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Able Engineering Holdings Limited

安保工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1627)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Able Engineering 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, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

		2019	2018
	Notes	HK\$'000	HK\$'000
REVENUE	5	2,385,415	3,112,264
Contract costs		<u>(2,149,888)</u>	<u>(2,862,972)</u>
Gross profit		235,527	249,292
Other income and gains	5	14,049	4,793
Administrative expenses		(80,787)	(44,987)
Finance costs	6	(528)	(221)
Share of profits and losses of joint ventures		<u>2,173</u>	<u>—</u>
PROFIT BEFORE TAX	7	170,434	208,877
Income tax expense	8	<u>(29,002)</u>	<u>(33,906)</u>
PROFIT FOR THE YEAR		<u>141,432</u>	<u>174,971</u>

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

Year ended 31 March

	2019	2018
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>141,432</u>	<u>174,971</u>
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	<u>1,766</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>1,766</u>	<u>–</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>143,198</u>	<u>174,971</u>
Profit for the year attributable to owners of the parent	<u>141,432</u>	<u>174,971</u>
Profit and total comprehensive income for the year attributable to owners of the parent	<u>143,198</u>	<u>174,971</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
<i>10</i>		
Basic and diluted (<i>HK cents</i>)	<u>7.07</u>	<u>8.75</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		690,085	3,725
Investments in joint ventures		104,559	8,394
Prepayment and other assets		–	113,641
Deferred tax assets		218	41
Total non-current assets		794,862	125,801
CURRENT ASSETS			
Gross amount due from customers for contract works		–	17,306
Accounts receivable	<i>11</i>	110,026	530,482
Contract assets	<i>12</i>	220,160	–
Prepayments, other receivables and other assets		23,399	19,567
Tax recoverable		176	8,809
Cash and cash equivalents		896,837	1,185,501
Total current assets		1,250,598	1,761,665
CURRENT LIABILITIES			
Accounts payable	<i>13</i>	332,931	438,171
Accruals of costs for contract works		–	224,360
Tax payable		13,434	16,572
Other payables and accruals		386,084	23,864
Due to a joint venture		–	7,313
Interest-bearing bank loans		377	–
Total current liabilities		732,826	710,280
NET CURRENT ASSETS		517,772	1,051,385
TOTAL ASSETS LESS CURRENT LIABILITIES		1,312,634	1,177,186
NON-CURRENT LIABILITIES			
Deferred tax liabilities		–	43
Total non-current liabilities		–	43
Net assets		1,312,634	1,177,143
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>14</i>	20,000	20,000
Reserves		1,292,634	1,157,143
Total equity		1,312,634	1,177,143

NOTES

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 July 2016. The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong.

During the year, the Group was principally engaged in building construction and repair, maintenance, alteration and addition (“**RMAA**”) works.

In the opinion of the Directors, Profit Chain Investments Limited (“**Profit Chain**”), a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate holding company of the Company; Vantage International (Holdings) Limited (“**Vantage**”), a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, is an intermediate holding company of the Company; and the ultimate holding company of the Company is Winhale Ltd., a company incorporated in the BVI.

For the purposes of these financial statements, the Company and its subsidiaries are hereinafter collectively referred to as the “**Group**”; whereas Vantage and its subsidiaries, but excluding the Group, are collectively referred to as the “**Remaining Vantage Group**”.

2. BASIS OF PREPARATION

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 (“**HKAS**”) 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.

These financial statements have been prepared under the historical cost convention, except for a derivative financial instrument which has been measured at fair value, and are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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.

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 four types of financial assets that are subject to HKFRS 9's new expected credit loss ("ECL") model:

- Accounts receivable
- Financial assets included in prepayments, other receivables and other assets
- Contract assets
- 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.

(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.

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:

	<i>Notes</i>	Increase/ (decrease) <i>HK\$'000</i>
Assets		
Gross amount due from customers for contract works	(i)	(17,306)
Accounts receivable	(ii)	(244,348)
Contract assets	(ii)	<u>244,348</u>
Total assets		<u>(17,306)</u>
Liabilities		
Accruals of costs for contract works	(i)	(224,360)
Other payables and accruals	(i)	96,524
Tax payable	(iii)	<u>18,237</u>
Total liabilities		<u>(109,599)</u>
Equity		
Retained profits	(iii)	<u>92,293</u>

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:

	<i>Notes</i>	Amounts prepared under		
		HKFRS 15	Previous	Increase/
		HK\$'000	HKFRS	(decrease)
			HK\$'000	HK\$'000
Contract costs	(i)	2,149,888	2,060,760	89,128
Gross profit		235,527	324,655	(89,128)
Profit before tax		170,434	259,562	(89,128)
Income tax expense	(iii)	29,002	43,708	(14,706)
Profit for the year		141,432	215,854	(74,422)
Earnings per share attributable to				
ordinary equity holders of the parent				
Basic and diluted		<u>HK7.07 cents</u>	<u>HK10.79 cents</u>	<u>HK(3.72) cents</u>

Consolidated statement of financial position as at 31 March 2019:

	<i>Notes</i>	Amounts prepared under		
		HKFRS 15	Previous	Increase/
		HK\$'000	HKFRS	(decrease)
			HK\$'000	HK\$'000
Gross amount due from customers for				
contract works	(i)	–	10,746	(10,746)
Accounts receivable	(ii)	110,026	330,186	(220,160)
Contract assets	(ii)	220,160	–	220,160
Total assets		2,045,460	2,056,206	(10,746)
Accruals of costs for contract works	(i)	–	394,727	(394,727)
Other payables and accruals	(i)	386,084	23,505	362,579
Tax payable	(iii)	13,434	9,903	3,531
Total liabilities		732,826	761,443	(28,617)
Net assets		1,312,634	1,294,763	17,871
Retained profits	(iii)	753,125	735,254	17,871
Total equity		1,312,634	1,294,763	17,871

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the consolidated statement of the 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 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 costs were recognised according to the project's overall profit estimation using the percentage of completion method. Where contract 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 costs incurred to date plus recognised profits less recognised losses, the surplus was treated as accruals of contract works.

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 overtime 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 and an increase in retained profits amounting to HK\$92,293,000 at 1 April 2018.

As at 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; and an increase in retained profits amounting to HK\$17,871,000.

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

Prior to the adoption of HKFRS 15, unbilled revenue resulting from construction contracts and retention receivables were classified as accounts receivable. 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.

(iii) *Other adjustments*

In addition to the adjustments described above, tax payable was adjusted as necessary and retained profits were adjusted accordingly.

4. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the contract works segment of which the Group engages in contract works as a main contractor or sub-contractor, primarily in respect of building construction and RMAA works. Accordingly, no segment information is presented.

The Group's revenue from external customers was derived solely from its operations in Hong Kong and the non-current assets of the Group were all located in Hong Kong.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the appropriate proportion of contract revenue of construction and RMAA works during the year.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<u>Revenue</u>		
Revenue from contracts with customers – contract works	<u>2,385,415</u>	<u>3,112,264</u>
<u>Other income and gains</u>		
Interest income	5,885	4,468
Gain on disposal of items of property, plant and equipment	162	–
Rental income	7,357	–
Sundry income	<u>645</u>	<u>325</u>
	<u>14,049</u>	<u>4,793</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank loans	<u>528</u>	<u>221</u>

7. PROFIT BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract costs	2,149,888	2,862,972
Provision for contract works*	266,055	–
Depreciation*	26,982	2,793
Auditor's remuneration	2,997	1,897
Employee benefits expense (excluding Directors' remuneration)*:		
Wages and salaries	193,910	196,087
Pension scheme contributions (defined contribution schemes)	5,696	5,618
	<u>199,606</u>	<u>201,705</u>
Directors' remuneration:		
Fees	<u>432</u>	<u>432</u>
Other emoluments:		
Salaries, allowances and benefits in kind	11,961	10,971
Discretionary performance-related bonuses	25,850	15,210
Pension scheme contributions (defined contribution schemes)	108	108
	<u>37,919</u>	<u>26,289</u>
	<u>38,351</u>	<u>26,721</u>
Fair value loss of a derivative financial instrument	186	–
Minimum lease payments under operating leases	22,856	24,352
Government subsidies**	<u>(544)</u>	<u>(1,024)</u>

* For the year ended 31 March 2019, depreciation, employee benefit expense and provision for contract works of HK\$1,181,000 (2018: HK\$755,000), HK\$196,195,000 (2018: HK\$198,361,000) and HK\$266,055,000 (2018: Nil), respectively, are included in contract costs disclosed above.

** 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.

8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in 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.

	2019 HK\$'000	2018 HK\$'000
Current – Hong Kong		
Charge for the year	29,222	34,139
Overprovision in the prior year	–	(17)
Deferred	(220)	(216)
Total tax charge for the year	<u>29,002</u>	<u>33,906</u>

9. DIVIDENDS

	2019 HK\$'000	2018 HK\$'000
Proposed final – HK4 cents (2018: HK5 cents) per ordinary share	<u>80,000</u>	<u>100,000</u>

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.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,000,000,000 (2018: 2,000,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

11. ACCOUNTS RECEIVABLE

Accounts receivable represented receivables for contract works. The payment terms of contract works receivables are stipulated in the relevant contracts.

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 to secure certain general banking facilities granted to the Group and as at 31 March 2019, the aggregate amount of accounts receivable related to such contract works pledged to secure the relevant banking facilities 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).

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current to three months	101,754	326,645
Four to six months	65	5,473
Over six months	8,207	198,364
	<u>110,026</u>	<u>530,482</u>

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. To measure the ECLs, accounts receivable has 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 expected credit loss rate for the Group's accounts receivable is minimal and therefore no provision for impairment of accounts receivable was necessary as at 31 March 2019 and 1 April 2018.

Impairment under HKAS 39 for the year ended 31 March 2018

The ageing analysis of the accounts receivable as at 31 March 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 <i>HK\$'000</i>
Past due but not impaired:	
One to three months past due	–
Four to six months past due	8,738
Seven to twelve months past due	270
Over one year past due	<u>8,068</u>
	17,076
Neither past due nor impaired	<u>513,406</u>
	<u>530,482</u>

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 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. The Group did not hold any collateral or other credit enhancements over these balances.

12. CONTRACT ASSETS

	31 March 2019 <i>HK\$'000</i>	1 April 2018 <i>HK\$'000</i>	31 March 2018 <i>HK\$'000</i>
Contract assets arising from construction contracts:			
Unbilled revenue	57,742	41,129	–
Retention receivables	<u>162,418</u>	<u>203,219</u>	<u>–</u>
	<u>220,160</u>	<u>244,348</u>	<u>–</u>

Movement of contract assets:

	2019 <i>HK\$'000</i>
At beginning of the year - upon the adoption of HKFRS 15	244,348
Addition in contract assets	59,948
Transfers to accounts receivable	<u>(84,136)</u>
At end of the year	<u>220,160</u>

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 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.

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 contract assets. To measure the ECLs, 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 expected credit loss rate for the Group's contract assets is minimal and therefore no provision for impairment of contract assets was necessary as at 31 March 2019 and 1 April 2018.

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.

13. ACCOUNTS PAYABLE

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

	2019 HK\$'000	2018 HK\$'000
Current to three months	124,092	187,941
Four to six months	6,385	20,912
Over six months	202,454	229,318
	<u>332,931</u>	<u>438,171</u>

At 31 March 2019, retention payables included in accounts payable amounted to HK\$172,663,000 (31 March 2018: HK\$197,588,000), which were 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

	2019 HK\$'000	2018 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>

There was no movement on the Company's share capital during the year.

15. CONTINGENT LIABILITIES

- (a) As at 31 March 2019, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract 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.

PERFORMANCE

During the year under review, the Group was engaged in the contract works business, which mainly comprised building construction and RMAA works in Hong Kong.

For the year ended 31 March 2019, the Group's consolidated revenue amounted to HK\$2,385.4 million, representing a decrease of 23.4% from HK\$3,112.3 million for the year ended 31 March 2018. Profit attributable to owners of the parent of the Company for the year ended 31 March 2019 and 31 March 2018 amounted to HK\$141.4 million and HK\$175.0 million, respectively. As a result of the adoption of HKFRS 15 starting from 1 April 2018, the unrecognized profit in prior years amounting to HK\$92.3 million has been credited to retained profits at 1 April 2018. Basic and diluted earnings per share for the year were HK7.07 cents (2018: HK8.75 cents). Profit for the year ended 31 March 2019 was mainly affected by the effects of (i) the adoption of HKFRS 15 which has led to a decrease of profit of approximately HK\$74.4 million; (ii) the depreciation of Man Shung Industrial Building ("**Man Shung**") of approximately HK\$23.9 million (2018: Nil); and (iii) the rental income of approximately HK\$7.4 million contributed by Man Shung (2018: Nil).

The net assets value attributable to owners of the parent as at 31 March 2019 amounted to HK\$1,312.6 million (approximately HK\$0.66 per share), representing an increase of 11.5% from HK\$1,177.1 million (approximately HK\$0.59 per share) as at 31 March 2018.

DIVIDEND

The Board recommended the payment of a final dividend of HK4 cents (2018: HK5 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 Annual General Meeting ("**AGM**") of the Company and has not been recognised as a liability as at 31 March 2019.

Based on the 2,000,000,000 ordinary shares of the Company in issues as of the date of this announcement, the total dividend amounted to HK\$80,000,000.

ANNUAL GENERAL MEETING 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 AGM to be held on 28 August 2019, Wednesday, 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 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 Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 22 August 2019, Thursday.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Assuming that the final dividend recommended by the Board 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 Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. 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

Market Review

As mentioned in the 2018 Policy Address, the Government of Hong Kong Special Administrative Region (the “**HKSAR Government**”) would continue its effort in increasing the land supply and number of residential units in the coming future to meet the public needs. The Chief Executive of HKSAR Government stated in the 2018 Policy Address that she, during her term of office, will increase the ratio of public housing and allocate more land to public housing development, and undertakes that 70% of the housing units on Government’s newly developed land will be for public housing. In addition, in order to meet the increasing demand for healthcare services arising from the ageing population, the HKSAR Government has set aside a dedicated provision of HK\$200 billion for the implementation of a 10-year Hospital Development Plan (“**HDP**”) in 2016 Policy Address. Further announced in 2018 Policy Address, the HKSAR Government has invited the Hospital Authority to commence planning for the second 10-year HDP, in parallel with the implementation of projects under the first 10-year HDP. A total of 19 projects involving about HK\$270 billion will be covered. In view of the HKSAR Government’s various development plans, the medium to long-term outlook of the construction industry in Hong Kong looks promising.

The Group’s Performance

For the year ended 31 March 2019, revenue from external customers amounted to HK\$2,385,415,000 (2018: HK\$3,112,264,000), representing a decrease of 23.4% 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 during the year. A large portion of revenue of those projects had been contributed in last year and they were in final stage of development which therefore did not contribute much revenue to the Group in current year. On the other hand, the new construction projects awarded to the Group during the year commenced work in the last quarter of 2018 or first quarter of 2019, so not much revenue was recognised for the year ended 31 March 2019 in view of the preliminary stage of these projects.

Other Income and Gains

Other income and gains recorded significant increase from HK\$4,793,000 for the year ended 31 March 2018 to HK\$14,049,000 for the year ended 31 March 2019. The increase was mainly attributable to (i) the increase in interest income of HK\$1,417,000 comparing with last year; and (ii) the rental income of HK\$7,357,000 contributed by Man Shung for the year ended 31 March 2019 (2018: Nil).

Administrative Expenses

Administrative expenses increased from HK\$44,987,000 for the year ended 31 March 2018 to HK\$80,787,000 for the year ended 31 March 2019. The increase was mainly due to (i) the depreciation of Man Shung of HK\$23,887,000 for the year ended 31 March 2019 (2018: Nil); and (ii) the increase in Directors' bonus of HK\$10,640,000 comparing with prior year.

Finance Costs

For the year ended 31 March 2019, the Group's finance costs amounted to HK\$528,000 (2018: HK\$221,000). The increase in finance costs in current year was mainly resulted from the increase in both of Hong Kong Interbank Offered Rate and average bank borrowings of the Group comparing with last year.

Share of Profits and Losses of Joint Ventures

The share of profits of joint ventures for the year ended 31 March 2019 was solely arisen from the share of profits of Gold Victory Resources Inc. ("**Gold Victory**") and its subsidiaries (collectively, the "**GV Group**").

Income Tax Expense

Income tax expense decreased by 14.5% from HK\$33,906,000 for the year ended 31 March 2018 to HK\$29,002,000 for the year ended 31 March 2019. The decrease was mainly attributable to the decrease in taxable profit for the year ended 31 March 2019.

Effect of adoption of HKFRS 15

The adoption of HKFRS 15 starting from 1 April 2018 has led to an increase in retained profits amounting to HK\$92,293,000 at 1 April 2018 and a decrease of profit for the year ended 31 March 2019 amounting to HK\$74,422,000.

Profit Attributable to Owners of the Parent

As a result of the foregoing, profit attributable to owners of the parent decreased from HK\$174,971,000 for the year ended 31 March 2018 to HK\$141,432,000 for the year ended 31 March 2019.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 20 February 2017. Net proceeds from the listing were approximately HK\$524 million (after deducting the underwriting commission and other expenses in relation to the Share Offer). According to the section “Future Plans and Proposed Use of Proceeds” as set out in the Prospectus, the Group used the net proceeds during the year ended 31 March 2019 is as follows:

	Actual net proceeds from the listing <i>HK\$ Million</i>	Unused amount at 1 April 2018 <i>HK\$ Million</i>	Used amount in this year <i>HK\$ Million</i>	Unused amount at 31 March 2019 <i>HK\$ Million</i>
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
	<u>524</u>	<u>386</u>	<u>205</u>	<u>181</u>
Total	<u>524</u>	<u>386</u>	<u>205</u>	<u>181</u>

As at 31 March 2019, the unused proceeds were deposited in licensed banks in Hong Kong.

PROSPECTS

In view of the HKSAR Government's dedication in increasing the supply of public housing and long-term planning of HDP, the medium to long-term outlook of the construction industry in Hong Kong looks promising. On the other hand, the Group is also facing challenges from the fierce competition in the industry and the increase in construction costs arising from the inflation of labor cost and material price. Nevertheless, the Group strives to be competitive in the industry.

In recent years, safety and environmental protection have become the key criteria in assessing the performance of a contractor in the public sector. To cater for the new requirements on safety, the Group has launched a safety promotion scheme to bring out the importance of personal safety habit to the public, staffs and site workers. Environmental protection is also the area the Group focuses on. The Group has taken steps such as dust suppression at construction sites and waste reduction to protect the environment in carrying the construction work.

The Group has been striving for developing innovative technology and has set up the Innovation & Technology Department, through research, promotion and application of extensive use of innovative technology, aiming at enhancing safety, environmental protection, health, quality and efficiency in managing projects. The Group has applied new technology such as Building Information Modeling (BIM), indoor water spray testing robot and various mobile apps in different construction projects. At the same time, the Group is co-operating with different research and development institutions in developing new construction materials, technology and methodology. The Group values our people and believes that investing in extensive training is essential to the newcomers. We strive to pass on the construction techniques to younger generations.

Looking forward, we believe our actions will help create reasonable return for shareholders in a changing marketplace. We are also looking for different investment opportunities to broaden our source of income.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

The capital of the Group only comprises ordinary shares. The total equity of the Group as at 31 March 2019 was HK\$1,312,634,000 (31 March 2018: HK\$1,177,143,000).

The Group monitors capital structure using a net gearing ratio, which 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 net gearing ratio was 0 (31 March 2018: 0).

Due to the combined effects of (i) net cash inflows from operating activities; (ii) acquisition of Man Shung and Gold Victory; and (iii) payment of 2017/18 final dividend during the year ended 31 March 2019, the Group's cash and cash equivalents as at 31 March 2019 amounted to HK\$896,837,000, representing a decrease by HK\$288,664,000 from HK\$1,185,501,000 as at 31 March 2018. Current ratio of the Group stood at 1.7 as at 31 March 2019, while that as at 31 March 2018 was 2.5. 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. The Group generally takes a prudent and cautious approach to cash application and its capital commitments.

Interest Exposure

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

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.

Non-current prepayment and other assets

As at 31 March 2018, the Group recorded non-current prepayment and other assets of HK\$113,641,000 which represented prepayment and deposit of the acquisition of total 25/26 interest in Man Shung. The acquisition was completed during the year ended 31 March 2019.

Accounts Receivable

The Group's accounts receivable represented the receivables for contract works in relation to completed and on-going contract works projects. Trade debtors represent progress billing of work performed by us and the progress payment certificates issued by and received from our customers. The level of our trade debtors is principally affected by our work progress and the amount of the progress payment certificate received from our customers before the end of the reporting period. Approximately 93% of the trade debtors as at 31 March 2019 were subsequently settled as at 31 May 2019 (31 March 2018: approximately 97% were subsequently settled by 31 May 2018).

Contract Assets

Balance at current year end mainly represented retention of accounts receivables and unbilled revenue, which were previously classified under "accounts receivable" before the adoption of HKFRS 15 on 1 April 2018. Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts. Generally, the first half of the retention money is released upon practical completion and the second half of the retention money is released upon expiry of the defect liability period.

Charges on Assets

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to the Group. As at 31 March 2019, the aggregate amount of accounts receivable, unbilled revenue and retention receivables related to such contract works 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), 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.

MATERIAL ACQUISITION AND DISPOSALS

Acquisition of Man Shung Industrial Building

On 8 January 2018, Bright Wind Limited (“**Bright Wind**”, an indirect wholly-owned subsidiary of the Group) 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, No. 7, Lai Yip Street, Kwun Tong, Kowloon at an aggregate consideration of HK\$438.6 million (the “**First Round Man Shung Acquisition**”).

In addition to the First Round Man Shung Acquisition, on 9 February 2018, Bright Wind 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) located at Man Shung at an aggregate consideration of HK\$180.0 million (the “**Second Round Man Shung Acquisition**”).

In addition to the First Round Man Shung Acquisition and Second Round Man Shung Acquisition completed in April 2018, Bright Wind completed the acquisition of the remaining property at Man Shung at a consideration of HK\$30.3 million at the end of August 2018 (the “**Third Round Man Shung Acquisition**”, together with the First Round Man Shung Acquisition and the Second Round Man Shung Acquisition, collectively referred to as the “**Man Shung Acquisition**”).

The Man Shung Acquisition constituted a major transaction for each of the Company and Vantage under Chapter 14 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange. For further details of the Man Shung Acquisition, please refer to the joint announcements of the Company and Vantage dated 8 January 2018, 9 February 2018, 12 April 2018 and 28 June 2018, and the circulars of the Company and Vantage, both dated 28 March 2018.

The acquisitions will provide a self-owned working space to the Group, including (i) provide more area to cater for the Group’s future development, e.g. (a) provide enough working space for each of its employees; (b) set up its own training center for staff development; (c) set up project rooms for project teams to carry out meetings with sub-contractors and clients; (d) set up a team focusing on Building Environment Assessment Method (“**BEAM**”) for its projects; and (e) set up an innovation and technology team to carry out research and development on building materials and building processes improvements; (ii) provide space for setting up its own workshops to fulfill license requirements from relevant government departments; and (iii) reduce the Group’s exposure to future rental expenditure increment.

Acquisition of Gold Victory Resources Inc.

On 30 November 2018, Grand Superb Limited (“**Grand Superb**”, an indirect wholly-owned subsidiary of the Group) and a vendor (the “**Vendor**”, direct wholly-owned by an individual (the “**Guarantor**”, an independent third party)) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) to which Grand Superb agreed to purchase and the Vendor agreed to sell the 50% of the issued share capital of Gold Victory and 50% of the interest free shareholder loan advanced by the Vendor and the Guarantor to any member of the GV Group on the date of completion at the consideration of HK\$60,000,000.

Pursuant to the Equity Transfer Agreement, the Vendor irrevocably warrants and guarantees to Grand Superb that the audited consolidated profit after taxation of the GV Group for the period commencing from 1 December 2018 and ending on 31 March 2022 (the “**Profit Warranty Period**”) shall not be less than HK\$50,000,000 (the “**Profit Warranty**”). In the event that the Profit Warranty is not achieved for the Profit Warranty Period, the Vendor shall pay Grand Superb 50% of the shortfall between the actual profits after tax and the Profit Warranty.

The acquisition of Gold Victory constituted a discloseable transaction for each of the Company and Vantage under Chapter 14 of the Listing Rules. Please refer to the joint announcements of the Company and Vantage dated 30 November 2018 and 18 December 2018 for further details.

The transaction was completed on 30 November 2018. The goodwill arising from the acquisition of Gold Victory was approximately HK\$45.0 million. The Board believed that the acquisition can achieve synergy and strategic advantage and broaden the income source while diversify the business risk of the Group.

EMPLOYEES

As of 31 March 2019, the Group employed 360 full-time employees (31 March 2018: 388) in Hong Kong. The Group remunerates its employees based on their performance and working experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus 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 medical, mandatory provident fund, incentive travel, subsidies for education and training programmes.

PURCHASE, REDEMPTION OR SALE 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
ABLE ENGINEERING 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. IP Yik Nam
Mr. YAU Kwok Fai
Mr. YAM Kui Hung
Mr. LAU Chi Fai, Daniel
Mr. CHEUNG Ho Yuen

Independent Non-executive Directors

Dr. LI Yok Sheung
Ms. MAK Suk Hing
Ms. LEUNG Yuen Shan, Maisy