



VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

盈信控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 15)

ANNOUNCEMENT OF ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2004

PERFORMANCE HIGHLIGHTS:

- Turnover up 113% to approximately HK\$1,408 million (2003: HK\$661 million)
- Net profit up 307% to approximately HK\$39 million (2003 restated: HK\$9.6 million)
- Gross profit margin dropped slightly to 4.6% (2003: 5.2%)
- Final dividend of HK0.5 cent per share recommended (2003: HK0.5 cent)
- Earnings per share (EPS) up 318% to HK4.6 cent (2003 restated: HK1.1 cent)

The directors (the "Directors") of the Company are pleased to announce the audited consolidated results of Vantage International (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2004, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, together with 2003 comparative figures, set out as follows:

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
TURNOVER – contract revenue	2	1,407,882	661,225
Contract costs		(1,343,421)	(626,775)
Gross profit		64,461	34,450
Other revenue and gains	3	3,924	2,668
Administrative expenses		(23,394)	(19,806)
Other operating income/ (expenses), net		2,992	(3,462)
Profit from operating activities	4	47,983	13,850
Finance costs	5	(1,872)	(1,688)
Share of profits and losses of jointly-controlled entities		258	7
Profit before tax		46,369	12,169
Tax	6	(7,349)	(2,591)
Net profit from ordinary activities attributable to shareholders		39,020	9,578
DIVIDENDS	7		
Interim		4,224	–
Proposed final dividend		4,704	4,224
		8,928	4,224
EARNINGS PER SHARE	8		
– Basic		HK4.6 cents	HK1.1 cents
– Diluted		N/A	N/A

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties.

The following new and revised SSAPs and Interpretation are effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised): "Income taxes"
- SSAP 35: "Accounting for government grants and disclosure of government assistance"
- Interpretation 20: "Income taxes – Recovery of revalued non-depreciable assets"

These SSAPs and Interpretation prescribe new accounting measurement and disclosure practices. The major effects of adopting these SSAPs and Interpretation are summarised as follows:

SSAP 12 (Revised) prescribes the accounting treatment for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has resulted in an increase in the consolidated retained profits as at 1 April 2002 by HK\$1,054,000 and an increase in tax expenses for the year ended 31 March 2003 by HK\$1,054,000.

The comparatives presented have been restated to conform to the change in accounting policy as a result of the adoption of SSAP 12 (Revised).

SSAP 35 prescribes the accounting treatment for government grants and other forms of government assistance. The adoption of this SSAP has had no significant impact for these financial statements on the amounts recorded for government grants. However, additional disclosures are now required in the financial statements.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties be measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12 (Revised).

2. TURNOVER AND SEGMENT INFORMATION

	Building construction		Civil engineering works		Renovation, repairs and maintenance		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Contract revenue from external customers	908,768	399,502	152,153	104,544	346,961	157,179	1,407,882	661,225
Segment results	38,841	17,158	10,091	5,624	15,529	11,668	64,461	34,450
Interest and unallocated revenue and gains							3,924	2,668
Unallocated income/(expenses), net							(20,402)	(23,268)
Profit from operating activities							47,983	13,850
Finance costs							(1,872)	(1,688)
Share of profits and losses of jointly-controlled entities							258	7
Profit before tax							46,369	12,169
Tax							(7,349)	(2,591)
Net profit from ordinary activities attributable to shareholders							39,020	9,578

During the years ended 31 March 2004 and 2003, the Group was principally engaged in its business in Hong Kong, therefore no geographical segment information is presented.

3. OTHER REVENUE AND GAINS

	2004 HK\$'000	2003 HK\$'000
Interest income	2,709	1,504
Gain on disposal of fixed assets	4	–
Exchange gains, net	740	728
Sundry income	471	436
	3,924	2,668

4. PROFIT FROM OPERATING ACTIVITIES

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

	2004 HK\$'000	2003 HK\$'000
Depreciation	1,909	1,566
Deficit/(Surplus) on revaluation of investment properties*	(4,540)	2,340
Goodwill amortisation*	862	861
Staff costs (including directors' remuneration):		
– Salaries and wages	65,403	55,476
– Contributions to pension schemes	2,280	1,827
– Less: Forfeited contributions	(189)	–
Interest income	(2,709)	(1,504)

* Included in "Other operating income/(expenses), net".

5. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans, overdrafts and trust receipt loans	1,870	1,684
Interest on finance leases	2	4
	1,872	1,688

6. TAX

	2004 HK\$'000	2003 HK\$'000 (Restated)
Current – Hong Kong: Charge for the year	7,384	1,534
Under/(over)-provision in prior years	(138)	3
Deferred	103	1,054
Tax charge for the year	7,349	2,591

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year.

7. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividends declared and paid during the year – HK0.5 cent (2003: nil) per ordinary share	4,224	–
Final dividends proposed after year end – HK0.5 cent (2003: HK0.5 cent) per ordinary share	4,704	4,224
	8,928	4,224

The final dividend proposed after the year end is subject to the approval of shareholders at the forthcoming annual general meeting and has not been recognized as a liability at the balance sheet date.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of approximately HK\$39,020,000 (2003 restated: HK\$9,578,000) and on the weighted average of 854,500,672 (2003: 844,800,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2004 and 2003 have not been calculated as the Company had no dilutive potential ordinary shares during these years.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK0.5 cent per ordinary share. Subject to the approval of the shareholders at the annual general meeting to be held on 20 August 2004, the final dividend will be paid on 27 August 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 August 2004 to 20 August 2004, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Tengis Limited at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 pm on 13 August 2004.

BUSINESS REVIEW

The growth in turnover and profit for the year was largely attributable to the satisfactory performance of the works and term maintenance contracts. Those maintenance contracts commenced in 2002 and are providing steady income for the Group.

During the year, the Group successfully completed the following significant contracts:

- Construction of Two Primary Schools and One Secondary School in Area 36A, Fanling
- Construction of Two Secondary Schools at Lee On Road, Kwun Tong
- Construction of Two Secondary Schools at Tokwawan Reclamation
- Redevelopment of Former of School Premises of Chuen Yuen Second School
- Several contracts for the Conversion and Extension to Existing Aided Schools
- District Term Contract for the Maintenance and Vacant Flat Refurbishment for Sau Mau Ping District
- Construction of Tung Wah Group of Hospitals Wong Tai Sin Hospital Chinese Medicine Clinical Research and Services Centre
- Redecoration of Chun Shek Estate
- Contract No. 00/8020 for the Construction and Maintenance of Cable Works in the Areas of Hong Kong, Ap Lei Chau and Outlying Islands for HEC Ltd.
- Spalling Concrete Repair and Extension Re-decoration Works on Main Block and Senior Staff Quarters at Ruttonjee Hospital

As quality of works, site safety and environmental protection are always our primary focus, our performance has earned the Group high recognition within the construction industry.

During the year, we secured from the HKSAR Government the following significant contracts with an aggregate gross value of HK\$495 million:

- Construction of District Open Space in Tung Chung
- Construction of an ambulance depot with ambulance command & fire safety command headquarters at Anchor Street, Mongkok
- Conversion and Extension to Existing Aided Schools – Group 5, Final Phase, Package 4
- Conversion and Extension to Existing Aided Schools – Group 6, Final Phase, Package 2
- Construction of a Primary School and a Secondary School in Area 38A, Shatin
- Term Contract for the Maintenance and Repair of Buildings and Lands and Other Properties for Which the Electrical and Mechanical Services Department (Health Section Division) is Responsible for in Designated Contract Area: Kowloon West

In view of the difficult market conditions in the public sector caused by the cut in the Government's budget in capital expenditure, we are actively exploring job opportunities in the private sector. During the year, the Group successfully secured the following significant contracts with an aggregate value of HK\$848 million from the private sector:

- Contract No. 03/8006 for the Construction and Maintenance of Cable Works in the Areas of Hong Kong, Ap Lei Chau and Outlying Islands for HEC Ltd.

- Proposed Residential Development at Tin Shui Wai Lot No. 24 Area 33 N.T. Temporary Public Transport Terminus (PTT) and Public Access Road Contract Works
- Extension of Oi Kwan Road Baptist Church at 36 Oi Kwan Road, Wanchai
- Pile Cap and Superstructure Works for La Salle College under School Improvement Programme, Final Phase
- Carcass Contract for Tiu Keng Leng Station Development at Tseung Kwan O
- Main Building Works for Proposed International Christian Quality Music Secondary and Primary School
- School Improvement Works to Group 2 Schools of the Hong Kong Council of the Church of Christ in China

All of the above contracts commenced on schedule and are progressing satisfactorily.

As of 31 March 2004, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$3,397 million and HK\$2,137 million respectively. These contracts will be completed in around two years' time.

PROSPECTS

Despite the recent recovery of the property market, the market conditions for construction industry in Hong Kong remain difficult. The suspension of public housing projects continues to put pressure on the construction market. Tendering prices remain very competitive. To maintain our competitive edge, the Group will keep up its cautious approach in project management and cost control. In the meantime, we are also actively exploring possibilities to diversify the Group's business.

In June 2004, the Group, through one of its wholly-owned subsidiaries, acquired from an independent third party a residential property for a consideration of HK\$40,000,000. The property is situated at a prime residential area in Kowloon Tong and currently comprises a 3-storey residential detached house with a site area of approximate 3,964 sq. feet and a plot ratio of 5. We intend to demolish the existing house on this property and redevelop it into residential units for sale and/or rental, depending on the market condition.

Over the past years, we have been engaged as main contractors for various property development projects in Hong Kong. Building on our experience and expertise in architectural, civil and structural works, the Directors consider that the acquisition of the property in Kowloon Tong provides a good opportunity for the Group to diversify its business into property development. We are confident that this will in turn broaden the Group's revenue base as well as enhance its profitability.

LIQUIDITY AND FINANCIAL RESOURCES

In February 2004, we completed a private placement of 95,958,000 shares to various independent investors and successfully raised funds of approximately HK\$46 million.

As a result of the funds generated from our satisfactory operations and raised through the placing of shares, the Group's cash and bank balances (excluding pledged deposits) as of 31 March 2004 increased substantially by 272% to approximately HK\$102,522,000 (2003: HK\$27,578,000). Current ratio, measured as total current assets divided by total current liabilities, was 1.57 as of 31 March 2004 (2003: 1.36).

Meanwhile, bank overdrafts and loans dropped substantially by 99.8% to approximately HK\$80,000 (2003: HK\$44,126,000). The gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, also decreased to only 0.1% as of 31 March 2004 (2003: 36.3%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars. Interest expenses on bank borrowings increased by 11% to HK\$1,870,000 for this year (2003: HK\$1,684,000).

Total banking facilities, comprising primarily bank loans and overdrafts, amounted to HK\$181 million as of 31 March 2004, of which approximately HK\$156.7 million was unutilised.

STAFF AND REMUNERATION POLICY

As of 31 March 2004, the Group employed 294 full-time staff in Hong Kong. The Group remunerates its staff based on their performance and work experience and the prevailing market rates. Staff benefits include mandatory provident fund, medical insurance and training programmes.

The Company also maintains a share option scheme for the purposes of providing incentives for the full-time employees and executives and giving recognition of their contributions to the growth of the Group as well as providing more flexibility for the Group in formulating its remuneration policy. No share option was granted under the scheme during the year.

CHARGES ON ASSETS

As of 31 March 2004, fixed deposits of approximately HK\$21,758,000 (2003: HK\$22,220,000) and investment properties with an aggregate carrying value of HK\$16,500,000 (2003: HK\$12,000,000) were pledged in favour of certain banks to secure the banking facilities granted by those banks to the Group. In addition, accounts receivable of certain construction contracts of the Group were assigned to secure the banking facilities as of 31 March 2004.

CONTINGENT LIABILITIES

As of 31 March 2004, the Group had contingent liabilities in relation to guarantees in respect of performance bonds in favour of contract customers of approximately HK\$24,102,000 (2003: HK\$2,000,000) while there was no outstanding trade debtors factored with recourse (2003: HK\$12,836,000). In addition, as of 31 March 2004, the Company had contingent liabilities in respect of guarantees given to banks against the facilities granted to subsidiaries of the Company utilised to the extent of approximately HK\$24,431,000 (2003: HK\$44,126,000).

CAPITAL COMMITMENT

As of 31 March 2004, the Group had capital commitments in respect of (i) purchases of investment properties of approximately HK\$8,174,000 (2003: nil); and (ii) investment in joint ventures of approximately HK\$6,212,000 (2003: nil).

BOARD CHANGES

Mr. Li Chi Pong was appointed to the Board of the Company as an Executive Director on 17 May 2004. Mr. Li has been with Excel Engineering Company Limited, one of our major subsidiaries, since 1979 and is primarily responsible for estimation, contracts management, subcontracting and procurement.

On 19 July 2004, Mr. Yau Kwok Fai was appointed Chief Executive Officer of the Company. Mr. Yau has been Deputy Chairman of the Company since 2000 and is responsible for the day-to-day overall management and administration of the Group's operations. Mr. Yau is the brother-in-law of Mr. Ngai Chun Hung, Chairman of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purposes of reviewing and providing supervision of the financial reporting process and internal controls of the Group. The audit committee has held meetings to review and discuss with the management and the external auditors financial reporting matters including the annual results for the year ended 31 March 2004. The current members of the audit committee comprise the Independent Non-executive Directors, Mr. Ip Kwok Him, J.P. and Professor Ko Jan Ming.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Ngai Chun Hung
 Chairman

Hong Kong, 19 July 2004

As at the date of this announcement, the Executive Directors of the Company comprise Mr. Ngai Chun Hung, Mr. Yau Kwok Fai, Mr. Shek Yu Ming Joseph and Mr. Li Chi Pong and the Independent Non-executive Directors comprise Professor Ko Jan Ming and Mr. Ip Kwok Him, J.P.