

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Six months ended 30 September 2006

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INTERIM REPORT 2006/07

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These condensed consolidated financial statements should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2006.

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

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those set out in the Group’s audited consolidated financial statements for the year ended 31 March 2006.

## 2. RESTATEMENT OF 2005/06 INTERIM CONSOLIDATED INCOME STATEMENT

### Properties held for development

The Group has leased out certain properties intended for redevelopment at some later stage on a short-term basis. These properties are stated as properties held for development in the Group’s consolidated balance sheet. When preparing the unaudited interim financial statements of the Group for the six months ended 30 September 2005, rental income, property expenses and finance costs associated with these properties were capitalised in the cost of properties held for development. During the process of the audit of the Group’s consolidated financial statements for the year ended 31 March 2006, it was determined that these rental income, property expenses and finance costs should be recognised or charged to profit or loss. To conform to the policies adopted for the audited consolidated financial statements for the year ended 31 March 2006, the consolidated income statement for the six months ended 30 September 2005 was restated as follows:

	As previously reported HK\$’000	Restatement HK\$’000	As restated HK\$’000
Turnover	612,523	1,584	614,107
Contract costs	(574,904)	–	(574,904)
Property expenses	(740)	(122)	(862)
Other revenue and gains	3,987	–	3,987
Administrative expenses	(13,125)	–	(13,125)
Gain on revaluation of investment properties	25,427	–	25,427
Finance costs	(7,283)	(1,444)	(8,727)
Share of loss of a jointly-controlled entity	(11)	–	(11)
Tax	(8,164)	–	(8,164)
	<u>37,710</u>	<u>18</u>	<u>37,728</u>
Profit for the period			
	<u>HK4.0 cents</u>	<u>–</u>	<u>HK4.0 cents</u>
Earnings per share – Basic			

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		Property investment		Property development		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000 (Restated)	2005 (unaudited) HK\$'000 (Restated)	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (Restated)
Segment revenue												
External customers	223,416	335,112	39,255	37,079	352,439	237,164	7,084	3,168	1,690	1,584	623,884	614,107
Segment results	11,183	21,679	3,362	2,445	27,896	10,326	6,220	27,447	1,556	1,333	50,217	63,230
Unallocated income and gains											2,474	3,987
Unallocated expenses											(15,224)	(12,587)
Finance costs											(13,541)	(8,727)
Share of loss of a jointly-controlled entity											-	(11)
Profit before tax											23,926	45,892
Tax											(4,784)	(8,164)
Profit for the period											19,142	37,728

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 INCOME AND GAINS

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (Restated)
<b>Turnover</b>		
Contract revenue	615,110	609,355
Property gross rental income	8,774	4,752
	<u>623,884</u>	<u>614,107</u>
<b>Other income and gains</b>		
Interest income	1,988	1,158
Gain on disposal of fixed assets	5	1
Exchange gain, net	-	897
Gain on changes in fair values of derivative financial instruments	219	737
Sundry income	262	1,194
	<u>2,474</u>	<u>3,987</u>

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Depreciation of property, plant and equipment	1,712	720
Exchange loss (gains), net	938	(897)
Gain on disposal of fixed assets	(5)	(1)
	1,712	(177)

6. TAX

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Current – Hong Kong:		
Charge for the period	4,784	3,928
Deferred	–	4,236
	4,784	8,164

Hong Kong profits tax has been provided at the rate of 17.5% on the estimate assessable profits arising in Hong Kong for both periods.

7. 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\$19,142,000 (2005 as restated: HK\$37,728,000) and on the actual weighted average number of 940,758,000 shares (2005: 940,758,000 shares) of the Company in issue during the period.

No diluted earnings per share is presented as the Company's outstanding share options did not have a dilutive effect for both periods presented.

8. MOVEMENTS IN PROPERTY PLANT AND EQUIPMENT

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net book value at beginning of period	20,504	17,840
Additions	4,274	390
Transfer from investment properties	14,200	–
Disposals	–	(6)
Leasehold land and building reclassified as held for sale	(16,199)	–
Depreciation provided for the period	(1,712)	(720)
	21,067	17,504

## 9. MOVEMENTS IN INVESTMENT PROPERTIES

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Carrying amount at beginning of period	518,790	229,800
Additions	–	226,193
Acquisition of subsidiary	–	4,000
Transfer to property, plant and equipment	(14,200)	–
Gain on changes in fair values	–	25,427
	<u>504,590</u>	<u>485,420</u>
Carrying amount at end of period		

The Group's investment properties were revalued by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$518,790,000 as of 31 March 2006 on market value, existing use basis. The Directors have estimated that the fair values of the investment properties as of 30 September 2006 do not vary significantly from the professional valuation as of 31 March 2006. Accordingly, no fair value adjustment has been recognised in respect of the Group's investment properties for the six-month period ended 30 September 2006.

## 10. ACCOUNTS RECEIVABLE

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

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

	30 September	31 March
	2006 (unaudited) HK\$'000	2006 (audited) HK\$'000
Current – 3 months	151,340	132,421
4 – 6 months	817	323
Over 6 months	13,027	5,491
	<u>165,184</u>	<u>138,235</u>

As of 30 September 2006, retentions receivable from customers for contract work included in accounts receivable amounted to approximately HK\$54,545,000 (31 March 2006: HK\$45,762,000).

As of 30 September 2006, accounts receivable of approximately HK\$74 million (31 March 2006: HK\$90 million) was assigned to banks to secure the banking facilities granted to the Group.

## VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

### 11. ACCOUNTS PAYABLE

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

	30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Current – 3 months	172,265	167,901
4 – 6 months	4,506	2,860
Over 6 months	39,903	23,294
	<u>216,674</u>	<u>194,055</u>

As of 30 September 2006, retentions payable to customers for contract works included in accounts payable amounted to approximately HK\$34,112,000 (31 March 2006: HK\$37,385,000).

As of 30 September 2006, trade payables to related parties included in accounts payable amounted to approximately HK\$21,000 (31 March 2006: HK\$181,000).

### 12. CURRENT INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Secured bank overdrafts	72,326	19,327
Secured bank loans repayable within one year or on demand ( <i>Note 13</i> )	134,594	93,458
Current portion of finance lease payable	50	50
	<u>206,970</u>	<u>112,835</u>

### 13. INTEREST-BEARING BANK LOANS

	30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Secured bank loans repayable:		
Within one year or on demand ( <i>Note 12</i> )	134,594	93,458
In the second year	50,527	45,141
In the third to fifth years, inclusive	65,003	48,326
Beyond five years	261,944	278,209
	<u>512,068</u>	<u>465,134</u>
Less: current portion	(134,594)	(93,458)
Non-current portion	<u>377,474</u>	<u>371,676</u>

## 14. RELATED PARTY TRANSACTIONS AND BALANCES

## (a) Related party transactions

During the period and in the ordinary course of its business, the Group had transactions with the following related parties:

		Six months ended 30 September	
	Notes	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Rental expenses paid to:			
Win Source Investment Limited ("Win Source")	(i)	<u>33</u>	<u>33</u>
Frason Holdings Limited ("Frason")	(ii)	<u>1,500</u>	<u>-</u>

As of the balance sheet date, the Group had the following balances with the following related parties:

	Notes	30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Rental deposit placed with Frason	(ii)	<u>900</u>	<u>-</u>
Contract costs payable to close family members of Mr. Ngai, included in accounts payable (Note 11)		<u>21</u>	<u>181</u>

Notes:

- (i) Win Source is beneficially wholly owned by Mr. Ngai Chun Hung ("Mr. Ngai"), Chairman of the Board of the Company. The rental was determined based on arm's length negotiations between the Group and Win Source with reference to prevailing market rates.
- (ii) Frason is beneficially wholly owned by Mr. Ngai. On 28 February 2006, the Group entered into a tenancy agreement with Frason for the lease of office premises for a three-year term from 1 March 2006 to 28 February 2009 at a monthly rental of HK\$300,000 and with a two-month rent free period from 1 March 2006 to 30 April 2006. The terms of the tenancy agreement were determined based on arm's length negotiations between the Group and Frason with reference to prevailing market conditions. The rental expenses were paid and the rental deposit was made pursuant to this tenancy agreement.

## (b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Short-term employee benefits	<u>5,457</u>	<u>5,796</u>
Post-employment benefits	<u>78</u>	<u>93</u>
Total compensation paid to key management personnel	<u>5,535</u>	<u>5,889</u>

## 15. CONTINGENT LIABILITIES

As of 30 September 2006, the Group had the following contingent liabilities:

- (a) The Group had outstanding guarantees against performance bonds in favour of construction and maintenance contract customers of approximately HK\$124,552,000 (31 March 2006: HK\$82,698,000).
- (b) The Company had outstanding guarantees against banking facilities granted to subsidiaries of the Company to the extent of approximately HK\$845,144,000 (31 March 2006: HK\$877,302,000), of which HK\$663,733,000 was utilised by the subsidiaries (31 March 2006: HK\$567,158,000).
- (c) As of 30 September 2006, the Group had the following outstanding litigation:

- (i) On 3 January 2003, a High Court action was brought by a subcontractor against the Group for a claim of 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 claims with reasonable certainty at this stage. The Directors are of the opinion that the Group has valid defense, and consider that any resulting liability would not have any material impact on the Group's financial position.
- (ii) On 2 April 2005, 15 June 2005, 3 August 2005, 7 November 2005 and 16 March 2006, two District Court actions and one High Court action were commenced by employees of the Group against the Group, and two District court actions and one High court action were brought by employees of the Group's subcontractors against the Group and other respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance and the common law for personal injuries sustained by those employees in five accidents respectively arising out of and in the course of their employment.
- (iii) On 10 April 2006, 8 May 2006, 11 May 2006 and 24 July 2006, four District Court actions were commenced by four employees of the Group's subcontractor against the Group and another respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance for personal injuries sustained by the employees in four accidents arising out of and in the course of their employment.
- (iv) On 18 May 2006, a High Court action was commenced by an employee of the Group's subcontractor against the Group and other respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by the employee in an accident arising out of and in the course of his employment.

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

- (d) The Group had possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$1.5 million as of 30 September 2006 (31 March 2006: HK\$1.4 million). This contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances.

Save as disclosed above, as of 30 September 2006, the Group and the Company had no material contingent liabilities.

**16. CAPITAL COMMITMENT**

The Group had no significant outstanding capital commitment as of 30 September 2006 not provided for in the accounts (31 March 2006: HK\$943,000).

**17. POST BALANCE SHEET EVENT****(a) Disposal of leasehold land and building**

On 15 November 2006, the Company completed the disposal of its leasehold land and building located in London, the United Kingdom and having a carrying value of approximately HK\$16,199,000, for a sale price of GBP1,525,000 (approximately HK\$22,951,000).

**(b) Issuance of employee share options**

On 5 August 2002, the Company adopted a share option scheme ("2002 Share Option Scheme") as incentives and rewards to eligible participants (including directors and full-time employees) for their contributions to the Group. On 7 December 2006, the Company issued options to various employees (not including any director of the Company) under the 2002 Share Option Scheme as follows:

Date of grant	Exercise period	Exercise price	Number of ordinary shares underlying the share options
7 December 2006	7 June 2007 to 6 June 2012	HK\$0.165	6,900,000

**18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 16 December 2006.