# VANTAGE INTERNATIONAL (HOLDINGS) LIMITED
# 盈信控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 15)**

## ANNUAL RESULTS
## FOR THE YEAR ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of Vantage International (Holdings) Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 ("**this year**"), together with comparative figures for the previous year as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 March*

| | *Notes* | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|---|
| **REVENUE** | | | |
| Revenue from contracts with customers | *4* | **3,440,275** | 3,364,560 |
| Interest income from loans receivable | *4* | **19,682** | 18,429 |
| Revenue from other sources | *4* | **84,562** | 80,088 |
| | | **3,544,519** | 3,463,077 |
| Contract works costs | | **(2,149,888)** | (2,862,972) |
| Property costs | | **( 566,213)** | ( 140,658) |
| Gross profit | | **828,418** | 459,447 |
| Other income and gains, net | *4* | **179,704** | 190,674 |
| Selling and marketing expenses | | **( 608)** | ( 248) |
| Administrative expenses | | **( 140,652)** | ( 113,985) |
| Finance costs | *5* | **( 32,429)** | ( 27,536) |
| Share of profits and losses of joint ventures | | **2,170** | ( 9) |
| **PROFIT BEFORE TAX** | *6* | **836,603** | 508,343 |
| Income tax expense | *7* | **( 96,725)** | ( 55,670) |
| **PROFIT FOR THE YEAR** | | **739,878** | 452,673 |

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

*Year ended 31 March*

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | |
| Share of other comprehensive income of joint ventures | | **1,766** | - |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR** | | **1,766** | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **741,644** | 452,673 |
| Profit for the year attributable to: | | | |
| Owners of the parent | | **704,520** | 408,930 |
| Non-controlling interests | | **35,358** | 43,743 |
| | | **739,878** | 452,673 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the parent | | **705,844** | 408,930 |
| Non-controlling interests | | **35,800** | 43,743 |
| | | **741,644** | 452,673 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| (HK cents) | *9* | | |
| Basic | | **41.86** | 23.94 |
| Diluted | | **41.78** | 23.86 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March*

| | *Notes* | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,160,495** | 127,503 |
| Properties held for development | | **74,362** | 396,877 |
| Investment properties | | **2,138,000** | 2,039,000 |
| Investments in joint ventures | | **104,962** | 8,800 |
| Prepayments and other assets | | **-** | 114,741 |
| Deferred tax assets | | **5,867** | 3,678 |
| Total non-current assets | | **3,483,686** | 2,690,599 |
| **CURRENT ASSETS** | | | |
| Gross amount due from customers for contract works | | **-** | 17,306 |
| Properties under development | | **808,215** | 419,033 |
| Properties held for sale | | **246,181** | 667,226 |
| Accounts receivable | *10* | **110,382** | 533,348 |
| Contract assets | *11* | **220,160** | - |
| Loans and interest receivables | *12* | **389,400** | 106,239 |
| Prepayments, other receivables and other assets | | **147,294** | 70,645 |
| Amount due from a joint venture | | **114** | 93 |
| Tax recoverable | | **1,185** | 9,609 |
| Cash and cash equivalents | | **1,552,123** | 1,480,671 |
| Total current assets | | **3,475,054** | 3,304,170 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | *13* | **343,915** | 444,366 |
| Accruals of costs for contract works | | **-** | 224,360 |
| Tax payable | | **15,664** | 32,076 |
| Other payables and accruals | | **481,921** | 136,914 |
| Amounts due to joint ventures | | **801** | 8,114 |
| Interest-bearing bank loans | | **1,570,963** | 1,380,161 |
| Total current liabilities | | **2,413,264** | 2,225,991 |
| **NET CURRENT ASSETS** | | **1,061,790** | 1,078,179 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,545,476** | 3,768,778 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **11,798** | 10,378 |
| Total non-current liabilities | | **11,798** | 10,378 |
| **Net assets** | | **4,533,678** | 3,758,400 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

*As at 31 March*

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | *14* | **42,074** | 42,074 |
| Reserves | | **4,163,445** | 3,422,040 |
| | | **4,205,519** | 3,464,114 |
| Non-controlling interests | | **328,159** | 294,286 |
| Total equity | | **4,533,678** | 3,758,400 |

# NOTES

## 1. BASIS OF PREPARATION

Vantage International (Holdings) Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and whose shares are publicly traded on the Main Board of The Stock Exchange of Hong Kong Limited (The "**Stock Exchange**"). The principal activities of the Company and its subsidiaries (collectively, the "**Group**") are described in note 3 to the financial information below.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and a derivative financial instrument, which have been measured at fair value.

These financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for this year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions* |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* |
| HKFRS 9 | *Financial Instruments* |
| HKFRS 15 | *Revenue from Contracts with Customers* |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers* |
| Amendments to HKAS 40 | *Transfers of Investment Property* |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration* |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28 |

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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

## NOTES (continued)

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**HKFRS 9 *Financial Instruments***

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement
Upon the adoption of HKFRS 9, the Group's loans and receivables are reclassified as financial assets at amortised cost and the accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment
The Group has six types of financial assets that are subject to HKFRS 9's new expected credit loss ("**ECL**") model:

- Accounts receivable;
- Contract assets;
- Loans and interest receivables;
- Financial assets included in prepayments, other receivables and other assets;
- Amount due from a joint venture; and
- Cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The restatement of the loss allowance for these classes of assets on transition to HKFRS 9 as a result of applying the ECL model was not significant. Therefore, the carrying amounts for these classes of assets and the retained profits at 1 April 2018 have not been impacted by the initial application of HKFRS 9. Further details are disclosed in notes 10, 11 and 12 to the financial information.

(c) Hedge accounting
The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements as the Group does not have any hedge accounting.

## NOTES (continued)

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**HKFRS 15 *Revenue from Contracts with Customers***

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract assets and liabilities account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

| | *Notes* | Increase/ (decrease) *HK$'000* |
|---|---|---|
| **Assets** | | |
| Gross amount due from customers for contract works | *(i)* | ( 17,306) |
| Accounts receivable | *(ii)* | (244,348) |
| Contract assets | *(ii)* | 244,398 |
| Prepayments, other receivables and other assets | *(ii)* | ( 50) |
| Total assets | | ( 17,306) |
| **Liabilities** | | |
| Accruals of costs for contract works | *(i)* | (224,360) |
| Other payables and accruals | *(i), (iii)* | 96,524 |
| Tax payable | *(iv)* | 18,237 |
| Total liabilities | | (109,599) |

# NOTES (continued)

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### HKFRS 15 *Revenue from Contracts with Customers* (continued)

| | *Note* | Increase/ (decrease) *HK$'000* |
|---|---|---|
| **Equity** | | |
| Retained profits | *(iv)* | 69,220 |
| Non-controlling interests | *(iv)* | 23,073 |
| Total equity | | 92,293 |

Set out below are the amounts by which each financial statement line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019:

| | | Amounts prepared under | | |
|---|---|---|---|---|
| | *Notes* | HKFRS 15 *HK$'000* | Previous HKFRS *HK$'000* | Increase/ (decrease) *HK$'000* |
| Contract works costs | *(i)* | 2,149,888 | 2,060,760 | 89,128 |
| Gross profit | | 828,418 | 917,546 | (89,128) |
| Profit before tax | | 836,603 | 925,731 | (89,128) |
| Income tax expense | *(iv)* | 96,725 | 111,431 | (14,706) |
| Profit for the year | | 739,878 | 814,300 | (74,422) |
| Profit for the year attributable to: | | | | |
| Owners of the parent | | 704,520 | 760,336 | (55,816) |
| Non-controlling interests | *(iv)* | 35,358 | 53,964 | (18,606) |
| Earnings per share attributable to ordinary equity holders of the parent (HK cents) | | | | |
| Basic | | 41.86 | 45.18 | (3.32) |
| Diluted | | 41.78 | 45.09 | (3.31) |

## NOTES (continued)

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**HKFRS 15 *Revenue from Contracts with Customers*** (continued)

Consolidated statement of financial position as at 31 March 2019:

| | | Amounts prepared under | | |
|---|---|---|---|---|
| | *Notes* | HKFRS 15<br>*HK$'000* | Previous HKFRS<br>*HK$'000* | Increase/ (decrease)<br>*HK$'000* |
| Gross amount due from customers for contract works | *(i)* | - | 10,746 | ( 10,746) |
| Accounts receivable | *(ii)* | 110,382 | 330,542 | (220,160) |
| Contract assets | *(ii)* | 220,160 | - | 220,160 |
| Total assets | | 6,958,740 | 6,969,486 | ( 10,746) |
| Accruals of costs for contract works | *(i)* | - | 394,727 | (394,727) |
| Other payables and accruals | *(i), (iii)* | 481,921 | 119,342 | 362,579 |
| Tax payable | *(iv)* | 15,664 | 12,133 | 3,531 |
| Total liabilities | | 2,425,062 | 2,453,679 | ( 28,617) |
| Net assets | | 4,533,678 | 4,515,807 | 17,871 |
| Retained profits | *(iv)* | 3,391,961 | 3,378,557 | 13,404 |
| Non-controlling interests | *(iv)* | 328,159 | 323,692 | 4,467 |
| Total equity | | 4,533,678 | 4,515,807 | 17,871 |

*Notes:*

*The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 March 2019 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 are described below:*

*(i)* *Recognition of contract works costs*

*Prior to the adoption of HKFRS 15, the Group mainly accounted for revenue from contract works using the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contract. Profit was only recognised when the work was sufficiently advanced such that the costs to complete and the revenue could be reliably estimated. Contract works costs were recognised according to the project's overall profit estimation using the percentage of completion method. Where contract works costs incurred to date plus recognised profits less recognised losses exceeded progress billings, the surplus was treated as an amount due from customers for contract works. Where progress billings exceeded contract works costs incurred to date plus recognised profits less recognised losses, the surplus was treated as accruals of contract works.*

## NOTES (continued)

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### HKFRS 15 *Revenue from Contracts with Customers* (continued)

*Notes:* (continued)

*(i)* *Recognition of contract works costs* (continued)

*Upon the adoption of HKFRS 15, revenue from contract works will continue to be recognised over time when the Group creates or enhances an asset that the customer controls over time in accordance with the direct measurements of the value transferred by the Group to the customer with reference to the certified value of work performed to date. Costs that relate to satisfied performance obligations in a contract will be recognised to profit or loss immediately when work is performed, together with any provision of expected contract loss.*

*As a result of this change in accounting policy, the effect of the change has led to a decrease in gross amount due from customers for contract works amounting to HK$17,306,000; a decrease in accruals of costs for contract works amounting to HK$224,360,000; an increase in other payables and accruals amounting to HK$96,524,000; an increase in tax payable amounting to HK$18,237,000; an increase in retained profits amounting to HK$69,220,000; and an increase in non-controlling interests amounting to HK$23,073,000 as at 1 April 2018.*

*At as 31 March 2019, the effect of the change has led to a decrease in gross amount due from customers for contract works amounting to HK$10,746,000; a decrease in accruals of costs for contract works amounting to HK$394,727,000; an increase in other payables and accruals amounting to HK$362,579,000; an increase in tax payable amounting to HK$3,531,000; an increase in retained profits amounting to HK$13,404,000; and an increase in non-controlling interests amounting to HK$4,467,000.*

*(ii)* *Reclassification of unbilled revenue, retention receivables and other receivables*

*Prior to the adoption of HKFRS 15, unbilled revenue resulting from construction contracts and retention receivables were classified as accounts receivable; and certain unbilled expenses recoverable from customers for the sale of properties were classified as other receivables. Upon adoption of HKFRS 15, these balances are reclassified to contract assets.*

*As at 1 April 2018 and 31 March 2019, HK$244,348,000 and HK$220,160,000 were reclassified from accounts receivable to contract assets, respectively; and HK$50,000 as at 1 April 2018 was reclassified from other receivables to contract assets.*

*(iii)* *Consideration received from customers in advance*

*Before the adoption of HKFRS 15, the Group classified consideration received from customers in advance as other payables and accruals. Under HKFRS 15, the amount is classified as contract liabilities which is also included in other payables and accruals.*

*Therefore, upon adoption of HKFRS 15, the Group reclassified HK$94,350,000 from receipts in advance in other payables and accruals to contract liabilities in other payables and accruals as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.*

*As at 31 March 2019, there was no receipts in advance in relation to the consideration received from customers in advance for the sale of properties.*

*(iv)* *Other adjustments*

*In addition to the adjustments described above, other items of the primary financial statements such as tax payable and non-controlling interests were adjusted as necessary and retained profits were adjusted accordingly.*

## NOTES (continued)

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the contract works segment engages in contract works as a main contractor or sub-contractor, primarily in respect of building construction and repair, maintenance, alteration and addition ("**RMAA**") works;

(b) the property investment and development segment engages in investment in retail and commercial premises for their rental income potential and the development of properties for rental or for sale purpose; and

(c) the provision of finance segment engages in money lending business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, share of profits and losses of joint ventures as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# NOTES (continued)

## 3. SEGMENT INFORMATION (continued)

| | Provision of finance | | Contract works | | Property investment and development | | Total | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue:** | | | | | | | | | | | | |
| Sales to external customers | **-** | - | **2,385,415** | 3,112,264 | **1,139,422** | 332,384 | **3,524,837** | 3,444,648 | **-** | - | **3,524,837** | 3,444,648 |
| Interest income from loans receivable | **19,682** | 18,429 | **-** | - | **-** | - | **19,682** | 18,429 | **-** | - | **19,682** | 18,429 |
| Intersegment sales | **-** | - | **-** | - | **2,640** | 2,640 | **2,640** | 2,640 | **(2,640)** | (2,640) | **-** | - |
| Total | **19,682** | 18,429 | **2,385,415** | 3,112,264 | **1,142,062** | 335,024 | **3,547,159** | 3,465,717 | **(2,640)** | (2,640) | **3,544,519** | 3,463,077 |
| **Segment results** | **19,682** | 18,429 | **235,527** | 249,292 | **742,609** | 377,351 | **997,818** | 645,072 | **(2,458)** | (2,460) | **995,360** | 642,612 |
| Interest and unallocated income and gains | | | | | | | | | | | **12,154** | 7,261 |
| Unallocated expenses | | | | | | | | | | | **( 140,652)** | ( 113,985) |
| Finance costs | | | | | | | | | | | **( 32,429)** | ( 27,536) |
| Share of profits and losses of joint ventures | **-** | - | **2,173** | - | **( 3)** | ( 9) | **2,170** | ( 9) | **-** | - | **2,170** | ( 9) |
| Profit before tax | | | | | | | | | | | **836,603** | 508,343 |
| Income tax expense | | | | | | | | | | | **( 96,725)** | ( 55,670) |
| Profit for the year | | | | | | | | | | | **739,878** | 452,673 |
| **Other segment information:** | | | | | | | | | | | | |
| Depreciation | **-** | - | **26,982** | 2,793 | **-** | 851 | **26,982** | 3,644 | **-** | - | **26,982** | 3,644 |
| Depreciation on unallocated assets | | | | | | | **4,534** | 5,744 | **-** | - | **4,534** | 5,744 |
| Capital expenditure | **-** | - | **599,700** | 114,358 | **353,627** | 4,236 | **953,327** | 118,594 | **-** | - | **953,327** | 118,594 |
| Investments in joint ventures | **-** | - | **104,559** | 8,614 | **403** | 186 | **104,962** | 8,800 | **-** | - | **104,962** | 8,800 |
| Gain on changes in fair value of investment properties, net | **-** | - | **-** | - | **92,784** | 183,413 | **92,784** | 183,413 | **-** | - | **92,784** | 183,413 |

## NOTES (continued)

### 3. SEGMENT INFORMATION (continued)

**Geographical information**

The Group's revenue from external customers is all derived from customers in Hong Kong and the Group's non-current assets are all located in Hong Kong.

**Information about major customers**

Revenue from a major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contract works segment - Customer A | **1,919,974** | 2,656,907 |

Except for the aforesaid, no other single external customer for which the revenue derived accounted for 10% or more of the Group's revenue.

**Information about products and services**

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue from external customers: | | |
| Contract works for building construction | **2,283,372** | 3,015,304 |
| Contract works for RMAA | **102,043** | 96,960 |
| Gross rental income | **84,562** | 80,088 |
| Sale of properties | **1,054,860** | 252,296 |
| Interest income from loans receivable | **19,682** | 18,429 |
| | **3,544,519** | 3,463,077 |

## NOTES (continued)

### 4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue, other income and gains, net is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | | |
| *Revenue from contracts with customers* | | |
| Contract works revenue | **2,385,415** | 3,112,264 |
| Sale of properties | **1,054,860** | 252,296 |
| *Interest Income* | | |
| Interest income from loans receivable | **19,682** | 18,429 |
| *Revenue from other sources* | | |
| Gross rental income* | **84,562** | 80,088 |
| | **3,544,519** | 3,463,077 |
| Other income and gains, net | | |
| Interest income | **11,303** | 6,935 |
| Gain on changes in fair value of investment properties, net | **92,784** | 183,413 |
| Gain on disposal of items of property, plant and equipment | **162** | - |
| Confiscated deposits and compensation income | **74,766** | - |
| Sundry income | **689** | 326 |
| | **179,704** | 190,674 |

* Gross rental income included contingent rents received under operating leases of HK$395,000 (2018: HK$446,000) during the year.

### 5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **36,998** | 30,295 |
| Less: Interest capitalised | **( 4,569)** | ( 2,759) |
| | **32,429** | 27,536 |

## NOTES (continued)

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Depreciation# | **31,516** | 9,388 |
| Auditor's remuneration | **5,640** | 4,095 |
| Contract works costs | **2,149,888** | 2,862,972 |
| Cost of properties sold## | **558,277** | 131,773 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties## | **7,620** | 8,586 |
| Employee benefits expense (exclusive of Directors'remuneration): # | | |
| Wages and salaries | **213,084** | 205,482 |
| Pension scheme contributions (defined contribution schemes) | **5,898** | 5,764 |
| | **218,982** | 211,246 |
| Directors' remuneration: | | |
| Fees | **960** | 960 |
| Other emoluments: | | |
| Salaries, allowances and benefits-in-kind* | **12,040** | 11,634 |
| Discretionary performance related bonuses | **54,240** | 51,020 |
| Pension scheme contributions (defined contribution schemes) | **90** | 90 |
| | **66,370** | 62,744 |
| | **67,330** | 63,704 |
| Fair value loss of a derivative financial instrument | **186** | - |
| Provision for contract works# | **266,055** | - |
| Minimum lease payments under operating leases | **20,298** | 21,787 |
| Government subsidies** | **( 544)** | ( 1,024) |

# For the year ended 31 March 2019, depreciation, employee benefits expense and provision for contract works of HK$1,181,000 (2018: HK$755,000), HK$201,997,000 (2018: HK$198,361,000) and HK$266,055,000 (2018: nil), respectively, are included in "Contract works costs" on the face of the consolidated statement of profit or loss and other comprehensive income.

## These items are included in the "Property costs" on the face of the consolidated statement of profit or loss and other comprehensive income.

* The remuneration disclosed above excludes the estimated monetary value of residential accommodation provided to a Director of the Company. The estimated monetary value of such residential accommodation provided to the Director, not charged to profit or loss for the year, was approximately HK$1,916,000 (2018: HK$1,677,000).

** Subsidies have been received from the Hong Kong Vocational Training Council and the Construction Industry Council, institutions established by the Hong Kong Special Administrative Region Government, for providing on-the-job training for graduate engineers and trainees, respectively. There were no unfulfilled conditions or contingencies relating to these subsidies.

## NOTES (continued)

### 7. INCOME TAX

Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in Bermuda, the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Commencing from the year ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary (as elected by the Directors) are subjected to the two-tiered profits tax rates regime which was effective on 29 March 2018 that the first HK$2 million of assessable profits of that subsidiary will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%.

An analysis of the Group's tax charge is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current - Hong Kong: | | |
| Charge for the year | **97,487** | 52,459 |
| Underprovision in prior years | **7** | 295 |
| Deferred | **( 769)** | 2,916 |
| Total tax charge for the year | **96,725** | 55,670 |

### 8. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final – HK2 cents (2018: HK2 cents) per ordinary share | **33,659** | 33,659 |

The final dividend proposed subsequent to the end of the reporting period is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## NOTES (continued)

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations | **704,520** | 408,930 |

| | **Number of shares** | |
|---|---|---|
| | **2019** | 2018 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **1,682,966,400** | 1,708,342,845 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **3,220,051** | 5,195,498 |
| Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation | **1,686,186,451** | 1,713,538,343 |

## NOTES (continued)

## 10. ACCOUNTS RECEIVABLE

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

As at 31 March 2018, retention receivables included in accounts receivable amounted to HK$203,219,000, which were repayable within terms ranging from one to four years.

The Group assigned its financial benefits under certain contract works and rental arrangements to secure certain general banking facilities granted to the Group. As at 31 March 2019, the aggregate amounts of accounts receivable related to such contract works and rental arrangements pledged to secure the relevant banking facilities amounted to HK$21,963,000 (31 March 2018: HK$220,143,000, which included unbilled revenue and retention receivables of HK$2,333,000 and HK$55,148,000, respectively) and HK$92,000 (31 March 2018: HK$2,689,000), respectively.

An ageing analysis of the Group's accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to three months | **102,083** | 329,494 |
| Four to six months | **65** | 5,473 |
| Over six months | **8,234** | 198,381 |
| | **110,382** | 533,348 |

*Impairment under HKFRS 9 for the year ended 31 March 2019*
The Group has applied the simplified approach to provide for impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all accounts receivable and contract assets. To measure the ECLs, accounts receivable and contract assets have been grouped based on shared credit risk characteristics and the days past due. With the incorporation of forward-looking information in the ECLs, management considered that the ECL rate for the Group's accounts receivable and contract assets is minimal and therefore no provision for impairment of accounts receivable and contract assets was necessary as at 31 March 2019 and 1 April 2018.

# NOTES (continued)

## 10. ACCOUNTS RECEIVABLE (continued)

*Impairment under HKAS 39 for the year ended 31 March 2018*
The ageing analysis of the Group's accounts receivable as at 31 March 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

| | *HK$'000* |
|---|---|
| Past due but not impaired: | |
| One to three months past due | 1,493 |
| Four to six months past due | 8,736 |
| Seven to twelve months past due | 270 |
| Over one year past due | 8,085 |
| | 18,584 |
| Neither past due nor impaired | 514,764 |
| | 533,348 |

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

Accounts receivable that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the Directors were of the opinion that no allowance for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. Except for certain deposits received and/or bank guarantee amount covered from corresponding tenants, the Group did not hold any collateral or other credit enhancements over these balances.

## 11. CONTRACT ASSETS

An analysis of the Group's contract assets is as follows:

| | **31 March 2019** | 1 April 2018 | 31 March 2018 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Contract assets arising from construction contracts: | | | |
| Unbilled revenue | **57,742** | 41,129 | - |
| Retention receivables | **162,418** | 203,219 | - |
| | **220,160** | 244,348 | - |
| Contract assets arising from sale of properties: | | | |
| Other receivables | **-** | 50 | - |
| | **220,160** | 244,398 | - |

## NOTES (continued)

### 11. CONTRACT ASSETS (continued)

Movement of the Group's contract assets:

| | 2019<br>*HK$'000* |
|---|---|
| At beginning of year - upon adoption of HKFRS 15 | **244,398** |
| Addition in contract assets | **59,948** |
| Transfers to accounts receivable | **( 84,136)** |
| Collection of other receivables | **( 50)** |
| At end of year | **220,160** |

Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet certified by customers because the rights are conditional upon the quality and quantity check by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the accounts receivable when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Retention receivables included in contract assets represents the Group's right to consideration for work performed but not yet collectible because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the accounts receivable when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

Details of ECLs consideration are disclosed in note 10 to the financial information.

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to the Group and as at 31 March 2019, the aggregate amount of unbilled revenue and retention receivables related to such contract works pledged to secure the relevant banking facilities amounted to HK$23,255,000 and HK$57,871,000, respectively.

# NOTES (continued)

## 12. LOANS AND INTEREST RECEIVABLES

An analysis of the Group's loans and interest receivables is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Secured | **324,299** | 106,239 |
| Unsecured | **65,101** | - |
| | **389,400** | 106,239 |
| Less: Impairment allowance | **-** | - |
| | **389,400** | 106,239 |

As at 31 March 2019, the Group's loans receivable bore interest at rates ranging from approximately 2% to 30% per annum (31 March 2018: approximately 4% to 8% per annum) and were repayable within one year. The carrying amounts of these loans receivable approximate to their fair values.

*Impairment under HKFRS 9 for the year ended 31 March 2019*
For loans and interest receivables, the Group applied the general approach to provide for impairment for ECLs prescribed by HKFRS 9. As at 31 March 2019, loans and interest receivables that were overdue amounted to HK$91,137,000 (31 March 2018: nil) and all the balances were categorised within Stage 1 or Stage 2 for the measurement of ECLs.

An impairment analysis is performed throughout the reporting period, which are estimated by applying the probability of default approach with reference to the risks of default of the borrowers. As certain loans and interest receivables are covered by the pledge of properties of the borrowers, management considered that the ECL rate for the Group's loans and interest receivables is minimal and therefore no provision for impairment of loans and interest receivables was made as at 31 March 2019 and 1 April 2018.

*Impairment under HKAS 39 for the year ended 31 March 2018*
At 31 March 2018, all the loans and interest receivables were neither past due nor impaired and related to independent borrowers for whom there was no recent history of default. Based on past experience, the Directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

## NOTES (continued)

### 13. ACCOUNTS PAYABLE

An ageing analysis of the Group's accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to three months | **134,978** | 193,985 |
| Four to six months | **6,386** | 20,916 |
| Over six months | **202,551** | 229,465 |
| | **343,915** | 444,366 |

At 31 March 2019, retention payables included in accounts payable amounted to HK$174,863,000 (31 March 2018: HK$197,699,000), which are normally settled within terms ranging from one to four years.

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

### 14. SHARE CAPITAL

Shares

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Authorised: | | |
| 4,000,000,000 ordinary shares of HK$0.025 each | **100,000** | 100,000 |
| Issued and fully paid: | | |
| 1,682,966,400 ordinary shares of HK$0.025 each | **42,074** | 42,074 |

A summary of the movements in the Company's issued ordinary share capital is as follows:

| | *Notes* | **Number of shares in issue** | **Issued capital** | **Share premium account** | **Total** |
|---|---|---|---|---|---|
| | | | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| At 1 April 2017 | | 1,761,664,400 | 44,042 | 342,430 | 386,472 |
| Shares repurchased and cancelled | *(a)* | ( 78,878,000) | ( 1,972) | ( 89,269) | ( 91,241) |
| Share options exercised | *(b)* | 180,000 | 4 | 90 | 94 |
| Transfer from share option reserve | *(c)* | - | - | 23 | 23 |
| At 31 March 2018, 1 April 2018 and 31 March 2019 | | **1,682,966,400** | **42,074** | **253,274** | **295,348** |

## NOTES (continued)

### 14. SHARE CAPITAL (continued)

Shares (continued)

*Notes:*

*(a) During the year ended 31 March 2018, the Company repurchased a total of 78,878,000 ordinary shares of the Company at an aggregate consideration of approximately HK$91,241,000 (including direct expenses of approximately HK$466,000). All of these repurchased shares were cancelled during the year ended 31 March 2018.*

*(b) During the year ended 31 March 2018, the subscription rights attaching to 180,000 share options were exercised at the subscription prices of HK$0.526 per share, resulting in the issue of 180,000 ordinary shares of HK$0.025 each for a total cash consideration, before expenses, of approximately HK$94,000.*

*(c) An amount of HK$23,000 was transferred from the "Share option reserve" to the "Share premium" account upon the exercise of the share options during the year ended 31 March 2018.*

### 15. CONTINGENT LIABILITIES

(a) At 31 March 2019, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract works customers amounted to HK$278,485,000 (31 March 2018: HK$179,443,000).

(b) Claims:

(i) Personal injuries

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 sub-contractors 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.

(ii) Sub-contractors' claims

In the ordinary course of the Group's construction business, the Group has been subject to various claims from sub-contractors from time to time. Provision would be made for claims when the management assessed and can reasonably estimate the probable outcome of the claims. No provision would be made for claims when the claims cannot be reasonably estimated or management believes that the probability of loss is remote.

## NOTES (continued)

### 16. EVENTS AFTER THE REPORTING PERIOD

(a) On 11 April 2019, an indirect wholly-owned subsidiary of the Company as the purchaser entered into a provisional agreement with The Lutheran Church – Missouri Synod, an independent third-party as the vendor, and a property agent to acquire the property at No. 12 Wiltshire Road, Kowloon Tong, Kowloon, Hong Kong at a consideration of HK$140 million. The acquisition constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**") and was completed on 21 May 2019. Details of this acquisition were set out in the Company's announcement dated 11 April 2019.

(b) On 16 April 2019, an indirect wholly-owned subsidiary of the Company, which engages in provision of finance business as lender (the "**Lender**") and Customer Z (the "**Borrower**", an independent third-party) as borrower entered into a loan agreement pursuant to which the Lender granted the Borrower a loan of HK$120 million (the "**Loan**") for an interest of 4.6% per annum during the period from 16 April 2019 to 16 March 2020. The Loan is secured by (i) the first legal charge in respect of certain properties held by Company B, a wholly-owned subsidiary of the Borrower, in Kowloon, Hong Kong (the "**Pledged Properties**"); (ii) a share mortgage on all issued share capital of Company B; and (iii) a debenture in respect of floating charges of all undertakings, properties and assets (except for the Pledged Properties) of Company B (collectively, the "**Securities**"). The Loan and the transactions contemplated thereunder constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of this transaction were set out in the Company's announcement dated 16 April 2019.

    Subsequent to the grant of the Loan, the Lender had issued notices to the Borrower and / or Company B to request the immediate repayment of the Loan. Up to the date of approval of this announcement, neither the Borrower nor Company B has early repaid the Loan as requested. Considered the estimated value of the Securities, the Directors were of the opinion that no provision for impairment was necessary in the case of default.

## PERFORMANCE

During the year under review, Vantage International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**", including Able Engineering Holdings Limited ("**Able Holdings**"; stock code: 1627) and its subsidiaries (collectively, the "**Able Group**")) was principally engaged in the contract works business, which mainly comprised of building construction and repair, maintenance, alteration and addition ("**RMAA**") works, the property investment and development business and the provision of finance business in Hong Kong.

For the year ended 31 March 2019, the Group's profit attributable to owners of the parent amounted to HK$705 million compared to HK$409 million in last year, an increase of 72%. Excluding revaluation gains from its investment properties, the Group's underlying net profit of this year rose to HK$647 million from HK$269 million of the year ended 31 March 2018. The basic earnings per share for this year was HK41.86 cents compared to HK23.94 cents in last year. In addition, the equity attributable to owners of the parent as at 31 March 2019 amounted to HK$4,206 million (approximately HK$2.50 per share), representing an increase of 21% (31 March 2018: HK$3,464 million (approximately HK$2.06 per share)). The substantial increase in the underlying net profit for the year ended 31 March 2019 was largely due to the completion of all sales transactions of the "Pokfulam Peak" project in this year.

On the other hand, the performance of contract works, property investment and provision of finance businesses remained stable in this year. Upon the initial adoption of HKFRS 15 on 1 April 2018, the Group recognised contract works profits of approximately HK$92 million directly in equity.

## DIVIDEND

No interim dividend has been paid or declared by the Company during this year (2018: nil). At the Company's annual general meeting ("**AGM**") held on 31 August 2018, shareholders approved the payment of a final dividend of HK2 cents per ordinary share for the year ended 31 March 2018 which amounted to a total of approximately HK$33,659,000. The dividend was paid on 21 September 2018.

The Board recommends the payment of a final dividend of HK2 cents (2018: HK2 cents) per ordinary share for the year ended 31 March 2019 to the shareholders whose names appear on the register of members of the Company on 10 September 2019, Tuesday. The proposed payment of the final dividend is subject to the approval of the Company's shareholders at the forthcoming 2019 AGM of the Company and has not been recognised as a liability as at 31 March 2019.

Based on the 1,682,966,400 ordinary shares of the Company in issue as of the approval date of this announcement, the total final dividend amounted to approximately HK$33,659,000.

## AGM AND CLOSURE OF REGISTER OF MEMBERS

The 2019 AGM of the Company will be held in Hong Kong on 28 August 2019, Wednesday. Notice of the AGM will be issued and disseminated to the shareholders in due course.

To ascertain the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from 23 August 2019, Friday to 28 August 2019, Wednesday (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 22 August 2019, Thursday.

## DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Assuming that the final dividend recommended by the Board for the year ended 31 March 2019 is approved by the shareholders of the Company at the forthcoming AGM, for the purposes of ascertaining the entitlement to the final dividend, the register of members of the Company will be closed from 9 September 2019, Monday to 10 September 2019, Tuesday (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on 6 September 2019, Friday. It is expected that the final dividend will be payable to those entitled shareholders on or before 20 September 2019, Friday.

## BUSINESS REVIEW

During the year under review, the Group was principally engaged in the contract works business, which mainly comprised building construction and RMAA works, the property investment and development business and the provision of finance business in Hong Kong.

### Contract Works

#### *Market review*

In recent years, housing policy remains a prime focus of the Hong Kong Special Administrative Region (the "**HKSAR**" or "**Hong Kong**") Government. As addressed in the 2018 Policy Address, the HKSAR Government will implement various measures to increase land and public housing supplies, such as the redevelopment of aged housing estates and allocate 70% (based on housing units) of newly developed land to public housing development. All these measures involve building construction works which are one of the key business of the Group. The Directors believe that the construction industry will remain promising in the future.

## BUSINESS REVIEW (continued)

### Contract Works (continued)

#### *The Group's performance*

The Group currently carries on its contract works business through the Able Group. The contract works segment can be further divided into two businesses according to nature of contracts, being building construction and RMAA works.

For the year ended 31 March 2019, external revenue amounted to approximately HK$2,385 million (2018: approximately HK$3,112 million), representing a decrease of 23% from that of last year. The decrease in turnover was mainly resulted from the completion of substantial portion of certain large-scale building construction projects of the Able Group during the year. A large portion of revenue of these matured projects had already been recognised last year and they reached final stage of development in this year. Accordingly, these projects did not contribute much revenue to the Able Group in current year. On the other hand, works regarding those new construction projects awarded to the Able Group only commenced in the second half year of 2018/19 that they did not contribute much revenue for the year ended 31 March 2019.

The gross profit margin of this segment increased from 8.0% for the year ended 31 March 2018 to 9.9% for the year ended 31 March 2019. The increase was mainly resulted from the effect of the adoption of HKFRS 15 since 1 April 2018. In prior years, revenue and costs of contract works were recognised using the percentage of completion method and a relatively even gross profit margin was achieved for an individual contract over the life of the contract. Under HKFRS 15, contract works costs related to satisfied performance obligations in a contract would be recognised in profit or loss immediately, resulting in uneven gross profit margins in individual reporting periods over the life of each contract. Albeit the overall profit that can be recognised for a project will not be affected by HKFRS 15, it is expected the gross profit margins of the contract works business will fluctuate over different reporting periods, depending on the actual revenue certified and costs incurred for the construction works performed. In addition, as further explained in note 2 to the financial information, the Group recognised contract works profits of approximately HK$92 million directly in equity upon the initial adoption of HKFRS 15 on 1 April 2018.

### Property Investment and Development

#### *Market review*

The elevated US-Mainland trade conflicts and the interest rate hikes weakened market sentiment in the second half of 2018/19 that property price recorded a drop from August to December 2018. However, as supported by strong demand from home buyers and investors and slower than expected increase in interest rates, the property price and transaction volume rebounded in the last quarter of 2018/19.

## **BUSINESS REVIEW** (continued)

### **Property Investment and Development** (continued)

#### ***The Group's performance***

*Property investment*

During the year ended 31 March 2019, the Group's gross rental income increased from approximately HK$80 million for the year ended 31 March 2018 to approximately HK$85 million. The increase of rental income was mainly contributed from temporary leasing of certain units of the newly acquired properties during the year at No. 7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong under the leases brought forward from the acquisition and before such leases expired.

The Group's "Investment properties" were valued amounting to HK$2,138 million in aggregate as of 31 March 2019 (31 March 2018: HK$2,039 million) by an independent professional valuer. Based on the independent valuation performed, the Group recorded net gain on changes in fair value of investment properties of approximately HK$93 million for the year ended 31 March 2019 (31 March 2018: approximately HK$183 million). The increase in fair value in this year was mainly contributed from general market appreciation and increase in rental potential at Tin Ma Court, Wong Tai Sin.

As at 31 March 2019, approximately half of the aggregated value of the Group's investment properties portfolio referred to the investment properties at Tin Ma Court, Wong Tai Sin and Kam Ying Court, Man On Shan acquired in May 2016.

*Property development*

As mentioned in the Company's 2017/18 annual report, the Group's revenue earned from property development business rose significantly in 2018/19. While only one property sales transaction of "Pokfulam Peak" project was recognsied in last year, the Group completed the sales of remaining properties of the project in this year, leading to substantial increase in revenue and profits of the property development business from approximately HK$252 million and HK$121 million of the year ended 31 March 2018 to approximately HK$1,055 million and HK$497 million, respectively, in this year.

Regarding the Group's proposed redevelopment at No. 1 & No. 1A Wood Road, Wanchai, Hong Kong (the "**Wood Road Property**"), the Group successfully bided for the acquisition of the Wood Road Property at a public auction held on 29 June 2018 under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) (the "**Wood Road Acquisition**"). The Wood Road Acquisition was completed in August 2018 and further details of the acquisition was set out in the Company's announcement dated 29 June 2018. As of 31 March 2019, all units of the Wood Road Property were vacant for redevelopment and the Group was planning the demolishing works of the building.

The site foundation works of the residential development at No. 28 Lugard Road, The Peak, Hong Kong (the "**Lugard Project**") was in progress during the year and as of 31 March 2019. Due to the geographical location of this project and road conditions of nearby areas, it is expected that the development of the Lugard Project will be completed after 2021.

## BUSINESS REVIEW (continued)

### Property Investment and Development (continued)

#### *The Group's performance* (continued)

Property development (continued)

As of 31 March 2019, the Group's "Properties held for sale" in the consolidated statement of financial position were referring to properties at "Belfran Peak". This high-end residential development project is located at No. 9 Belfran Road, Kowloon, Hong Kong. The project was granted the certificate of compliance and is ready for sale. "Belfran Peak" consists of a 20-storey residential building, which contains six duplex apartments, a triplex apartment, car parking spaces and recreational facilities.

### Provision of Finance

A wholly-owned subsidiary of the Group has been granted a licence under the "Money Lenders Ordinance" to carry on the provision of finance business in Hong Kong since September 2015. During this year, interest at rates ranging from approximately 2% to 30% per annum (2018: approximately 4% to 41% per annum) were charged to borrowers and interest income of approximately HK$20 million was earned (2018: approximately HK$18 million).

### Other Income and Gains, Net

Other income and gains (net) recorded a decrease from approximately HK$191 million for the year ended 31 March 2018 to approximately HK$180 million for the year ended 31 March 2019. The decrease was mainly attributable to the drop of net gain on changes in fair value of the Group's investment properties from approximately HK$183 million for the year ended 31 March 2018 to approximately HK$93 million in current year. The higher net fair value gains recorded in last year was mainly due to increase in rental potential of certain investment properties after change in floor layout while the increase in this year was mainly resulted from general market appreciation in Hong Kong. Besides, a property sales transaction was canceled this year that confiscated deposits and compensation income of approximately HK$75 million was also recognised.

### Selling and Marketing Expenses

Expenses incurred for the year ended 31 March 2018 represented respective advertising and marketing costs incurred for the marketing of the "Pokfulam Peak" project while that of current year represented cost incurred for the launch of "Belfran Peak" project, including costs related to sales brochure, project website and advertising, etc..

### Administrative Expenses

Administrative expenses increased from approximately HK$114 million for the year ended 31 March 2018 to approximately HK$141 million for the year ended 31 March 2019. The higher administrative expenses of current year was mainly due to the depreciation, maintenance and operating costs incurred for newly acquired properties such as the Man Shung Building (as defined in this announcement), and the increase in director's and staff related costs, including salary, discretionary bonus and welfare expenses.

## BUSINESS REVIEW (continued)

### Finance Costs

For the year ended 31 March 2019, the Group recognised approximately HK$32 million finance costs as expenses (2018: approximately HK$28 million) while the Group's total interest on bank loans before interest capitalisation to "Properties under development" was approximately HK$37 million (2018: approximately HK$30 million). The increase in overall finance costs was mainly caused by the increase in average bank loans and interest rates during this year.

### Share of Profits and Losses of Joint Ventures

To expand into new sector of the contract works businesses, the Group, through the Able Group, acquired 50% interest in Gold Victory (as defined in this announcement) through the JV Acquisition (as defined in this announcement) on 30 November 2018. During the four months from the completion of the JV Acquisition to 31 March 2019, net profits shared by the Group from Gold Victory amounted to approximately HK$2 million.

### Income Tax Expense

Income tax expense increased by 74% from approximately HK$56 million for the year ended 31 March 2018 to approximately HK$97 million for this year. The increase was consistent with the increase in taxable profit for this year.

### Profit Attributable to Owners of the Parent

As a result of the foregoing, the Group's profit attributable to owners of the parent for this year recorded an increase from approximately HK$409 million for the year ended 31 March 2018 to approximately HK$705 million of current year.

## FINANCIAL REVIEW

### Capital Structure, Liquidity and Financial Resources

The capital of the Company only comprises ordinary shares. The Group's banking facilities, comprising primarily bank loans, overdrafts and performance bond, amounted to approximately HK$3,305 million as of 31 March 2019 (31 March 2018: approximately HK$3,202 million), of which approximately HK$1,455 million (31 March 2018: approximately HK$1,642 million) was unutilised. The Group monitors capital structure using gearing ratio and net gearing ratio. Gearing ratio is measured as total bank borrowings divided by equity attributable to owners of the parent while net gearing ratio is measured as total bank borrowings less cash and cash equivalents, divided by equity attributable to owners of the parent. As at 31 March 2019, the Group's gearing and net gearing ratios were 37.4% and 0.4% (31 March 2018: 39.8% and -2.9%), respectively.

## FINANCIAL REVIEW (continued)

### Capital Structure, Liquidity and Financial Resources (continued)

The Group's cash and cash equivalents recorded an increase by 4.8% from approximately HK$1,481 million as at 31 March 2018 to approximately HK$1,552 million as at 31 March 2019. In this year, the Group recognised significant net cash outflows in investing activities for the acquisition of the Man Shung Building, the Shek O Property (as defined in this announcement) and certain land lots at Kam Tin, Yuen Long for the Group's own use. On the other hand, operating net cash inflows from both contract works business and property investment and development business remained strong in this year.

Current ratio of the Group stood at 1.44 as at 31 March 2019, while that as at 31 March 2018 was 1.48. Current ratio is measured as total current assets divided by total current liabilities. The Group maintains sufficient working capital resources to execute its contract works, property investment and development plans and provision of finance business.

Looking forward, due to the commencement of a substantial hospital project awarded to the joint operation in which a subsidiary of the Group is a joint operator, it is expected significant amount of cash would be consumed by the contract works business in the coming twelve months. The Group will continuously take a prudent and cautious approach to cash application and capital commitments.

### Interest and Foreign Exchange Exposure

The Group's business operations are principally in Hong Kong, and certain operation of a joint venture is in the PRC. Majority of the Group's business transactions are denominated in the local currencies. Hence, the Group is not exposed to significant foreign exchange risk.

At 31 March 2018 and 31 March 2019, the Group's bank borrowings were all denominated in Hong Kong dollars and on a floating rate basis. The Group's bank accounts were operated with principal bankers in Hong Kong. The interest rates of these bank accounts are determined by reference to the respective banks' offer rate. For the year ended 31 March 2018 and 31 March 2019, the Group did not engage in any interest rates and currency speculation activities.

### Non-current Prepayments and Other Assets

As at 31 March 2018, the Group recorded non-current prepayments and other assets of approximately HK$115 million, which represented prepayments and deposits of approximately HK$114 million paid for the acquisition of total 25/26 shares in the Man Shung Building and deposits of approximately HK$1 million paid for the acquisition of certain land lots at Kam Tin, Yuen Long. Both acquisitions were completed in this year.

## FINANCIAL REVIEW (continued)

### Accounts Receivable

As at 31 March 2019, approximately 99% (31 March 2018: approximately 99%) of the Group's accounts receivable represented the receivables of contract works business of the Able Group, among which, accounts receivable only included contract trade receivables in accordance with HKFRS 15, while that as of 31 March 2018 also combined retentions receivable and unbilled revenue which rights to receipt have not yet become unconditional in relation to completed and on-going contract works projects. Contract trade receivables represent progress billing of work performed by the Able Group and which the amounts have been verified by the progress payment certificates issued by and received from customers. The level of contract trade receivables is principally affected by work progress and the amount of the progress payment certificate received from customers before the end of the reporting period. Approximately 93% of the contract trade receivables as at 31 March 2019 were subsequently settled by 31 May 2019 (31 March 2018: approximately 97% were subsequently settled by 31 May 2018).

### Prepayment, Other Receivables and Other Assets

Both the Group's balances at 31 March 2018 and 31 March 2019 contained refundable security deposits of HK$45 million paid for the potential acquisition of RICHREAR INT'L (as defined in this announcement), prepaid insurance for contract works, bank interest receivable, deposits paid for building management services, wastage disposal, utilities, etc.. Increase in balance at current year was mainly due to approximately HK$75 million sales proceeds of "Pokfulam Peak" escrowed at lawyer.

### Contract Assets

Balance at current year end represented retention of accounts receivable and unbilled revenue of HK$162 million and HK$58 million, respectively, which the Group's rights to receipt have not yet become unconditional. Both balances were previously classified under "Accounts receivable" before the adoption of HKFRS 15 on 1 April 2018. In general, half of the retention money will be released upon practical completion of a project and the remaining half of the retention money is released upon expiry of the defect liability period.

### Other Payables and Accruals

The Group's balances at 31 March 2019 mainly represented provision of contract works, staff costs payable, rental income received in advance and deposits received from tenants, etc.. Significant increase in balance in current year end was primarily caused by the increase in provision of contract works after the adoption of HKFRS 15. Besides, amount received in advance for the sale of properties as of 31 March 2018 had been recognised as income upon completion of respective sales transactions in this year.

## FINANCIAL REVIEW (continued)

### Charges on Assets

At 31 March 2019, the following assets of the Group were pledged in favour of certain banks to secure the banking facilities granted by those banks to certain members of the Group:

- investment properties with an aggregate carrying amount of HK$2,138,000,000 (31 March 2018: HK$2,039,000,000);
- land and buildings with an aggregate carrying amount of HK$95,059,000 (31 March 2018: HK$85,354,000);
- properties held for development with an aggregate carrying amount of HK$67,949,000 (31 March 2018: HK$146,877,000);
- properties under development with an aggregate carrying amount of HK$445,846,000 (31 March 2018: HK$419,033,000);
- properties held for sale with an aggregate carrying amount of HK$246,181,000 (31 March 2018: HK$246,053,000);
- the assignment of the Group's financial benefits under certain contract works and rental arrangements with accounts receivable related to such contract works and rental arrangements amounting to HK$21,963,000 (31 March 2018: HK$220,143,000, which included unbilled revenue and retention receivables of HK$2,333,000 and HK$55,148,000, respectively) and HK$92,000 (31 March 2018: HK$2,689,000), respectively; and
- the assignment of the Group's financial benefits under certain contract works with unbilled revenue and retention receivables related to such contract works amounting to HK$23,255,000 and HK$57,871,000, respectively.

### Contingent liabilities

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

## ACQUISITION OF THE SHEK O PROPERTY

On 24 December 2018, East Acton Limited ("**East Acton**", an indirect wholly-owned subsidiary of the Company) was noticed in writing that the tender documents it submitted to acquire No. 18 Shek O Headland, Hong Kong (the "**Shek O Property**") through the acquisition (the "**Shek O Acquisition**") of the entire issued share capital of and the shareholder loan to York Star Holdings Limited at an aggregate consideration of HK$338 million was accepted by HSBC International Trustee Limited as trustee of The Supremo Trust, as the vendor. Completion of the Shek O Acquisition took place on 15 March 2019.

The Shek O Property falls within the luxury residential area of Shek O Headland, with unobstructed sea view. It comprises a 2-storey waterfront house together with terrace, garden and a swimming pool erected upon a site with site area of approximately 15,400 sq. ft.. It has a saleable area of approximately 3,382 sq. ft. according to the Rating and Valuation Department.

## ACQUISITION OF THE SHEK O PROPERTY (continued)

The Shek O Acquisition constituted a discloseable transaction of the Company under Chapter 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (The "**Stock Exchange**"). For further details of the Shek O Acquisition, please refer to the announcements of the Company dated 28 December 2018 and 15 March 2019.

## ACQUISITION OF 50% INTEREST IN GOLD VICTORY

On 30 November 2018, Grand Superb Limited (the "**Grand Superb**", an indirect wholly-owned subsidiary of Able Holdings) as the purchaser, Golden Stone Asia Inc. ("**Golden Stone**", an independent third party) as the vendor and Mr. WONG Kin Wah (the "**Guarantor**", an independent third party) as the guarantor entered into an equity transfer agreement (the "**Equity Transfer Agreement**") pursuant to which Grand Superb agreed to purchase and Golden Stone agreed to sell 50% interest of the Gold Victory Resources Inc. ("**Gold Victory**") at a consideration of HK$60 million (the "**JV Acquisition**"). Completion of the JV Acquisition took place on the same day.

Gold Victory and its subsidiaries (collectively, the "**JV Group**") are principally engaged in the manufacturing of doors, door frames, furniture and other related products in a leased factory in Dongguan City of the Peoples' Republic of China (the "**PRC**") and the installation and trading of doors, door frames, furniture and other related products in Hong Kong. The goodwill arising from the JV Acquisition amounted to approximately HK$45 million. The Board believed that the JV Acquisition can achieve synergy and strategic advantage and broaden the income source while diversify the business risk of the Group.

The JV Acquisition constituted a discloseable transaction for each of the Company and Able Holdings under Chapter 14 of the Listing Rules. For further details of the JV Acquisition, please refer to the joint announcements of the Company and Able Holdings dated 30 November 2018 and 18 December 2018.

### Profit Warranty

Pursuant to the Equity Transfer Agreement, Golden Stone irrevocably warrants and guarantees to Grand Superb that the actual profits of the JV Group for the period commencing from 1 December 2018 and ending on 31 March 2022 (the "**Profit Warranty Period**") shall not be less than the guaranteed profits (the "**Guaranteed Profits**") of HK$50 million (the "**Profit Warranty**") . In the event the total Guaranteed Profits are not achieved or reached for the entire Profit Warranty Period based on auditor's certification, Golden Stone shall pay Grand Superb 50% of the shortfall between the actual profits and the Guaranteed Profits, unless the shortfall is caused by the event of force majeure as defined in the Equity Transfer Agreement.

The Profit Warranty constitutes a derivative financial instrument of the Group. As at 31 March 2019, the fair value of the Profit Warranty was HK$194,000, which was determined by Asset Appraisal Limited, an independent professional valuer, based on the probabilistic flow method.

## THE MAN SHUNG ACQUISITION

On 8 January 2018, Bright Wind Limited ("**Bright Wind**", an indirect wholly-owned subsidiary of Able Holdings) entered into nine provisional sale and purchase agreements with various independent third parties for the acquisition of certain properties (representing 21/26 equal and undivided shares) located at Man Shung Industrial Building (the "**Man Shung Building**"), No. 7, Lai Yip Street, Kwun Tong, Kowloon, Hong Kong at an aggregate consideration of HK$438.6 million (the "**First Round Man Shung Acquisition**"). In addition, Bright Wind also entered into three provisional sale and purchase agreements with various independent third parties for the acquisition of certain remaining properties (representing 4/26 equal and undivided shares) of the Man Shung Building at an aggregate consideration of HK$180 million on 9 February 2018 (the "**Second Round Man Shung Acquisition**"); and entered into one provisional sale and purchase agreement with an independent third party for the acquisition of Portion B on 11th Floor of the Man Shung Building (representing 1/26 equal and undivided shares) at a consideration of HK$30.3 million on 28 June 2018 (the "**Third Round Man Shung Acquisition**", together with the First Round Man Shung Acquisition and the Second Round Man Shung Acquisition, the "**Man Shung Acquisition**").

Completion of the First Round Man Shung Acquisition and the Second Round Man Shung Acquisition took place on 12 April 2018, while completion of the Third Round Man Shung Acquisition took place on 30 August 2018. After completion of the Man Shung Acquisition, the Group, through the Able Group, owns the entire Man Shung Building. The Man Shung Acquisition will provide a self-owned working space to the Able Group as office, project rooms, rooms for new BEAM and innovation and technology functions, technical workshop and training centre for its expansion. As the Man Shung Building was acquired on "as is" basis, certain units of the property have been leasing to third parties which contributed approximately HK$7 million to the Group's rental revenue of this year. Based on current negotiation with the tenants, the latest tenancy will expire / be terminated before December 2019.

The Man Shung Acquisition constituted a major transaction for each of the Company and Able Holdings under Chapter 14 of the Listing Rules. For further details of the Man Shung Acquisition, please refer to the joint announcements of the Company and Able Holdings dated 8 January 2018, 9 February 2018, 12 April 2018 and 28 June 2018, and the circulars of the Company and Able Holdings, both dated 28 March 2018.

## SUBSEQUENT ACQUISITION OF THE WILTSHIRE ROAD PROPERTY

On 11 April 2019, Luck Huge Limited ("**Luck Huge**", an indirect wholly-owned subsidiary of the Company) entered into a provisional sale and purchase agreement with The Lutheran Church - Missouri Synod for the acquisition of No. 12 Wiltshire Road (the "**Wiltshire Road Property**"), Kowloon, Hong Kong at a consideration of HK$140 million (the "**Wiltshire Road Acquisition**"). Completion of the Wiltshire Road Acquisition took place on 21 May 2019.

## SUBSEQUENT ACQUISITION OF THE WILTSHIRE ROAD PROPERTY (continued)

The Wiltshire Road Property is located at the traditional luxury residential area of Kowloon Tong. It comprises a 4-storey domestic property together with garden erected upon a site with site area of approximately 5,235 sq. ft.. It has a saleable area of approximately 7,470 sq. ft. according to Rating and Valuation Department. Given the property's prime location in the traditional luxury residential area of Kowloon Tong, the Directors are of the view that there is good potential for capital appreciation as well as redevelopment. The Group intends to redevelop the Wiltshire Road Property for rental or long-term appreciation purpose to strengthen the property portfolio of the Group.

The Wiltshire Road Acquisition constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details of the Wiltshire Road Acquisition, please refer to the announcement of the Company dated 11 April 2019.

## POSSIBLE RICHREAR ACQUISITION

As disclosed in the Company's announcement dated 8 January 2018, Profit Chain Investments Limited ("**Profit Chain**", a direct wholly-owned subsidiary of the Company) entered into a conditional share transfer agreement with an independent third party (the "**Vendor**") on 5 January 2018, pursuant to which, Profit Chain has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest of Richrear International Limited ("**RICHREAR INT'L**") at a consideration of HK$150 million (the "**Richrear Acquisition**").

RICHREAR INT'L is a limited company incorporated in the British Virgin Islands that its sole business is to hold the entire issued share capital of Richrear Plastic Material Limited ("**RICHREAR HK**", a limited liability company incorporated in Hong Kong) which has been engaged in the processing and trading of plastic materials, pigments and master batch and the holding of the SZ Properties (as defined below). At the same time, RICHREAR HK also owns the entire interests of 富亮塑膠原料(深圳)有限公司 ("**RICHREAR SZ**"), a company established in the PRC with limited liability and is principally engaged in the processing of plastic materials, pigments and master batch at the SZ Properties.

The SZ Properties refers to a piece of industrial land of approximately 10,000 square metres with six 3-6 storey high buildings and fixtures erected thereon, including an office building, three plants and two staff dormitories located in the Hong Qiao Tou Industrial Estate, Song Gang Sub-district, Baoan District, Shenzhen, the PRC (No. 608 Song Gang Section, China National Highway 107).

Up to the approval date of this announcement, refundable deposits of HK$45 million in aggregate has been paid to the Vendor, albeit the Richrear Acquisition may or may not proceed. If proceed, it is expected that the Richrear Acquisition will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) in relation to the Richrear Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

## USE OF PROCEEDS FROM THE LISTING OF ABLE HOLDINGS

The Group disposed 25% interests of its contract works business through the separate listing (the "**Listing**") of Able Holdings on the Main Board of The Stock Exchange on 20 February 2017. After deducting the underwriting commission and other expenses in relation to the Listing, Able Holdings successfully raised a total net cash proceeds of approximately HK$524 million from the Listing and approximately HK$181 million of the net proceeds were unused as at 31 March 2019 (31 March 2018: approximately HK$386 million). The unused proceeds were deposited in licensed banks in Hong Kong.

According to the section "Future Plans and Proposed Use of Proceeds" as set out in the prospectus of Able Holdings dated 26 January 2017, the Able Group used the net proceeds during the year ended 31 March 2019 as follows:

| | Net proceeds from the Listing | Unused amount at 1 April 2018 | Used in this year | Unused amount at 31 March 2019 |
|---|---|---|---|---|
| | *HK$'million* | *HK$'million* | *HK$'million* | *HK$'million* |
| Maintaining and increasing the employed capital requirement and working capital requirement for future/new projects in the public sector | 402 | 354 | (175) | 179 |
| Payment for the upfront costs | 70 | - | - | - |
| General working capital | 52 | 32 | ( 30) | 2 |
| Total | 524 | 386 | (205) | 181 |

## OUTLOOK

In recent years, housing policy remains a prime focus of the HKSAR Government. As addressed in the 2018 Policy Address, the HKSAR Government will implement various measures to increase land and public housing supplies, such as the redevelopment of aged housing estates and allocate 70% (based on housing units) of newly developed land to public housing development. All these measures involve building construction works which are one of the key business of the Group. Accordingly, the Directors believe that the construction industry will remain active in the future. To stay competitive, the Group will put more effort in enhancing our work efficiency and work safety, supporting research and development projects in construction materials and other sectors, as well as actively investing in the use of technologies in daily operation.

For the property investment and development business, after a modest decline in property prices in Hong Kong during Q3 of 2018/19, residential prices in both the luxury and mass segments all rebounded in Q4 of 2018/19 and continue to growth in April 2019. However, current market sentiments are affected by the trade war between China and the US and recent social contradiction. In this regard, it is expected the current market outlook remains heavily dependent on how the trade war and the social instability plays out. Should the trade or social conflict persist and escalate, the intensifying downside risk will affect most of the industries. The Directors are confidence that market fundamentals like wage levels, unemployment rate, property supply and interest rate will remain stable in the short to medium term, while the long-term outlook of the property market are unclear. The Group will keep a close look on the market and be flexible to adjust its property sales strategy and to replenish its property investment and development projects. Disregard of the market conditions, as the Group only have one ready-for-sale property project on hand, it is expected that the revenue and profits that can be earned from the property development business will drop significantly in the year 2019/20.

In response to increasing uncertainties and instabilities, the Group will continuously keep a close eye on the market and be prepared to react quickly to challenges and new investment and development opportunities. To manage investment risk, the Group may also co-operate with different independent partners in tendering projects and expand its business.

## EMPLOYEES AND REMUNERATION POLICY

As of 31 March 2019, the Group employed 369 full-time employees (31 March 2018: 404) in Hong Kong. The Group remunerates its employees based on their performance and work experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus and share options may be granted to senior management and staff members by reference to the Group’s performance, specific project’s performance as well as the individual employee’s performance. Staff benefits include mandatory provident fund, medical insurance, incentive travel, subsidies for education and training programmes, etc..

## EMPLOYEES AND REMUNERATION POLICY (continued)

At the AGM of the Company held on 7 September 2011, the Company adopted a new share option scheme (the "**2011 Scheme**") in replacement of its share option scheme which was adopted on 5 August 2002. The purposes of the 2011 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. During the year ended 31 March 2019, the Company did not grant any share options under the 2011 Scheme to the Group's employees (including Directors) (2018: nil). As at 31 March 2019, the Company had 10,080,000 share options (31 March 2018: 10,200,000 share options) outstanding under the 2011 Scheme.

At the respective AGMs of Able Holdings and the Company held on 31 August 2018, the adoption of a share option scheme by Able Holdings (the "**Subsidiary Option Scheme**") was considered and approved. The purposes of the Subsidiary Option Scheme are to provide incentives for the directors and employees of the members of the Group to work towards enhancing the value of Able Holdings and its shares for the benefit of Able Holdings and its shareholders as a whole. The Subsidiary Option Scheme provides Able Holdings with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants of the scheme. From the date of adoption of the Subsidiary Option Scheme and up to 31 March 2019, Able Holdings did not grant any share options under the Subsidiary Option Scheme and no equity-settled share option expense was charged to the profit or loss.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2019.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 year ended 31 March 2019.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") 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 throughout the year ended 31 March 2019.

## SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

## AUDIT COMMITTEE'S REVIEW

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 March 2019, including the accounting principles and practices adopted by the Group and recommended to the Board for approval.

## APPRECIATION

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

By Order of the Board
**VANTAGE INTERNATIONAL (HOLDINGS) LIMITED**
**NGAI Chun Hung**
*Chairman*

Hong Kong, 25 June 2019

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors*
Mr. NGAI Chun Hung
Mr. YAU Kwok Fai
Ms. LAU Tsz Kwan, Jone

*Non-executive Director*
Dr. LEE Man Piu, Albert

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