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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 2014**

The board of directors (the “**Board**” or the “**Directors**”) of Vantage International (Holdings) Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2014 (“**this period**”) together with comparative figures for the corresponding period in the previous year. The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Six months ended 30 September 2014

		Unaudited	
		Six months ended	
		30 September	
	<i>Notes</i>	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	5	1,110,684	1,842,824
Contract costs		(1,009,092)	(1,730,448)
Property expenses		(350)	(294)
Gross profit		101,242	112,082
Other income and gains	5	1,133	11,156
Administrative expenses		(46,022)	(49,100)
Finance costs		(6,804)	(3,960)
Share of profits and losses of joint ventures		9,699	13,517
PROFIT BEFORE TAX	6	59,248	83,695
Income tax expense	7	(8,878)	(11,562)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		50,370	72,133

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
(continued)

Six months ended 30 September 2014

		Unaudited	
		Six months ended	
		30 September	
	<i>Note</i>	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit and total comprehensive income attributable to:			
Owners of the parent		47,347	72,133
Non-controlling interests		3,023	-
		<u>50,370</u>	<u>72,133</u>
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF			
THE PARENT			
Basic and diluted (HK cents)	9	<u>2.71</u>	<u>4.29</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014

	<i>Notes</i>	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		146,447	147,807
Properties held for development		726,542	726,274
Investment properties	10	877,398	874,600
Investments in joint ventures		162,213	166,914
Deferred tax assets		643	416
Total non-current assets		<u>1,913,243</u>	<u>1,916,011</u>
CURRENT ASSETS			
Gross amount due from customers for contract works		325,742	338,057
Properties under development		489,066	459,791
Accounts receivable	11	357,878	316,566
Dividend receivable		14,400	-
Prepayments, deposits and other receivables		92,180	64,745
Tax recoverable		1,113	914
Cash and cash equivalents		235,060	403,477
Total current assets		<u>1,515,439</u>	<u>1,583,550</u>
CURRENT LIABILITIES			
Accounts payable	12	401,806	575,326
Accruals of costs for contract works		39,246	62,869
Tax payable		13,353	4,867
Other payables and accruals		22,466	21,803
Due to a joint venture		72,407	65,401
Interest-bearing bank loans		757,443	590,708
Total current liabilities		<u>1,306,721</u>	<u>1,320,974</u>
Net current assets		<u>208,718</u>	<u>262,576</u>
Total assets less current liabilities		<u>2,121,961</u>	<u>2,178,587</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 September 2014

	<i>Note</i>	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		91,629	181,366
Deferred tax liabilities		4,258	4,050
Total non-current liabilities		95,887	185,416
Net assets		2,026,074	1,993,171
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	43,667	43,667
Reserves		1,926,820	1,896,940
		1,970,487	1,940,607
Non-controlling interest		55,587	52,564
Total equity		2,026,074	1,993,171

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2014

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal activities of the Group are described in note 4 to the unaudited condensed consolidated interim financial information.

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2014 has been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange.

This unaudited condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2014. This condensed consolidated interim financial information has not been audited or reviewed by the Company’s external auditors, but has been reviewed by the Company’s audit committee (the “**Audit Committee**”).

2. PRINCIPAL ACCOUNTING POLICIES

- (a) The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial information are consistent with those set out in the Group’s audited consolidated financial statements for the year ended 31 March 2014, except as noted in 2(b) below.
- (b) In this period, the Group has adopted, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“**HKFRS**”, which also include HKASs and Interpretations) issued by the HKICPA:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Levies</i>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) (continued)

The adoption of the above new and revised HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. ESTIMATES

The preparation of this unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group as at and for the year ended 31 March 2014.

4. SEGMENT INFORMATION

The Group is principally engaged in the businesses of building construction, building maintenance, civil engineering, and other contract works, as well as property investment and development businesses in Hong Kong. For management purposes, the Group is organised into business units based on their products and services and has the following two reportable operating segments:

- (a) the contract works segment engages in contract works as a main contractor or subcontractor, primarily in respect of building construction, renovation and repairs and maintenance and civil engineering; and
- (b) the property investment and development segment engages in investment in retail, commercial and residential premises for their rental income potential and the development of properties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2014

4. SEGMENT INFORMATION (continued)

	Unaudited							
	Six months ended 30 September							
	Contract works		Property investment and development		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue								
Sales to external customers	1,102,976	1,835,210	7,708	7,614	-	-	1,110,684	1,842,824
Inter-segment sales	12,294	-	2,490	2,058	(14,784)	(2,058)	-	-
Total	1,115,270	1,835,210	10,198	9,672	(14,784)	(2,058)	1,110,684	1,842,824
Segment results	93,884	104,762	9,601	9,153	(2,243)	(1,833)	101,242	112,082
Interest and unallocated income and gains							1,133	11,156
Unallocated expenses							(46,022)	(49,100)
Finance costs							(6,804)	(3,960)
Share of profits and losses of joint ventures	9,699	13,517	-	-	-	-	9,699	13,517
Profit before tax							59,248	83,695
Income tax expense							(8,878)	(11,562)
Profit for the period							50,370	72,133

5. REVENUE, OTHER INCOME AND GAINS

	Unaudited	
	Six months ended	
	2014	2013
	HK\$'000	HK\$'000
Revenue		
Contract revenue	1,102,976	1,835,210
Property gross rental income	7,708	7,614
	1,110,684	1,842,824

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

5. REVENUE, OTHER INCOME AND GAINS (continued)

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Other income and gains		
Interest income	368	767
Consultancy fee income	600	600
Gain on disposal of items of plant and equipment	15	167
Gain on disposal of a subsidiary, net (<i>note 18</i>)	-	9,290
Sundry income	150	332
	<u>1,133</u>	<u>11,156</u>

6. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Depreciation	3,546	3,890
Employee benefits expenses (exclusive of directors' remuneration)	67,908	72,572
Directors' remuneration	19,463	27,052
	<u>89,917</u>	<u>103,514</u>

7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Current - Hong Kong:		
Charge for the period	8,897	11,384
Deferred	(19)	178
Total tax charge for the period	<u>8,878</u>	<u>11,562</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2014

7. INCOME TAX EXPENSE (continued)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during this period.

The Group's share of tax attributable to joint ventures amounting to HK\$2,691,000 (six months ended 30 September 2013: HK\$3,131,000) for this period is included in "Share of profits and losses of joint ventures" on the face of the consolidated statement of profit or loss and other comprehensive income.

8. DIVIDEND

During the six months ended 30 September 2014, the Company declared and paid a final dividend of HK\$0.01 per share for the year ended 31 March 2014, amounting to a total of HK\$17,467,000 (six months ended 30 September 2013: HK\$0.03 per share, total of HK\$52,400,000).

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted earnings per share is based on the following data:

	Unaudited Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Earnings		
Profit attributable to equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>47,347</u>	<u>72,133</u>
	Unaudited Number of Shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	<u>1,746,664,400</u>	<u>1,679,888,444</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

No adjustment has been made to the basic earnings per share presented for the six months ended 30 September 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the relevant periods.

10. INVESTMENT PROPERTIES

The carrying amount of the Group's investment properties as of 31 March 2014 was stated based on the valuation of DTZ Debenham Tie Leung Limited, independent professionally qualified valuer, on market value, existing use basis. The Directors have estimated that the fair values of the investment properties as of 30 September 2014 did not vary significantly from the professional valuation as of 31 March 2014. Accordingly, no fair value adjustment has been recognised in respect of the Group's investment properties for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

11. ACCOUNTS RECEIVABLE

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

As at 30 September 2014, retentions receivable included in accounts receivable amounted to HK\$185,846,000 (31 March 2014: HK\$176,884,000), which are repayable within terms ranging from two to three years.

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to the Group. As at 30 September 2014, the aggregate amounts of accounts receivable related to such contract works pledged to secure the relevant banking facilities amounted to approximately HK\$152,891,000 (31 March 2014: approximately HK\$111,320,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2014

11. ACCOUNTS RECEIVABLE (continued)

The aged analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Past due but not impaired:		
One to three months past due	24,016	25,056
Four to six months past due	63	1,518
Over six months past due	5,224	8,195
	29,303	34,769
Neither past due nor impaired	328,575	281,797
	357,878	316,566

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral or other credit enhancement over these balances.

Accounts receivable that are neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

12. ACCOUNTS AND BILLS PAYABLE

An ageing analysis of the accounts and bills payable as at the end of the reporting period is as follows:

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Current to three months	262,739	437,769
Four to six months	10,082	14,759
Over six months	128,985	122,798
	401,806	575,326

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2014

12. ACCOUNTS AND BILLS PAYABLE (continued)

At 30 September 2014, retentions payable included in accounts and bills payable amounted to HK\$183,521,000 (31 March 2014: HK\$163,386,000), which are normally settled within terms ranging from two to three years.

At 30 September 2014, included in accounts and bills payable was an amount of HK\$11,972,000 (At 31 March 2014: HK\$18,314,000) due to joint ventures which is non-interest-bearing and is normally settled within one year.

Accounts and bills payable are non-interest-bearing. The payment terms are stipulated in the relevant contracts.

13. SHARE CAPITAL

Shares

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Authorised:		
4,000,000,000 (31 March 2014: 4,000,000,000) ordinary shares of HK\$0.025 each	100,000	100,000
Issued and fully paid:		
1,746,664,400 (31 March 2014: 1,746,664,400) ordinary shares of HK\$0.025 each	43,667	43,667

During the six months ended 30 September 2013, the Company issued 235,000,000 ordinary shares of HK\$0.025 each at a price of HK\$0.671 each (the “**Consideration Shares**”) as part of the consideration for the acquisition of the entire equity interest in Flower Ocean Limited (“**Flower Ocean**”)(note 18), resulting in the increase in share capital and share premium amounted to HK\$5,875,000 and HK\$151,810,000, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

13. SHARE CAPITAL (continued)

Shares (continued)

A summary of the movement in the Company's issued ordinary share capital are as follows:

	Number of shares in issue	Unaudited Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	1,511,664,400	37,792	181,173	218,965
Issue of Consideration Shares (<i>note 18</i>)	<u>235,000,000</u>	<u>5,875</u>	<u>151,810</u>	<u>157,685</u>
At 30 September 2013 and 2014	<u>1,746,664,400</u>	<u>43,667</u>	<u>332,983</u>	<u>376,650</u>

Share options

The Company had no outstanding share options as at 30 September 2014 (31 March 2014: Nil).

14. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to the transactions and balances detailed elsewhere in this unaudited condensed consolidated interim financial information, the Group had the following transactions with related parties during the period:

	<i>Notes</i>	Unaudited Six months ended 30 September 2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Rental income from Lanon Development Limited ("Lanon Development")	(i)	1,044	980
Subcontracting fee expense paid and payable to Able E & M Engineering Company Limited and Fungs E & M Engineering Company Limited ("Fungs E & M"), both being joint ventures of the Group	(ii)	<u>55,544</u>	<u>37,992</u>

Notes:

- (i) *Mr. NGAI Wing Yin, the son of Mr. NGAI Chun Hung ("Mr. NGAI", chairman of the Board and the controlling shareholder of the Company), has a controlling interest in Lanon Development. The rental income was determined at a rate mutually agreed between the Group and Lanon Development by reference to the prevailing market rate.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

14. RELATED PARTY TRANSACTIONS (continued)

- (a) Related party transactions (continued)

Notes: (continued)

(ii) The subcontracting fee expense is determined in accordance with the subcontracting agreement entered into between the Group and the joint ventures.

- (b) Compensation of key management personnel

	Unaudited	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Short-term employee benefits	26,840	31,340
Post-employment benefits	120	120
	<hr/>	<hr/>
Total compensation paid to key management personnel	26,960	31,460
	<hr/> <hr/>	<hr/> <hr/>

15. CONTINGENT LIABILITIES

- (a) At 30 September 2014, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to approximately HK\$48,098,000 (31 March 2014: HK\$39,911,000).

At 30 September 2014, the Company has given guarantees in favour of certain banks to the extent of HK\$3,808,022,000 (31 March 2014: HK\$1,938,797,000) in respect of banking facilities granted by those banks to certain subsidiaries of the Company, of which approximately HK\$897,170,000 (31 March 2014: HK\$811,985,000) was utilised.

At 31 March 2014 and 30 September 2014, the Group had given unlimited performance guarantees in favour of a customer for contract works (the “**Contract Customer**”) in respect of losses, claims, damages, costs and expenses caused by non-compliance with the terms and conditions of the construction contract entered into between the Group and the Contract Customer.

- (b) In the ordinary course of the Group’s construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group’s subcontractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

16. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Unaudited	Audited
	30 September	31 March
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Expenditure for development or redevelopment projects, contracted but not provided for, in respect of:		
Properties held for development	6,771	6,056
Investment properties	-	838
Properties under development	63,939	13,897
	<u>70,710</u>	<u>20,791</u>

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Financial risk management

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's annual consolidated financial statements for the year ended 31 March 2014.

(b) Fair value measurements

Management has assessed that the fair values of cash and cash equivalents, accounts receivables, dividend receivables, other receivables and deposits, accounts and bills payable, other payables and accruals, amount due to a joint venture and interest bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2014

18. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

On 19 March 2013, the Group entered into a share transfer agreement with Mr. NGAI for the acquisition of Flower Ocean for a total consideration of HK\$299,064,000 (the “**Acquisition**”). The Acquisition was completed on 22 May 2013 (the “**Completion Date**”). Up to the Completion Date, Flower Ocean and its subsidiary (collectively the “**Flower Ocean Group**”) had not carried out any significant business activities except for holding a property in Hong Kong. Therefore, the Acquisition had been accounted for by the Group as an acquisition of assets as the operation of the Flower Ocean Group does not constitute a business.

The fair values of the assets and liabilities of the Flower Ocean Group on the Completion Date acquired by the Group in the Acquisition are as follows:

	<i>HK\$'000</i>
Properties held for development	400,000
Prepayments, deposits and other receivables	47
Cash and cash equivalents	234
Other payables and accruals	(3,217)
Interest-bearing bank loans	(98,000)
	<u>299,064</u>

Total consideration satisfied by:

	<i>HK\$'000</i>
Entire issued share capital of Gold Vantage Limited (“ Gold Vantage ”, a subsidiary of the Group at the time being)	25,098
Consideration Shares (<i>note 13</i>)	157,685
Cash	116,281
	<u>299,064</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

18. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS (continued)

The assets and liabilities of Gold Vantage which was disposed of in the Acquisition as part of the consideration on the Completion Date are as follows:

	<i>HK\$'000</i>
Carrying value of net assets disposed of:	
Property, plant and equipment	11,685
Investment properties	4,000
Prepayments, deposits and other receivables	146
Cash and cash equivalents	48
Other payables and accruals	(8)
Deferred tax liabilities	(738)
	<hr/>
	15,133
Transaction Cost	675
Gain on disposal of Gold Vantage, net (<i>note 5</i>)	9,290
	<hr/>
Fair values of assets and liabilities of Gold Vantage on the Completion Date	<u>25,098</u>

An analysis of the net outflow of cash and cash equivalents in respect of the Acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration	116,281
Cash and cash equivalents acquired	(234)
Cash and bank balance disposed of	48
	<hr/>
	<u>116,095</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six months ended 30 September 2014

19. EVENTS AFTER THE REPORTING PERIOD

On 11 July 2014, the Company announced the proposed listing (the “**Proposed Listing**”) of Nga Chun Holdings Company Limited (“**Nga Chun**”, a wholly-owned subsidiary of Team Great Limited (“**Team Great**”, a joint venture of the Group at the time being) on the Main Board of The Stock Exchange. As at 31 March 2014 and 30 September 2014, the Group has a 40% indirect beneficiary interest in Nga Chun through Team Great.

On 16 October 2014, the Proposed Listing was completed and the listing of and dealings in the shares of Nga Chun on the Main Board of The Stock Exchange commenced (the “**Listing**”). Following the Listing, the Group’s indirect beneficiary interest in Nga Chun has been diluted to 30%. For details of the Proposed Listing, please refer to the announcements of the Company in relation to the Proposed Listing dated 11 July 2014, 26 September 2014, 30 September 2014, 15 October 2014 and 16 October 2014.

In September 2014, a subsidiary of Team Great declared and approved an pre-listing interim dividend of total HK\$36,000,000 for the year ending 31 March 2015 to Team Great, which in turn declared and approved the payment of HK\$36,000,000 dividend to its shareholders, including the Group. In October 2014, the Group received the pre-IPO dividend of HK\$14,400,000 from Team Great.

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period’s presentation.

21. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 27 November 2014.

RESULTS FOR THE INTERIM PERIOD

The Directors report that during the six months ended 30 September 2014 (“**this period**”), the Group recorded a consolidated turnover of HK\$1,110,684,000, representing a decrease of 39.7% from HK\$1,842,824,000 of the previous corresponding period. The Group’s gross profit during this period was HK\$101,242,000, representing a drop of 9.7% from HK\$112,082,000 for the six months ended 30 September 2013. Profit attributable to owners of the parent of this period amounted to HK\$47,347,000 (six months ended 30 September 2013: HK\$72,133,000). The drop in profit for this period was mainly attributable to the decrease in turnover which lead to a lower gross profit in this period and the one-off gain on disposal of a subsidiary in the previous corresponding period.

DIVIDEND

At the Company’s annual general meeting held on 15 August 2014, shareholders approved the payment of a final dividend of HK1 Cent per share, which amounted to a total of HK\$17,467,000, for the year ended 31 March 2014. The dividend was paid on 11 September 2014.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Contract Works

The Group’s contract works segment recorded a turnover of HK\$1,102,976,000 for this period, representing a decrease of 39.9% from HK\$1,835,210,000 for the six month ended 30 September 2013. The drop in turnover was mainly due to the completion of certain substantial projects, which contributed a significant portion of the turnover of the six months ended 30 September 2013, in 2013 and 2014, while those new contract works engagements awarded to the Group in 2014 are still in their early stage of development during this period.

On the other hand, due to the increase in contribution from civil engineering works, which in general have a relatively higher gross margin than building construction projects, to the Group’s revenue in current period, and the decrease in % revenue contribution from a substantial building construction project, which have a lower margin than other building construction projects, to the total contract works revenue, the Group’s gross profit margin improved from 5.7% for the six month ended 30 September 2013 to 8.5% of this period.

As of 30 September 2014, the estimated total contract values and estimated total outstanding values of the Group’s substantial contracts on hand were approximately HK\$9,689 million and HK\$4,965 million, respectively. These contracts will be completed in around one to three years’ time.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS (continued)

Contract Works (continued)

Since 1 April 2014 and up to the date of this announcement, the Group secured the following four substantial contracts, which have an estimated aggregate contract value of approximately HK\$1,587 million:

- Construction of Multi-Storey Logistics Facility at Tsing Yi Town Lot No.185;
- Upgrading / Improvement Works to Lands Department Slopes in the Northern Regions;
- Civil Works for Rehabilitation of Water Reservoirs, Fire-Proofing Improvement Work for Structures at MSB and Miscellaneous Improvement Works at LPS & LMX; and
- Gas Pipelaying Work at King's Road Between Shipyard Lane and Healthy Street East.

Property Investment and Development

During this period, the Group recorded a stable gross rental income of HK\$7,708,000 from its properties, representing a 1.2% increase from HK\$7,614,000 for the previous corresponding period. During this period, approximately 70% of the Group's rental income arose from the leasing of retail shops units.

Based on its competitive advantage gain in the contract works business, the Group also engaged in property development activities in recent years. However, as the Group's two residential development projects at Nos. 92A-E Pokfulam Road, Hong Kong, and at No. 9 Belfran Road, Kowloon are still in the development stage, no income has been generated from the sale of properties in this period. It is expected that this two projects will be completed in 2015.

On the other hand, the fitting-out works of the Group's redeveloped property at Nos. 123-127 Tung Choi Street, Kowloon (the "**Tung Choi Street Property**") was completed and a license for the operation of a hotel at the property has been obtained in this period. The Tung Choi Street Property is located in the heart of Mongkok, it is a 17 storey-building composite development with a total GFA of approximately 26,000 square feet. The Ground floor to the second floor of the building is designed to be shopping areas while the remaining parts of the building will serve as a hotel with 50 rooms.

During the period under review, the development for the Group's properties held for development at No. 28 Lugard Road, The Peak, the properties at Nos. 1 & 1A of Wood Road, Wanchai and the properties at Kam Tin, Yuen Long have not yet been commenced.

Other Income and Gains

Other income and gains decreased from HK\$11,156,000 for the six month ended 30 September 2013 to HK\$1,133,000 for this period. The decrease was mainly attributable to the one-off gain on disposal of a subsidiary amounted to HK\$9,290,000 (after deduction of transaction cost) during the six months ended 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS (continued)

Administrative Expenses

Administrative expenses decreased by HK\$3,078,000 from HK\$49,100,000 for the six month ended 30 September 2013 to HK\$46,022,000 for the six months ended 30 September 2014. The lower expenses recorded in this period was mainly attributable to the listing expenses of approximately HK\$5 million recognized during the six months ended 30 September 2013 for the spin-off and separate listing of Excel Development (Holdings) Limited (“**Excel Development**”, an indirect subsidiary of the Company, stock code: 1372).

Finance Costs

For the six months ended 30 September 2014, the Group’s finance costs recognised as expenses were HK\$6,804,000 (six months ended 30 September 2013: HK\$3,960,000) while the total interest on bank loans before interest capitalisation was HK\$8,685,000 (six months ended 30 September 2013: HK\$7,299,000). The increase in overall finance costs in current year was mainly attributable to the increase in bank loan balances during this period and fewer finance cost was capitalized in this period as the development of the Tung Choi Street Property was completed during the year ended 31 March 2014.

Share of Profits and Losses of Joint Ventures

The amount of net profits shared from the Group’s joint ventures for the six month ended 30 September 2014 were HK\$9,699,000, lower than the HK\$13,517,000 of the respective period ended 30 September 2013. The decrease in profit shared was mainly resulted from the decrease in profits shared from Team Great.

Income Tax Expense

Income tax expense decreased by 23.2% from HK\$11,562,000 for the six month ended 30 September 2013 to HK\$8,878,000 for this period. The decrease was mainly attributable to the decrease in operating profit for this period.

Profit Attributable to Owners of the Parent

As a result of the foregoing, profit attributable to owners of the parent decreased from HK\$72,133,000 for the six months ended 30 September 2013 to HK\$47,347,000 for this period.

FINANCIAL REVIEW

Liquidity

As of 30 September 2014, the Group had cash and cash equivalents of HK\$235,060,000, representing a decrease of 41.7% from HK\$403,477,000 as of 31 March 2014. The Group had nil pledged deposits at 30 September 2014 and at 31 March 2014. The Group’s net cash outflow from operating activities was HK\$222,979,000 for this period, as compared to a net cash inflow of HK\$24,891,000 for the previous corresponding period. The decrease in cash and cash equivalents as well as the operating cash flows of the Group in this period were primarily caused by the decrease in the Group’s accounts and bills payable and accruals of cost for contract works and the increase in account receivables, and the cash outflows to finance the property development projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Liquidity (continued)

The Group's current ratio as at the end of September 2014 was 1.16, which was slightly lower than the 1.20 as at the 31 March 2014. Current ratio is measured as total current assets divided by total current liabilities.

Financial Resources

The Group's bank loans amounted to HK\$849,072,000 as of 30 September 2014, as compared to HK\$772,074,000 as of 31 March 2014. The Group's net gearing ratio was 31% as of 30 September 2014 (31 March 2014: 19%). Net gearing ratio is measured as total bank loans less pledged deposits (if any) and cash and cash equivalents, divided by total shareholders' equity. Increase in net gearing ratio as at 30 September 2014 was mainly due to the increase in bank loans and the decrease in cash and cash equivalents recorded at current period end.

Our banking facilities, comprising primarily bank loans, trade financing facilities, overdrafts and performance bond, amounted to HK\$2,185,808,000 as of 30 September 2014 (31 March 2014: HK\$1,613,840,000), of which HK\$1,288,638,000 (31 March 2014: HK\$819,855,000) was unutilised.

At 31 March 2014 and 30 September 2014, the Group's bank borrowings were all denominated in Hong Kong dollars and bear a floating interest rate.

Charges on Assets

At 30 September 2014, the following assets of the Group were pledged in favour of certain banks to secure the banking facilities granted by those banks to the Group:

- investment properties with an aggregate carrying amount of HK\$869,798,000 (31 March 2014: HK\$867,000,000);
- land and buildings with an aggregate carrying amount of HK\$137,683,000 (31 March 2014: HK\$139,616,000);
- properties held for development with a carrying amounts of HK\$726,542,000 (31 March 2014: HK\$652,085,000);
- properties under development with an aggregate carrying amount of HK\$489,066,000 (31 March 2014: HK\$459,791,000); and
- the assignment of the Group's financial benefits under certain contract works with total accounts receivable amounting to HK\$152,891,000 (31 March 2014: HK\$111,320,000).

Contingent Liabilities

Details of the Group's contingent liabilities are set out in note 15 to the unaudited condensed consolidated interim financial information.

Capital Commitments

Details of the Group's capital commitments are set out in note 16 to the unaudited condensed consolidated interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPOSED LISTING OF NGA CHUN

On 11 July 2014, a listing application was submitted by Nga Chun to The Stock Exchange for the Proposed Listing of its shares on the Main Board of The Stock Exchange. Nga Chun and its subsidiaries (collectively, the “**Nga Chun Group**”) are principally engage in building service engineering business, which mainly comprise electrical installation works, air-conditioning installation works and fire services installation works for the private and public sector in Hong Kong.

On 16 October 2014, the listing of and dealings in the shares of Nga Chun on the Main Board of The Stock Exchange commenced (the “**Listing**”) and the Proposed Listing completed. Following the Listing, the Group’s indirect interest in Nga Chun has been diluted from 40% to 30%. However, as Nga Chun remains to be a subsidiary of Team Great which continues to be a joint venture of the Group after the Listing, the Group’s interest in the joint venture, including Nga Chun, will continue to be accounted for as a joint venture under equity accounting. The Directors believe the Listing can promote the growth of Nga Chun’s business and on the other hand benefits the Company.

PROSPECTS

In recent years, housing policy remains a prime focus of the HKSAR Government. Due to the accelerated programmes on public housing development by the HKSAR Government, the implementation of major infrastructure projects and the proposed development in the North-East section of the New Territories, the Directors believe the outlook of the construction and engineering industry in Hong Kong looks promising. However, the growth in the construction and engineering industry also means the already strong demand for specialised expertise and skilled labour in the industry have been further intensified, which in turn put high pressure on costs control and on work schedules for our contract works business. As a result, the Directors expect there will be continuous pressure on our operating performance in the short to medium terms. In securing a meaningful profit margin, our management will closely monitor the situation and be responsive to market changes. Meanwhile, the Group will remain cautious in tender pricing and will carefully consider price fluctuation factors when submitting tenders.

Regarding the property market, although the HKSAR Government has introduced a number of cooling measures to combat against the rising property price in Hong Kong, after a relatively stagnant period, the property market recently regained some momentum with the release of strong demand. The Directors believe the low interest rate and high inflation environment should continue in the short to medium terms that property prices are unlikely to drop in real terms. Therefore, the Directors are optimistic that the underlying demands for properties in Hong Kong will remain strong and the outlook of the local real estate sector will remain positive.

To support sustainable development of the Group, the Group has substantially invested in the property sector over the past years. The Directors are confident that when the Group’s property development projects gradually mature over the next few years, the Group’s profitability and capital value will be enhanced. To strengthen the Group’s future earnings base, management will continue to keep a close eye on the land and property market for potential property development opportunities in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

During this period, the interior fitting-out works of the Group's Tung Choi Street Property completed and the license regarding the operation of a hotel in the property has been obtained. The Directors believe the forthcoming commencement of leasing / operation of the Tung Choi Street Property will have a positive impact on the Group's profit and cash flows.

In addition, the Group also welcome the successful listing of Nga Chun (Stock Code: 1462, a subsidiary of a joint venture of the Group) on the Main Board of The Stock Exchange subsequent to the period end. The Directors believe the establishment of a listing platform of Nga Chun is beneficial to its further expansion and will indirectly benefit the Company.

STAFF AND REMUNERATION POLICY

As of 30 September 2014, the Group employed approximately 643 full-time employees (31 March 2014: approximately 619) in Hong Kong. The Group remunerates its employees based on their performance and working experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as their individual's performance. Staff benefits also include mandatory provident fund, subsidies for education and training programmes.

At the annual general meeting held on 7 September 2011, the Company adopted a new share option scheme (the "**New Scheme**") in replacement of its share option scheme which was adopted on 5 August 2002 (the "**2002 Scheme**"). The purposes of the New Scheme are to provide incentives for the Group's employees and executives, to recognise their contributions to the Group's growth and to provide more flexibility for the Group in formulating its remuneration policy. The Group had granted options under the 2002 Scheme before 7 September 2011, but has not granted any options under the New Scheme up to 31 March 2014. The Company had no outstanding share options at 31 March 2014 and 30 September 2014.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the code provisions as set out in the "*Corporate Governance Code*" contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "*Model Code for Securities Transactions by Directors of Listed Issuers*" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors. Following specific enquiry made by the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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 2014.

REVIEWED BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, Mr. FUNG Pui Cheung, Eugene (*Chairman*), Professor KO Jan Ming and The Hon. IP, with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. Mr. FUNG Pui Cheung, Eugene is a certified public accountant and possesses the appropriate accounting qualifications and experiences in financial matters. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial report matters. The Audit Committee has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of HKExnews at (www.hkexnews.hk) and the Company at (www.capitalfp.com.hk/eng/index.jsp?co=15). The 2014/15 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

On behalf of the Directors, I would like to express our gratitude and sincere appreciation to all management and staff members of the Group for their hard work and dedication and the all shareholders of the Company for their support.

By Order of the Board of
Vantage International (Holdings) Limited
NGAI Chun Hung
Chairman

Hong Kong, 27 November 2014

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

Executive Directors
Mr. NGAI Chun Hung
Mr. YAU Kwok Fai

Independent Non-executive Directors
Prof. KO Jan Ming
The Hon. IP Kwok Him, *GBS, JP*
Mr. FUNG Pui Cheung, Eugene