



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 2004

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 2004 together with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

Notes	Six months ended	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
TURNOVER – contract revenue	788,218	677,894
Contract costs	(753,339)	(643,712)
Gross profit	34,879	34,182
Other revenue and gains	415	1,706
Administrative expenses	(16,219)	(9,433)
Other operating income/(expenses), net	(494)	(431)
Profit from operating activities	18,581	26,024
Finance costs	(242)	(1,394)
Share of loss of a jointly-controlled entity	(6)	(35)
Profit before tax	18,333	24,595
Tax	(3,311)	(4,399)
Net profit attributable to shareholders	15,022	20,196
Interim dividend	4,704	4,224
Earnings per share		
– Basic	1.597 cents	2.391 cents
– Fully diluted	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2004

	30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
Non-current assets		
Fixed assets	29,819	20,918
Goodwill	14,286	14,717
Interests in a jointly-controlled entity	16	22
	44,121	35,657
Current assets		
Property under redevelopment	42,034	–
Gross amount due from customers for contract works	59,024	104,607
Accounts receivable	154,466	168,660
Deposits, prepayment and other receivables	34,815	49,382
Tax recoverable	68	68
Pledged time deposits	32,172	21,758
Cash and cash equivalents	106,767	102,522
	429,346	446,997
Current liabilities		
Accounts payable	180,188	214,690
Gross amount due to customers for contract works	47,711	59,227
Tax payable	10,428	7,117
Other payable and accruals	6,104	2,803
Trade payables to related parties	21	21
Interest-bearing bank and other borrowings	20,056	130
	264,508	283,988
Net current assets	164,838	163,009
Total assets less current liabilities	208,959	198,666
Non-current liabilities		
Finance lease payable	104	129
Deferred tax liabilities	223	223
	327	352
	208,632	198,314
Capital and reserves		
Issued capital	23,519	23,519
Reserves	180,409	170,091
Dividends		
Interim dividend for 2004/05	4,704	–
Proposed final dividend for 2003/04	–	4,704
	208,632	198,314

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. Basis of preparation

These condensed interim 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 interim consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 (Revised) "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").

2. Significant accounting policies

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 2004. During the interim period, the Group newly acquired a property for redevelopment and intended for re-sale. The accounting policy adopted for such property is as follows:

Property under redevelopment

A property that is in the course of redevelopment and held for re-sale is included as property under redevelopment under current assets in the balance sheet. Property under redevelopment is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling prices less estimated total costs of property redevelopment and estimated costs necessary to make the sale of the property. Costs of property

redevelopment include acquisition costs, redevelopment costs, interest and other direct costs attributable to such property.

3. 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		Consolidated	
	Six months ended 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	Six months ended 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	Six months ended 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	Six months ended 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Segment revenue								
External customers	607,840	486,613	61,716	67,818	118,662	123,463	788,218	677,894
Segment results	24,750	23,885	4,555	4,771	5,574	5,526	34,879	34,182
Interest income and unallocated revenue and gains							415	1,706
Unallocated corporate expenses							(16,713)	(9,864)
Profit from operating activities							18,581	26,024
Finance costs							(242)	(1,394)
Share of loss of a jointly-controlled entity							(6)	(35)
Profit before tax							18,333	24,595
Tax							(3,311)	(4,399)
Net profit attributable to shareholders							15,022	20,196

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.

4. Turnover, other revenue and gains

	Six months ended 30 September 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover – contract revenue	788,218	677,894
Other revenue and gains		
Bank interest income	23	1,122
Gain on disposal of fixed assets	–	3
Exchange gain	–	350
Sundry income	392	231
	415	1,706

5. Profit from operating activities

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

	Six months ended 30 September 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Depreciation	800	844
Amortisation of goodwill	431	431
Exchange gains, net	–	(350)
Interest income	(23)	(1,122)
Loss/(Gain) on disposal of fixed assets	63	(3)

6. Tax

	Six months ended 30 September 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Hong Kong profits tax		
Provision for current period	3,311	4,399

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

7. Dividend

Dividend attributable to the interim period is as follows:

	Six months ended 30 September 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Interim dividend declared after the interim period end – HK0.5 cent (2003: HK0.5 cent)	4,704	4,224
	4,704	4,224

The interim dividend declared after the interim period end has not been recognised as a liability in the interim financial statements.

Dividend attributable to the previous financial year, approved and paid during the interim period is as follows:

	Six months ended 30 September 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period – HK0.5 cent (2003: HK0.5 cent)	4,704	4,224
	4,704	4,224

8. 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\$15,022,000 (2003: HK\$20,196,000) and on the actual weighted average number of 940,758,000 shares (2003: 844,800,000 shares) of the Company in issue during the period.

Diluted earnings per share is not presented for both periods as the Company had no dilutive potential ordinary shares during both periods.

9. Contingent liabilities

At 30 September 2004, the Group had the following contingent liabilities:

- The Group had outstanding guarantees against performance bonds in favour of contract customers of approximately HK\$69 million.
- 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 at 30 September 2004. This contingent liability has arisen because, at 30 September 2004, 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.

10. Litigation

At 30 September 2004, the Group had the following outstanding litigation:

- On 3 January 2003, a High Court action was brought by a subcontractor against 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 18 March 2004 and 23 August 2004, two District Court actions were brought by two employees of the Group's subcontractors against the Group 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 4 September 2004, a District Court action was commenced by an employee against the Group in respect of a claim for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by that employee in an accident arising in and out of the course of his employment.

No settlements have 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.

11. Related party transactions

During the period, the Group had transactions with the following related parties:

	Six months ended 30 September 2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Subcontracting fees paid to close family members of Mr. Ngai Chun Hung, director of the Company	<u>2</u>	<u>9,154</u>

The terms for the subcontracting fees were determined in accordance with relevant agreements entered into between the Group and the relevant related parties, with reference to the Group's estimated costs.

The directors of the Company consider that the above transactions were carried out in the ordinary course of business.

12. Post balance sheet events

On 1 October 2004, the Group entered into a provisional sale and purchase agreement to acquire from an independent third party the properties at Shop Nos. G29A2, G28, G65, G64A, G64B, G27A, G27B, G26A and G26B on Ground Floor of Portion B, Argyle Centre Phase 1, No. 688 Nathan Road, Kowloon for a consideration of HK\$180 million. This transaction will be completed on or before 13 January 2005. The properties are valued at HK\$180,000,000 as at 30 September 2004 by the DTZ Debenham Tie Leung Limited, independent professional surveyors, on the open market value basis. As the Group intends to hold these properties for long-term investment purposes, these properties will be included as investment properties in the Group's consolidated balance sheet upon completion of the transaction.

On 1 December 2004, the Group entered into a provisional sale and purchase agreement to acquire from an independent third party a residential flat located in London, the United Kingdom for a consideration of one million pounds sterling (i.e. approximately HK\$15 million). This transaction will be completed on or before 31 May 2005. As the Group intends to hold this property for long-term investment purposes, this property will be included as investment properties in the Group's consolidated balance sheet upon completion of the transaction.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.5 cent per ordinary share (2003: HK0.5 cent per ordinary share) to shareholders whose names appear on the Register of Members of the Company on 5 January 2005. The dividend will be paid on 10 January 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 4 January 2005 to Wednesday, 5 January 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 pm on Monday, 3 January 2005.

RESULTS FOR THE INTERIM PERIOD

The Group recorded an unaudited consolidated profit attributable to shareholders for the six months ended 30 September 2004 ("this period") of approximately HK\$15,022,000, down 25.6% from HK\$20,196,000 for the previous corresponding period.

Turnover for this period was approximately HK\$788,218,000, up 16.3% from HK\$677,894,000 for the previous corresponding period.

Gross profit margin decreased slightly to 4.5% for this period from 5.0% for the previous corresponding period.

BUSINESS REVIEW**Construction, Maintenance, Civil Engineering and Other Contracts**

During this period, the following substantial construction contracts were successfully completed by Able Engineering Company Limited ("Able"), a wholly owned subsidiary of the Company:

- Conversion and Extension to Existing Aided Schools – Group 3 under School Improvement Programme Phase IV Package 3
- Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 5
- Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 4
- Conversion and Extension to Existing Aided Schools – Group 1 Final Phase Package 1
- Main Building Works for Proposed International Christian Quality Music Secondary and Primary School
- Construction of a 24-Classroom Primary School at Hing Ping Road, Tuen Mun, N.T.
- Construction of a Primary School and Two Secondary Schools in Area 13, Tseung Kwan O
- Extension of Oi Kwan Road Baptist Church at 36 Oi Kwan Road, Wanchai

During this period, the following substantial road and drainage, waterworks and slope works contracts were successfully completed by Excel Engineering Company Limited ("Excel"), a wholly owned subsidiary of the Company:

- Proposed Residential Development at Tin Sui Wai Lot No. 24 Area 33 N.T. Temporary Public Transport Terminus (PTT) and Public Access Road Contract Works
- Hong Kong International Distribution Centre (HIDC) Sewage Connection Work

During this period, Able was awarded the following substantial contract with an aggregate contract value of approximately HK\$275 million:

- Construction of Second Primary & Second Secondary School in Area 104, and a Primary School at Junction of Tin Shing Road and Tin Pak Road, Tin Shui Wai, N.T.
- Outstanding and Defect Rectification Works to Residential Tower at Beacon Hill Road

Excel was awarded the following substantial contracts with an aggregate contract value of approximately HK\$40 million:

- The Drainage Upgrading Works Along Tin Wing Road, Tin Shui Wai, N.T.
- Outline Agreement No. 4600002385 for Distribution Cable Trenching and Laying Works in the CLP Power, North Region
- Contract No. 04/8001 for Trenching Works for 132kV Cable Overlaying From Kennedy Road to Hennessy Road

As of 30 September 2004, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$2,750 million and HK\$1,630 million respectively. These contracts will be completed in around two years' time.

Diversification of business

To cope with the shrinkage in the public sector of the construction market in Hong Kong as a result of the cut in Government budget for public works, the Directors have been seeking opportunities to diversify the Group's business.

Property redevelopment

On 25 June 2004, the Group acquired a 3-storey residential detached house with a site area of approximate 3,964 sq. feet at No. 9 Belfran Road, Kowloon (Section C of Kowloon Inland Lot No. 3281). The Company has decided to demolish the existing house on this property and redevelop the property into residential units for sale. Currently, this redevelopment project is at the planning stage and the construction work is expected to commence at the beginning of 2005 and completed in 2006.

PRC markets

On 9 August 2004, the Company entered into a framework agreement with Beijing Municipal Engineering Group Co., Ltd. ("Beijing Municipal") whereby the Company proposed to acquire 20% equity interest in Beijing Municipal for the consideration of new shares to be issued by the Company. Beijing Municipal is a state-owned enterprise registered in the People's Republic of China and is primarily engaged in the design, construction, engineering, consulting and management of various large-scale projects, including road and bridge, waterworks, sewerage treatment plants, underground works, city squares (such as Tiananmen Square), airport runways, stadiums, garbage treatment plants, Beijing subway and railway and other infrastructure projects in China and other countries (such as Pakistan, Sri Lanka, etc.).

Beijing Municipal possesses the government license issued by the Ministry of Construction to carry out the infrastructure, public utilities, airport runways, roads and city railway engineering and construction projects in China. Beijing Municipal has well established track record, experience as well as qualification in large-scale infrastructure projects in China and, in particular, Beijing. In view of the 2008 Olympic Game to be held in Beijing, the Board holds a positive view about the construction market in Beijing. Therefore, if the framework agreement proceeds, the proposed acquisition of the Beijing Municipal will provide an exceptional opportunity for the Company to expand its business to China and to broaden its earning base. Currently, the Company is still in negotiation with Beijing Municipal with regard to a formal agreement.

FINANCIAL REVIEW**Liquidity**

At 30 September 2004, the Group had bank balances and cash in hand of approximately HK\$106,767,000 (excluding pledged time deposits of approximately HK\$32,172,000), an increase of 4.1% from HK\$102,522,000 at 31 March 2004. Current ratio, measured as total current assets divided by total current liabilities, was 1.62 at 30 September 2004 (31 March 2004: 1.57).

Financial resources

The Group used net cash of approximately HK\$5,891,000 in its operating activities during this period. Bank borrowings increased to approximately HK\$20,006,000 at 30 September 2004 from HK\$80,000 at 31 March 2004. As a result, the gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, also increased to 9.7% at 30 September 2004 (31 March 2004: 0.1%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars.

Total banking facilities, comprising primarily bank overdrafts, term and revolving loans, amounted to approximately HK\$270.5 million at 30 September 2004, of which approximately HK\$182.2 million was unutilised.

Charges on assets

At 30 September 2004, the Group's banking facilities were secured by (i) charges on the investment properties and the property under redevelopment of the Group with aggregate carrying values at 30 September 2004 of HK\$26 million and HK\$42 million respectively; (ii) charges over the Group's time deposits of approximately HK\$32.2 million plus any interest accrued thereon; (iii) 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 (iv) corporate guarantees given by the Company to the total extent of HK\$202 million.

PROSPECTS

As the Government is still cautious about public works spending, the construction market conditions remain tough. Nevertheless, benefited from a series of the PRC Government's supporting policies, the general economy in Hong Kong, in particular the property market, has shown considerable recovery. Therefore, the Directors have confidence that the anticipated completion of redevelopment and sale of the property project at Belfran Road, Kowloon Tong in 2006 will generate satisfactory results.

Subsequent to the end of the "SARS" crisis and the implementation of the Individual Visit Scheme around late 2003, the rebound of the retail markets in Hong Kong has led to substantial increases in retail shop rentals. On 1 October 2004, the Group entered into a provisional agreement for sale and purchase to acquire from an independent third party the properties at Shop Nos. G29A2, G28, G65, G64A, G64B, G27A, G27B, G26A and G26B on Ground Floor of Portion B, Argyle Centre Phase 1, No. 688 Nathan Road, Kowloon for a consideration of HK\$180,000,000. This transaction will be completed on or before 13 January 2005. 30% of the consideration of these properties will be paid by the Company's internal resources whereas 70% will be funded by bank loan. The Company intends to hold these properties for long-term investment purposes. Seeing a general upward trend in the retail shop rentals, the Directors believe that there will be increases in the rentals for these shops when the existing tenancy agreements are due for renewal or new tenancy agreements are negotiated in February to March 2005. Therefore, the Directors believe that these shops will provide the Group with a steady and satisfactory income source.

STAFF AND REMUNERATION POLICY

At 30 September 2004, the Group employed 284 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 2004.

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 2004.

CORPORATE GOVERNANCE**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 2004.

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 six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Model Code

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 2004.

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
Hon. Ip Kwok Him, GBS, JP
Mr. Fung Pui Cheung, Eugene

On behalf of the Board
Ngai Chun Hung
Chairman

Hong Kong, 17 December 2004