

# VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

## 盈信控股有限公司

(incorporated in Bermuda with limited liability)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

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 2002 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 2002

	Notes	Six months ended 30 September	
		2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
<b>TURNOVER – contract revenue</b>	4	<b>220,436</b>	159,203
Contract costs		<b>(204,050)</b>	(150,732)
Gross profit		<b>16,386</b>	8,471
Other revenue	4	<b>582</b>	638
Amortisation of goodwill		<b>(431)</b>	(330)
Administrative and other operating expenses		<b>(9,088)</b>	(11,820)
Profit/(Loss) from operating activities	5	<b>7,449</b>	(3,041)
Finance costs		<b>(320)</b>	(257)
Share of profits less losses of jointly-controlled entities		<b>34</b>	27
Profit/(Loss) before tax		<b>7,163</b>	(3,271)
Tax	6	<b>(1,133)</b>	–
Profit/(Loss) after tax		<b>6,030</b>	(3,271)
Minority interests		–	(115)
<b>Net profit/(loss) attributable to shareholders</b>		<b>6,030</b>	(3,386)
<b>Interim dividend</b>	7	–	–
<b>Earnings/(Loss) per share</b>	8		
– Basic		<b>0.714 cents</b>	(0.406) cents
– Fully diluted		<b>N/A</b>	N/A

#### Notes:

##### 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 ("SSAP") 25 (Revised) "Interim Financial Reporting issued by the Hong Kong Society of Accountants ("HKSA") 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 2002, except that the Group has changed certain of its accounting policies following the adoption of the following revised or new SSAPs which came into effect during the current accounting period:

SSAP 1 (Revised)	: Presentation of financial statements
SSAP 11 (Revised)	: Foreign currency translation
SSAP 15 (Revised)	: Cash flow statements
SSAP 25 (Revised)	: Interim financial reporting
SSAP 34	: Employee benefits

In accordance with SSAP 1 (Revised) and SSAP 25 (Revised), the condensed consolidated statement of changes in equity has been presented in place of the condensed consolidated statement of recognised gains and losses.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no material impact on the results of the current and prior accounting periods.

In accordance with SSAP 15 (Revised), cash flows are classified by operating, investing and financing activities. The presentation of the condensed consolidated cash flow statement has been changed to conform to the requirements of this revised SSAP.

SSAP 34 prescribes the accounting and disclosure for employee benefits. This new SSAP has had no material impact on the results of the current and prior accounting periods.

##### 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:

	Segment revenue Six months ended 30 September		Segment results Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Building construction	112,073	57,174	7,944	1,271
Civil engineering works	39,757	39,633	2,664	1,270
Renovation, repairs and maintenance	68,606	62,396	5,778	5,930
	<b>220,436</b>	<b>159,203</b>	<b>16,386</b>	<b>8,471</b>
Interest and dividend income and unallocated gains			582	638
Unallocated corporate expenses			<b>(9,519)</b>	(12,150)
Profit/(Loss) from operating activities			<b>7,449</b>	(3,041)
Finance costs			<b>(320)</b>	(257)
Share of profits less losses of jointly-controlled entities			<b>34</b>	27
Profit/(Loss) before tax			<b>7,163</b>	(3,271)
Tax			<b>(1,133)</b>	–
Profit/(Loss) before minority interests			<b>6,030</b>	(3,271)
Minority interest			–	(115)
<b>Net profit/(loss) attributable to shareholders</b>			<b>6,030</b>	(3,386)

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	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Turnover – contract revenue	<b>220,436</b>	159,203
Other revenue		
Bank interest income	<b>158</b>	540
Sundry income	<b>424</b>	98
	<b>582</b>	638

#### 5. Profit/(loss) from operating activities

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

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Depreciation	<b>684</b>	407
Amortisation of goodwill	<b>431</b>	330
Exchange gains, net	<b>(203)</b>	(75)
Interest income	<b>(158)</b>	(540)

#### 6. Tax

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Hong Kong profits tax		
Provision for current period	<b>1,133</b>	–

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimate assessable profits arising in Hong Kong during the period. The Group did not have any significant unprovided deferred tax for the period.

#### 7. Dividend

The Directors do not recommend the payment of an interim dividend in respect of the period (2001: nil).

Dividends approved and paid during the interim period are as follows:

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period – nil (2001: HK6.5 cents)	–	11,440
	–	<b>11,440</b>

#### 8. Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the Group's unaudited net profit attributable to shareholders for the period of approximately HK\$6,030,000 (2001: loss of HK\$3,386,000) and on the actual weighted average number of 844,800,000 shares (2001: 833,888,524 shares) of the Company in issue during the period. The weighted average number of shares in issue for the six months ended 30 September 2001 has been retrospectively adjusted for the effect of the subdivision of every share of HK\$0.10 each in the issued and unissued share capital of the Company to four shares of HK\$0.025 each on 6 August 2002.

Diluted earnings/(loss) per share is not presented for both periods as the Company has no dilutive potential ordinary shares during both periods.

#### 9. Pledge of assets

As of 30 September 2002, the Group's banking facilities were secured by (i) a registered all monies charge on the investment properties of the Group with a carrying value as of 30 September 2002 of HK\$2.3 million; (ii) charge over the Group's fixed deposits of approximately HK\$55.4 million plus any interest accrued thereon; (iii) assignment of certain contracts together with charge over the bank accounts maintained with the bank for purpose of receiving income from those contracts; and (iv) corporate guarantees given by the Company to the total extent of HK\$59.8 million.

#### 10. Contingent liabilities

As of 30 September 2002, the Group had contingent liabilities in respect of outstanding guarantees provided by the Group against several performance bonds amounting to HK\$5,263,000.

#### 11. Related party transactions

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

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Subcontracting construction fees paid to close family members of Mr. Ngai Chun Hung, director of the Company	<b>1,611</b>	1,938

The terms for the subcontracting construction fees were determined in accordance with the 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.

#### INTERIM DIVIDEND

The Directors have resolved not to pay any interim dividend to shareholders (2001: nil).

#### BUSINESS REVIEW

##### Financial Performance

The Directors are glad to report that the Group has turned round from a loss position to record a profit attributable to shareholders of approximately HK\$6,030,000 for the period under review (2001: loss of HK\$3,386,000). This encouraging result is attributable to the compound effects of our efforts in both bidding for more projects and keeping down the operating costs. A number of new contracts have commenced during the period, which resulted in a significant rise in the turnover by 38.5% as compared

to the corresponding period of the last financial year to approximately HK\$220,436,000 (2001: HK\$159,203,000). On the other hand, our administrative expenses decreased by 23.1% as compared to the corresponding period of last year.

#### State of Contracts

During the period under review, both the works progress and performance of all construction, civil as well as maintenance contracts were satisfactory. The Group successfully completed two substantial contracts including, among others, the Construction of Village Flood Protection Works for Pok Wai and Stormwater Intercepting Drain for Wang Chau and the Construction of Treatment and Disposal Facilities for Waterworks Sludge from Tai O Water Treatment Works.

The performance of the Group's two wholly-owned subsidiaries, Able Engineering Company Limited ("Able") and Excel Engineering Company Limited ("Excel") has been highly recognised by the Architectural Services Department and the Water Supplies Department of the Government of the HKSAR. During the period, Able and Excel were awarded by the two government departments five significant contracts which amount to approximately HK\$990 million in total and comprise the following:

- A 39-month term contract for the alteration, additions, maintenance and repair of building and lands;
- The reconstruction of catchwater channels and upgrading of adjoining priority slopes in Hong Kong Islands and Lantau Islands; and
- The conversion and extension of fifteen existing schools under the School Improvement Programme.

All of the above mentioned contracts commenced on schedule during the period under review and are progressing satisfactorily. The total and outstanding values of the Group's substantial contracts on hand were approximately HK\$1,940 million and HK\$1,670 million respectively as of 30 September 2002.

#### FINANCIAL REVIEW

##### Liquidity and Financial Resources

As of 30 September 2002, the Group had bank balances and cash in hand amounting to approximately HK\$11,473,000, which excluded fixed deposits of approximately HK\$55,422,000 pledged in favour of banks to secure the Group's banking facilities and represented a decrease of 35.2% from HK\$17,716,000 as of 31 March 2002. Current ratio, measured as total current assets divided by total current liabilities, was 1.63 as of 30 September 2002 (31 March 2002: 2.04).

The Group has drawn several new short-term bank loans to finance the working capital of the new contracts commenced during the period. As a result, there has been a considerable increase in the bank borrowings to HK\$59,644,000 as of 30 September 2002 from HK\$838,000 as of 31 March 2002. Meanwhile, the gearing ratio, measured on the basis of total bank borrowings and finance lease payables as a percentage of total shareholders' equity, increased to 50.3% as of 30 September 2002 (31 March 2002: 0.8%). The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars.

Total banking facilities, comprising primarily bank overdrafts and other term loans, amounted to HK\$71,000,000 as of 30 September 2002, of which approximately HK\$8,546,000 was unutilised.

##### Capital Structure

At the extraordinary general meeting held on 5 August 2002, the shareholders of the Company approved the subdivision of every share of HK\$0.10 each in the issued and unissued share capital into four shares of HK\$0.025 each with effect from 6 August 2002. There has been no change in the total amount of the issued share capital.

##### PROSPECTS

Subsequent to 30 September 2002, the Group secured several new contracts, including the construction of sewerage along Sha Tau Kok Road and village sewerage and the construction of Chuen Yuen Second School. The Group's existing contracts on hand will be completed in around three years' time. Therefore, it is expected that the turnover of the Group for the current and coming few years will significantly increase as compared to the previous years.

It is expected that the Government's recent decision to suspend land sales and to halt sales of public and subsidised houses will bring about a prolonged delay of public as well as private developments. Therefore, we foresee an escalation of the competition within the construction market for the near future. To cope with this difficult market condition and to maintain a reasonable profit margin, we will continue to exercise extreme caution in project management to keep down the construction costs. Nevertheless, we will still keep to maintaining high quality of works and emphasis on site and environmental safety because we believe that they are our keys to secure new contracts, especially from the government sector.

##### STAFF

As of 30 September 2002, the Group employed 198 full-time staff in Hong Kong.

##### 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 2002.

##### 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 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

To comply with the Code of Best Practice, the Audit Committee comprising the two independent non-executive directors of the Company was set up on 8 September 2000 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group.

##### 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 (the "Stock Exchange") in due course.

On behalf of the Board  
Ngai Chun Hung  
Chairman