled entity		3	11
		<b>518,314</b>	296,204
<b>Current assets</b>			
Gross amount due from customers for contract work		32,797	40,478
Properties for development		182,058	42,355
Accounts receivable	11	135,797	161,115
Deposits, prepayment and other receivables		12,110	34,968
Tax recoverable		526	526
Derivative financial instruments		737	-
Pledged deposits		27,505	32,239
Cash and cash equivalents		39,328	83,613
		<b>430,858</b>	395,294
<b>Current liabilities</b>			
Gross amount due to customers for contract work		52,567	28,772
Accounts payable	12	155,076	227,728
Other payable and accruals		6,302	5,763
Tax payable		4,620	2,205
Interest-bearing bank and other borrowings		94,752	61,640
		<b>313,317</b>	326,108
<b>Net current assets</b>		<b>117,541</b>	69,186
<b>Total assets less current liabilities</b>		<b>635,855</b>	365,390
<b>Non-current liabilities</b>			
Interest-bearing bank loans		361,866	133,322
Finance lease payable		54	79
Deferred tax		7,161	2,925
		<b>369,081</b>	136,326
		<b>266,774</b>	229,064
<b>Capital and reserves</b>			
Issued capital		23,519	23,519
Reserves		243,255	205,545
		<b>266,774</b>	229,064

#### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2005

##### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements have not been audited or reviewed by the Company's external auditors but have been reviewed by the Company's Audit Committee.

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

These condensed consolidated financial statements should be read in conjunction with the 2004/05 annual financial statements of the Group.

The accounting policies adopted in these condensed interim consolidated financial statements are consistent with those set out in the Group's audited consolidated financial statements for the year ended 31 March 2005 except that

the Group has changed certain of its accounting policies following the adoption of certain new or revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations (hereinafter collectively referred to as "HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

##### 2. CHANGES IN ACCOUNTING POLICIES

For the year ended 31 March 2005, the Group early adopted the following new HKFRSs in the financial statements:

HKFRS 3	Business Combinations
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 40	Investment Property

When preparing the interim financial statements of the Group for the six months ended 30 September 2004, goodwill arising from acquisitions after 1 April 2001 had been amortised on a straight-line basis over its estimated useful life of 20 years and amortisation expense of approximately HK\$431,000 was recorded in the condensed consolidated income statement for the six months ended 30 September 2004. Upon adoption of HKFRS 3, HKAS 36 and HKAS 38 in preparing the consolidated financial statements for the year ended 31 March 2005, the Group has ceased the amortisation of goodwill from 1 April 2004. Accordingly, the comparative amount of profit attributable to shareholders of the Company for the six months ended 30 September 2004 has been restated and increased by reversing the amortisation of goodwill of approximately HK\$431,000.

Following the adoption of HKAS 40 "Investment Property", a gain or loss arising from a change in the fair value of investment property is now recognised in the profit or loss for the period in which it arises. This new accounting standard has resulted in an increase in the profit attributable to shareholders of the Company for the six months ended 30 September 2005 by approximately HK\$25,427,000 of revaluation gain.

The adoption of other new HKFRSs in the current period has resulted in the following changes in the Group's accounting policies:

##### Leasehold land and building held for own use

The adoption of HKAS 17 "Leases" has resulted in a change in the accounting policy for leasehold land and buildings held for own use. In prior years, leasehold land and buildings were included in property, plant and equipment and measured at fair value or cost less accumulated depreciation and accumulated impairment. From 1 April 2005 onwards, the land and building elements of a lease of land and building are considered separately for the purposes of lease classification in accordance with the requirements of HKAS 17. Prepaid land premiums for the land leases are amortised on a straight-line basis over the lease term. However, if the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease is classified as a finance lease and the leasehold interests in land continue to be included in property, plant and equipment.

##### Leasehold land held for development for sale

In prior years, leasehold land held for development for sale was stated at cost less impairment losses and no amortisation was provided.

Following the adoption of HKAS 17, prepaid land premiums are amortised on a straight-line basis over the lease term. Amortisation on the prepaid land premium related to a property which is in the course of development or re-development, or is acquired exclusively with a view to subsequent disposal in the near future or for development and resale is included as part of the costs of the property for development. Such property is accounted for as inventories in accordance with the provisions of HKAS 2 "Inventories".

##### Deferred tax on revaluation of investment properties

In prior years, deferred tax on revaluation of investment properties was assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with SSAP-Interpretation 20. As it was considered that no capital gain tax would be payable upon disposal of the Group's investment properties, no deferred tax was provided on the revaluation gain on investment properties in prior years.

In the current period, the Group has applied HKAS-Interpretation 21 ("INT-21"), "Income Taxes - Recovery of Revalued Non-Depreciable Assets" and recognizes deferred tax on changes in fair values of investment properties on the basis that the carrying amounts of investment properties are to be recovered through use.

This change in accounting policy has been applied retrospectively and comparative amounts have been restated. As a result, the opening retained earnings as of 1 April 2005 has been decreased by HK\$2,616,000.

As a result of this new accounting policy, the Group's taxation expense for the six months ended 30 September 2005 has increased by HK\$4,450,000.

##### Derivative financial instruments

In the current period, the Group has for the first time entered into interest rate swap arrangements with a bank to manage the Group's exposure to risks of interest rate upward trends.

In accordance with HKAS 39 "Financial instruments: recognition and measurement", a derivative is a financial asset or financial liability at fair value through profit or loss and is classified as held for trading (except for a derivative that is a designated and effective hedging instrument). A derivative is initially recognised and subsequently remeasured at fair value. For a derivative that is designated as held for trading, a gain or loss arising from a change of its fair value is recognised in profit or loss. For a derivative that is designated as a hedging instrument and meets the conditions for hedge accounting, changes in its fair value are recognised in profit or loss or in equity depending on the type of the hedging relationship and the effectiveness of the hedge.

As a result of the adoption of HKAS 39, the Group has recognised a gain on changes in fair values of derivative financial instruments of approximately HK\$737,000 in the income statement for the six months ended 30 September 2005.

##### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include those used in the measurement of the fair values of investment properties and financial instruments, the recognition of construction contract revenue and expenses based on the percentage of completion method, the test for impairment of assets, the provision for income taxes and retirement benefit obligations.

##### 4. SEGMENT INFORMATION

Analysis of the Group's segment revenue and segment results by business segments, which is the Group's primary basis of segment reporting, is as follows:

	Building construction		Civil engineering works		Renovation, repairs and maintenance		Property investment		Property development		Consolidated	
	Six months ended 30 September 2005		Six months ended 30 September 2005		Six months ended 30 September 2005		Six months ended 30 September 2005		Six months ended 30 September 2005		Six months ended 30 September 2005	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue												
External customers	335,112	607,840	37,079	61,716	237,164	118,662	3,168	-	-	-	612,523	788,218
Segment results												
Profit from operating activities	21,679	24,750	2,445	4,555	10,326	5,574	27,447	-	(129)	-	61,768	34,879
Finance costs	-	-	-	-	-	-	(4,579)	-	-	-	(4,579)	-
	<b>21,679</b>	<b>24,750</b>	<b>2,445</b>	<b>4,555</b>	<b>10,326</b>	<b>5,574</b>	<b>22,868</b>	<b>-</b>	<b>(129)</b>	<b>-</b>	<b>57,189</b>	<b>34,879</b>

Unallocated revenue and gains

Unallocated corporate expenses

Unallocated finance costs

Share of loss of a jointly-controlled entity

Profit before tax

Tax

Profit for the period

3,987

(12,587)

(2,704)

(11)

45,874

(8,164)

37,710

415

(16,282)

(242)

(6)

18,764

(3,311)

15,453

During both current and prior periods, the Group primarily carried out all of its operations in Hong Kong. Accordingly, no geographical segment information is presented.

## 5. TURNOVER, OTHER REVENUE AND GAINS

	Six months ended	
	30 September	31 March
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
<b>Turnover</b>		
Contract revenue	609,355	788,218
Property gross rental income	3,168	–
	<u>612,523</u>	<u>788,218</u>
<b>Other revenue and gains</b>		
Bank interest income	1,158	23
Gain on disposal of fixed assets	1	–
Exchange gain	897	–
Gain on changes in fair values of derivative financial instruments	737	–
Sundry income	1,194	392
	<u>3,987</u>	<u>415</u>

## 6. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities has been arrived at after charging/(crediting):

	Six months ended	
	30 September	31 March
	2005 (unaudited) HK\$'000	2004 (unaudited) (restated) HK\$'000
Depreciation	720	800
Exchange gains, net	(897)	–
Interest income	(1,158)	(23)
(Gain)/loss on disposal of fixed assets	(1)	63
	<u>(1)</u>	<u>63</u>

## 7. TAX

	Six months ended	
	30 September	31 March
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Current – Hong Kong: Charge for the period	3,928	3,311
Deferred	4,236	–
	<u>8,164</u>	<u>3,311</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimate assessable profits arising in Hong Kong during the period.

## 8. DIVIDEND

	Six months ended	
	30 September	31 March
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Interim – Nil (2004: HK0.5 cent per ordinary share)	–	4,704
	<u>–</u>	<u>4,704</u>

## 9. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's unaudited net profit attributable to shareholders for the period of approximately HK\$37,710,000 (2004 restated: HK\$15,453,000) and on the actual weighted average number of 940,758,000 shares (2004: 940,758,000 shares) of the Company in issue during the period.

Diluted earnings per share has not been calculated for both periods as the Company's outstanding share options did not have a dilutive effect.

## 10. INVESTMENT PROPERTIES

	30 September		31 March	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (audited) HK\$'000	2004 (audited) HK\$'000
At beginning of period/year	229,800	16,800	16,800	16,800
Additions	226,193	198,050	198,050	198,050
Acquisition of subsidiary	4,000	–	–	–
Gain on revaluation	25,427	14,950	14,950	14,950
	<u>485,420</u>	<u>229,800</u>	<u>229,800</u>	<u>229,800</u>

All of the investment properties of the Group are situated in Hong Kong and held under the following lease terms:

	30 September		31 March	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (audited) HK\$'000	2004 (audited) HK\$'000
Land in Hong Kong:				
– Long leases	315,320	195,300	195,300	195,300
– Medium term leases	170,100	34,500	34,500	34,500
	<u>485,420</u>	<u>229,800</u>	<u>229,800</u>	<u>229,800</u>

The Group's investment properties were valued by B.I. Appraisals Limited, independent professionally qualified valuers, at HK\$485,420,000 as at 30 September 2005 (31 March 2005: HK\$229,800,000) on market value basis. The gain on revaluation of HK\$25,427,000 (2004: nil) and deferred tax thereon of HK\$4,450,000 (2004: nil) for the six months ended 30 September 2005 have been recognised in the consolidated income statement.

As at 30 September 2005, the Group's investment properties with an aggregate carrying value of HK\$485,100,000 (31 March 2005: HK\$229,500,000) were pledged as security against general banking facilities granted to the Group.

## 11. ACCOUNTS RECEIVABLE

Accounts receivable consist of receivables from contract works and rentals under operating leases. The payment terms of contract works were stipulated in the relevant contracts. Rentals are normally payable in advance.

The following is the ageing analysis of accounts receivable at the balance sheet date:

	30 September		31 March	
	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000	2005 (audited) HK\$'000	2004 (audited) HK\$'000
0 – 3 months	116,234	157,026	157,026	157,026
4 – 6 months	350	1,744	1,744	1,744
over 6 months	19,213	2,345	2,345	2,345
	<u>135,797</u>	<u>161,115</u>	<u>161,115</u>	<u>161,115</u>

As at 30 September 2005, retentions receivable from customers for contract works included in the accounts receivable amounted to approximately HK\$49,609,000 (31 March 2005: HK\$50,226,000).

As at 30 September 2005, accounts receivable of approximately HK\$80 million (31 March 2005: HK\$96 million) was assigned to banks to secure the banking facilities granted to the Group.

## 12. ACCOUNTS PAYABLE

The following is the ageing analysis of accounts payable at the balance sheet date:

	30 September		31 March	
	2005 (unaudited) HK\$'000	2004 (audited) HK\$'000	2005 (audited) HK\$'000	2004 (audited) HK\$'000
0 – 3 months	119,917	183,996	183,996	183,996
4 – 6 months	5,640	15,294	15,294	15,294
over 6 months	29,519	28,438	28,438	28,438
	<u>155,076</u>	<u>227,728</u>	<u>227,728</u>	<u>227,728</u>

As at 30 September 2005, retentions payable to customers for contract works included in accounts payable amounted to approximately HK\$39,423,000 (31 March 2005: HK\$36,543,000).

As at 30 September 2005, trade payables to related parties included in accounts payable amounted to approximately HK\$181,000 (31 March 2005: HK\$181,000).

## 13. CONTINGENT LIABILITIES

As at 30 September 2005, the Group had the following contingent liabilities:

- The Group had outstanding guarantees against performance bonds in favour of contract customers of approximately HK\$79 million (31 March 2005: HK\$69 million).
- The Company had outstanding guarantees against banking facilities granted to subsidiaries of the Company which were utilised to the extent of approximately HK\$456 million (31 March 2005: HK\$266 million).
- As at 30 September 2005, the Group had the following outstanding litigation:
  - On 3 January 2003, a High Court action was brought by a subcontractor against a subsidiary of the Group for a claim for subcontracting fee of approximately HK\$2.6 million. The Directors consider that, given the nature of the claim, it is not possible to estimate the eventual outcome of the claim with reasonable certainty. After consulting with the Group's lawyer, the Directors are of the opinion that the Group has valid defence, and consider that any resulting liability would not have material impact on the Group's financial position.
  - On 4 September 2004 and 2 April 2005, two District Court actions were brought by two employees of the Group against the Group's subsidiaries and other respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by those employees in two accidents respectively occurred in the course of their employment.
  - On 11 January 2005, 26 January 2005, 4 March 2005 and 3 August 2005, four District Court actions were commenced by four employees of the Group's subcontractors against the Group's subsidiaries and other respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by those employee in accidents arising in and out of the course of their employment.
  - On 15 June 2005, a High Court action was commenced by an employee of the Group's subcontractor against the Group's subsidiary and another respondent in respect of a claim for employees' compensation under the common law for personal injury sustained by the employee in an accident arising out of and in the course of his employment.

No settlement has been reached for the above actions up to the date of this report and no judgement has been made against the Group in respect of the claims. The Directors are of the opinion that the claims will be covered by insurance and would not have material adverse impact on the Group's financial position.

- The Group had possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$1.6 million as at 30 September 2005 (31 March 2005: HK\$1.7 million). This contingent liability has arisen because, as at 30 September 2005, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances.

Save as disclosed above, as at 30 September 2005, the Group and the Company had no material contingent liabilities.

## RESULTS FOR THE INTERIM PERIOD

The Group recorded an unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30 September 2005 ("this period") of approximately HK\$37,710,000, an increase of approximately 144% from HK\$15,453,000 (as restated) for the previous corresponding period.

The Group's profit for this period included a gain on revaluation of investment properties of approximately HK\$25,427,000 (2004: nil) recognised under the new applicable accounting standards.

Turnover for this period was approximately HK\$612,523,000, which consists of: (i) contract revenue of approximately HK\$609,355,000, a decrease of approximately 23% from HK\$788,218,000 for the previous corresponding period, and (ii) property gross rental income of approximately HK\$3,168,000 (2004: nil).

Gross profit margin for construction contracts increased to 5.7% for this period from 4.5% for the previous corresponding period.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005 (2004: HK0.5 cent per ordinary share).

## REVIEW OF OPERATIONS

### Construction, Maintenance, Civil Engineering and Other Contract Works

Able Engineering Company Limited ("Able")

Substantial construction contracts completed by Able during this period include:

- Construction of a Primary School and a Secondary School in Area 38A, Shatin
- Pile Cap and Superstructure Works for La Salle College under School Improvement Programme, Final Phase
- 39-Month Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties in Shamshuipo, Tsuen Wan and Kwai Tsing

During this period, Able was awarded the following substantial contracts with an aggregate contract value of approximately HK\$693 million:

- Design and Build of a Footbridge for Rhine Garden, Sham Tseng, New Territories
- Conversion Works of Kom Tong Hall into Dr. Sun Yat Sen Museum at Castle Road, Central Mid-levels
- Construction of Canopies and Covered Walkway at Lotus Tower & Kwun Tong Garden Estate, Kowloon
- Retro-fitting of Air-Conditioning and General Improvement Works to Sun Hui Market, Tuen Mun
- Fitting-out Works for the Proposed Hotel and Service Apartment at 33 Wo Yi Hop Road, Kwai Chung
- Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties in Designated Area: Kwun Tong, Mongkok and Yaumatei
- Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties in Designated Area: Sham Shui Po, Tsuen Wan and Kwai Tsing

Subsequent to the period end, Able has further obtained a substantial contract for the construction of a joint-user complex at Tseng Choi Street, Area 10, Tuen Mun, New Territories for a contract sum of approximately HK\$71 million.

Excel Engineering Company Limited ("Excel")

During this period, Excel completed the substantial contract of The Drainage Upgrading Works Along Tin Wing Road, Tin Shui Wai, N.T.

Subsequent to the period end, Excel has been awarded the following substantial contracts with an aggregate contract value of approximately HK\$25 million:

- Contract for the Slope Upgrading Works at Slope No. 11 NW-B/F60 at Phoenix House, Shamshuipo
- Building Repairs and Maintenance Term Contract 2005/2008, The Hong Kong Polytechnic University

As at 30 September 2005, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$2,690 million and HK\$1,299 million respectively. These contracts will be completed in around two to three years' time.

### Property Investment

During this period, the Group successfully completed the major acquisitions of the investment properties at No. 36 Jardine's Bazaar, Causeway Bay, Hong Kong and Shop Nos. 5 and 6 and Storeroom 3, 1st Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories.

As at 30 September 2005, the Group's investment properties were valued at a total of HK\$485,420,000 by independent professionally qualified valuers. As a result of the valuation, a gain of approximately HK\$25,427,000 was recorded. A total rental income of approximately HK\$3,168,000 and a gross profit of approximately HK\$2,428,000 were recorded for the period.

### Property Development

Demolition works having been completed, substantive construction works of the Group's redevelopment project at No. 9 Belfron Road, Kowloon are pending the approval of the lease modification.

Subsequent to the completion of the acquisition of the properties at Ground, 1st to 5th Floors and the roof of Nos. 123-125 Tung Choi Street, and 1st Floor and Portion of Landing on Ground Floor, 2nd to 5th Floors of No. 127 Tung Choi Street in April 2005, the Group has re-evaluated the usage of these properties. In view of the general upward trends in the retail sector and the property market in Hong Kong and that these properties are located in a prime position in Mongkok, the Group considers that redevelopment of these properties would increase the values of these properties and generate higher returns to the Group than holding of these properties

in its existing state. Therefore, the Group has determined to acquire the remaining portion of the Ground Floor at No. 127 Tung Choi Street for the purpose of redevelopment of the buildings at Nos. 123-127 Tung Choi Street as a whole.

## FINANCIAL REVIEW

### Liquidity

As at 30 September 2005, the Group had cash and cash equivalents of approximately HK\$39,328,000, a decrease of approximately 53% from HK\$83,613,000 as at 31 March 2005, and pledged deposits of approximately HK\$27,505,000, a decrease of approximately 15% from HK\$32,239,000 as at 31 March 2005. Current ratio, measured as total current assets divided by total current liabilities, was 1.4 as at 30 September 2005 (31 March 2005: 1.2).

### Financial resources

The Group used net cash of approximately HK\$84,706,000 in its operating activities during this period. Following the completion of acquisitions of several properties during this period, as at 30 September 2005, bank overdrafts and loans increased by approximately 134% to HK\$456,568,000 from HK\$194,912,000 at 31 March 2005. As a result, the gearing ratio, measured on the basis of net borrowings (total bank borrowings and finance lease payables less total cash and cash equivalents and pledged deposits) over total shareholders' equity, also increased to 146% as at 30 September 2005 (31 March 2005: 34%).

The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars, except for a bank loan of £870,000, which is denominated in British Pound Sterling and was obtained for financing the acquisition of a property located in London, the United Kingdom. Due to the substantial increase in bank loans, interest expenses also increased to approximately HK\$7,283,000 for this period, as compared to HK\$242,000 for the previous corresponding period.

Total banking facilities, comprising primarily bank overdrafts and loans, amounted to approximately HK\$793 million as at 30 September 2005, of which approximately HK\$257 million was unutilised.

### Risk management relating to interest rates

Whilst the Group's bank borrowings are on a floating rate basis, during this period, the Group entered into interest rate swap arrangements with a bank for a total notional amount of HK\$150 million to manage the risk of interest rate upward trends.

### Charges on assets

As at 30 September 2005, the Group's banking facilities were secured by (i) charges on the investment properties of the Group with an aggregate carrying value as at 30 September 2005 of approximately HK\$485 million; (ii) charges on the Group's properties for development with an aggregate carrying value as at 30 September 2005 of approximately HK\$182 million; (iii) charges over the Group's time deposits of approximately HK\$28 million plus any interest accrued thereon; (iv) assignment of certain contracts together with charge over the bank accounts maintained with the bank for the purpose of receiving income from those contracts; and (v) corporate guarantees given by the Company to the total extent of approximately HK\$797 million.

### Contingent liabilities

Details of the Group's contingent liabilities are set out in note 13 to the condensed consolidated financial statements.

## PROSPECTS

Whilst there is no sign of significant increase in government capital expenditure for the near future, we will strive to seek job opportunities in the private sector. Meanwhile, we will keep up our efforts in maintaining strong project management to achieve sustaining profitability of our construction and engineering operations.

Although interest rates are on the upward trend, given the existing government policy on land sales, there remains room for a moderate growth in property prices. We are positive about the prospects of our property investment and development operations.

## STAFF AND REMUNERATION POLICY

As at 30 September 2005, the Group employed 206 full-time employees in Hong Kong. The Group remunerates its staff based on their performance and work experience and by reference to the prevailing market rates. Staff benefits include mandatory provident fund, medical insurance and training programmes.

The Company also maintains a share option scheme. The purposes of the scheme are to provide incentives for the full-time employees and executives, to recognise their contributions to the growth of the Group and to provide more flexibility for the Group in formulating its remuneration policy. No share option was granted under the scheme during this period. Nor was there any share option outstanding at 30 September 2005.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2005.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during this period, except for the following deviations:

### 1. Code Provision A.4.2

Under the requirement of Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years.

According to the Company's bye-laws, the chairman of the board and/or the managing director of the Company are not subject to retirement. The Board will propose to amend the Company's bye-laws to comply with Code Provision A.4.2 at the next annual general meeting.

### 2. Code Provision B.1.1

Under the requirement of Code Provision B.1.1, a remuneration committee with specific written terms of reference should be established. A majority of the members of the remuneration committee should be independent non-executive directors. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

On 16 December 2005, the Board of Directors established the remuneration committee with specific written terms of reference. The Company's remuneration committee consists of three Independent Non-executive Directors, namely Professor Ko Jan Ming, Mr. Ip Kwok Him, GBS, JP and Mr. Fung Pui Cheung Eugene, and one Executive Director, namely Mr. Yau Kwok Fai. The terms of reference of the Company's remuneration committee will be included on the Company's website and is available on request.

### 3. Code Provision C.3.3

Under the requirement of Code Provision C.3.3, the terms of reference of the audit committee should include at least those duties as set out in that code provision.

On 16 December 2005, the Board of Directors revised the terms of reference of the Audit Committee to incorporate all the duties as set out in Code Provision C.3.3. The revised terms of reference of the Audit Committee will be included on the Company's website and is now available on request.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-executive Directors of the Company, Prof. Ko Jan Ming, Hon. Ip Kwok Him, GBS, JP and Mr. Fung Pui Cheung, Eugene. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the unaudited interim financial statements for the six months ended 30 September 2005.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding the Directors' securities transactions. Following specific enquiry made by the Company, the Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2005.

## PUBLICATION ON WEBSITE OF THE STOCK EXCHANGE

The Company's interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

## DIRECTORS

As at the date of this announcement, the Directors of the Company comprised:

*Executive Directors*  
Mr. Ngai Chun Hung  
Mr. Yau Kwok Fai  
Mr. Shek Yu Ming Joseph  
Mr. Li Chi Pong

*Independent Non-executive Directors*  
Prof. Ko Jan Ming  
Mr. Ip Kwok Him, GBS, JP  
Mr. Fung Pui Cheung, Eugene

On behalf of the Board  
**Ngai Chun Hung**  
Chairman