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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Able Engineering Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019 (“**this period**”) together with comparative figures for the corresponding period in the previous year. The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2019

		Unaudited Six months ended 30 September	
	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	5	644,367	1,333,224
Contract costs		<u>(498,984)</u>	<u>(1,186,336)</u>
Gross profit		145,383	146,888
Other income and gains	5	8,638	7,341
Administrative expenses		(57,786)	(56,051)
Finance costs		(358)	(367)
Share of profits and losses of joint ventures		<u>2,913</u>	<u>–</u>
PROFIT BEFORE TAX	6	98,790	97,811
Income tax expense	7	<u>(19,233)</u>	<u>(17,913)</u>
PROFIT FOR THE PERIOD		<u>79,557</u>	<u>79,898</u>

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

Six months ended 30 September 2019

		Unaudited	
		Six months ended	
		30 September	
		2019	2018
	<i>Note</i>	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD		79,557	79,898
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of joint ventures		<u>(2,263)</u>	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		<u>(2,263)</u>	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>77,294</u>	<u>79,898</u>
Profit for the period attributable to owners of the parent		<u>79,557</u>	<u>79,898</u>
Profit and total comprehensive income for the period attributable to owners of the parent		<u>77,294</u>	<u>79,898</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>HK cents</i>)	9	<u>3.98</u>	<u>3.99</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2019

		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	689,056	690,085
Investments in joint ventures		105,208	104,559
Deferred tax assets		218	218
Total non-current assets		794,482	794,862
CURRENT ASSETS			
Accounts receivable	11	161,491	110,026
Contract assets		214,953	220,160
Prepayments, other receivables and other assets		14,813	23,399
Tax recoverable		176	176
Pledged deposits		110,000	–
Cash and cash equivalents		591,437	896,837
Total current assets		1,092,870	1,250,598
CURRENT LIABILITIES			
Accounts payable	12	331,794	332,931
Tax payable		32,667	13,434
Other payables and accruals		205,209	386,084
Interest-bearing bank loans		2,636	377
Total current liabilities		572,306	732,826
NET CURRENT ASSETS		520,564	517,772
TOTAL ASSETS LESS CURRENT LIABILITIES		1,315,046	1,312,634
NON-CURRENT LIABILITIES			
Lease liabilities		5,118	–
Total non-current liabilities		5,118	–
Net assets		1,309,928	1,312,634
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	20,000	20,000
Reserves		1,289,928	1,292,634
Total equity		1,309,928	1,312,634

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2019

	Unaudited					
	Attributable to owners of the parent					
	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2019	20,000	574,485*	(36,742)*	1,766*	753,125*	1,312,634
Profit for the period	–	–	–	–	79,557	79,557
Other comprehensive loss for the period:						
Share of other comprehensive loss of joint ventures	–	–	–	(2,263)	–	(2,263)
2018/19 final dividend (<i>note 8</i>)	–	–	–	–	(80,000)	(80,000)
At 30 September 2019	<u>20,000</u>	<u>574,485*</u>	<u>(36,742)*</u>	<u>(497)*</u>	<u>752,682*</u>	<u>1,309,928</u>
At 31 March 2018 (<i>audited</i>)	20,000	574,485	(36,742)	–	619,400	1,177,143
Effect of the adoption of HKFRS 15	–	–	–	–	92,293	92,293
Restated balance as at 1 April 2018 (<i>audited</i>)	20,000	574,485	(36,742)	–	711,693	1,269,436
Profit and total comprehensive income for the period	–	–	–	–	79,898	79,898
2017/18 final dividend (<i>note 8</i>)	–	–	–	–	(100,000)	(100,000)
At 30 September 2018	<u>20,000</u>	<u>574,485</u>	<u>(36,742)</u>	<u>–</u>	<u>691,591</u>	<u>1,249,334</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,289,928,000 (31 March 2019: HK\$1,292,634,000) in the consolidated statement of financial position as at 30 September 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2019

		Unaudited	
		Six months ended	
		30 September	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from/(used in) operating activities		(114,396)	322,048
Cash flows from investing activities			
Additions of items of property, plant and equipment		–	(598,212)
Proceeds from disposal of items of property, plant and equipment		–	162
Increase in pledged time deposits		(110,000)	–
Net cash flows used in investing activities		(110,000)	(598,050)
Cash flows from financing activities			
New bank loans		258,900	–
Repayment of bank loans		(256,641)	–
Dividend paid	8	(80,000)	(100,000)
Principal portion of lease payments		(3,263)	–
Net cash flows used in financing activities		(81,004)	(100,000)
Net decrease in cash and cash equivalents		(305,400)	(376,002)
Cash and cash equivalents at beginning of period		896,837	1,185,501
Cash and cash equivalents at end of period		591,437	809,499
Analysis of cash and cash equivalents:			
Cash and bank balances		231,437	439,499
Non-pledged time deposits		360,000	370,000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		591,437	809,499

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2019

1. CORPORATE INFORMATION

Able Engineering Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 period, the Company and its subsidiaries (collectively, referred to as the “**Group**”) were engaged in building construction and maintenance businesses.

In the opinion of the Board, 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**”, together with its subsidiaries, excluding the Group, collectively referred to as the “**Remaining Vantage Group**”), a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, is the intermediate holding company of the Company; and Winhale Ltd., a company incorporated in the BVI, is the ultimate holding company of the Company.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial information are consistent with those set out in the Group’s audited consolidated financial statements for the year ended 31 March 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except as stated in note 3 to the unaudited condensed consolidated interim financial information below. This unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for a derivative financial instrument which has been measured at fair value, and is 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.

This unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2019. This condensed consolidated interim financial information has not been audited or reviewed by the Company’s external auditor, but has been reviewed by the Company’s audit committee (the “**Audit Committee**”).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption, for the first time, of the following new and revised HKFRSs.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, other amendments do not have significant impact on the unaudited condensed consolidated interim financial information of the Group.

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

The nature and impact of the new and revised HKFRSs are described below:

(a) **HKFRS 16 *Leases***

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption (if any) as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for prior year was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, a lessee shall allocate the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain land, buildings and machinery. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

The current portion of lease liabilities was included in “Other payables and accruals” whereas the non-current portion of lease liabilities was separately disclosed in the consolidated statement of financial position.

The right-of-use assets were included in “Property, plant and equipment” in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- used hindsight in determining the lease term where the contract contains options to extend/terminate the lease; and
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

There is no significant impact arising from the adoption of HKFRS 16 by the Group as at 1 April 2019 after using the aforementioned practical expedients.

The Group's lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	Unaudited HK\$'000
Operating lease commitments as at 31 March 2019 (<i>audited</i>)	814
Weighted average incremental borrowing rate as at 1 April 2019	3.4%
Discounted operating lease commitments as at 1 April 2019	806
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(806)
Lease liabilities as at 1 April 2019	—

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognized in the unaudited consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				Lease liabilities
	Leasehold land	Leasehold buildings	Machinery	Sub-total	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2019	644,909	–	–	644,909	–
Additions	–	7,716	6,027	13,743	13,743
Depreciation charge	(11,414)	(1,553)	(670)	(13,637)	–
Interest expense	–	–	–	–	145
Payments	–	–	–	–	(3,263)
As at 30 September 2019	633,495	6,163	5,357	645,015	10,625

(b) Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any significant impact on the Group's unaudited condensed consolidated interim financial information.

(c) HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group's unaudited condensed consolidated interim financial information.

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 subcontractor, primarily in respect of building construction and repair, maintenance, alteration and addition ("RMAA") works. Accordingly, no segment information is presented. Further details of the Group's revenue from building construction and RMAA works are set out in note 5 to the unaudited condensed consolidated interim financial information.

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 substantially located in Hong Kong.

5. REVENUE, OTHER INCOME AND GAINS

All of the Group's revenue from construction services is recognized over time. An analysis of the Group's revenue, other income and gains is as follows:

	Unaudited Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Contract works for building construction	621,982	1,291,482
Contract works for RMAA works	22,385	41,742
	<u>644,367</u>	<u>1,333,224</u>
Other income and gains		
Interest income	6,270	2,726
Gain on disposal of items of property, plant and equipment	–	162
Rental income	1,972	3,909
Sundry income	396	544
	<u>8,638</u>	<u>7,341</u>

6. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Contract costs	498,984	1,186,336
Depreciation of property, plant and equipment	1,136	12,619
Depreciation of right-of-use assets	13,637	–
Employee benefits expenses (exclusive of directors' remuneration)	83,831	90,522
Directors' remuneration	<u>27,090</u>	<u>31,643</u>

7. INCOME TAX

	Unaudited	
	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Current – Hong Kong:		
Charge for the period	19,233	17,913

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during this period.

8. DIVIDEND

During the six months ended 30 September 2019, the Company declared and paid a final dividend of HK\$0.04 per share for the year ended 31 March 2019, amounting a total of HK\$80,000,000 (six months ended 30 September 2018: HK\$0.05 per share, a total of HK\$100,000,000).

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period ended 30 September 2019 and 2018 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,000,000,000 in issue during the period ended 30 September 2019 and 2018.

The Group had no potential dilutive ordinary shares in issue during the period ended 30 September 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

The Group has entered into new lease agreements during the six months ended 30 September 2019. Right-of-use assets amounted to approximately HK\$13,743,000 (six months ended 30 September 2018: Nil) have been recognised accordingly.

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of approximately HK\$712,240,000.

11. ACCOUNTS RECEIVABLE

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

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to the Group. As at 30 September 2019, the aggregate amount of accounts receivable related to such contract works pledged to secure the relevant banking facilities amounted to HK\$39,693,000 (31 March 2019: HK\$21,963,000).

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

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Current to three months	153,284	101,754
Four to six months	–	65
Over six months	8,207	8,207
	<u>161,491</u>	<u>110,026</u>

12. 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:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Current to three months	147,782	124,092
Four to six months	14,168	6,385
Over six months	169,844	202,454
	<u>331,794</u>	<u>332,931</u>

At 30 September 2019, retentions payable included in accounts payable amounted to HK\$151,707,000 (31 March 2019: HK\$172,663,000), 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.

13. SHARE CAPITAL

Shares

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Authorised:		
10,000,000,000 (31 March 2019: 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 (31 March 2019: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>

There was no movement in the Company's share capital during the period ended 30 September 2019.

Share options

Details of the Company's share option schemes are included in note 14 to the unaudited condensed consolidated interim financial information.

14. SHARE OPTION SCHEME

Pursuant to a resolution of the Company passed on 31 August 2018, the Company has adopted a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and full-time employees of any member of the Group and the Remaining Vantage Group. The Scheme became effective on 31 August 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Pursuant to the Scheme and subject to shareholders' approval, the maximum number of shares in respect of which options may be granted under the Scheme is such a number of shares representing 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares which have been duly allotted and issued pursuant to the Scheme and any other scheme).

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date when the Scheme was approved by the shareholders of the Company in a general meeting. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to Directors, officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the Board, but should not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No option was granted from the date of adoption of the Scheme up to the date of approval of this unaudited condensed consolidated interim financial information.

15. CONTINGENT LIABILITIES

(a) Guarantees

At 30 September 2019, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$269,676,000 (31 March 2019: HK\$278,485,000).

(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.

16. CAPITAL COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments (31 March 2019: Nil).

17. RELATED PARTY TRANSACTIONS

(a) Related party transaction

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

		Unaudited	
		Six months ended	
		30 September	
		2019	2018
	<i>Note</i>	HK\$'000	HK\$'000
Rental payment to the Remaining Vantage Group	(i)	1,376	1,320

Note:

- (i) This transaction was conducted at terms and conditions mutually agreed between the relevant parties.

(b) Compensation of key management personnel (excluding the Directors) of the Group

	Unaudited	
	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Short-term employee benefits	4,654	4,376
Post-employment benefits	45	63
Total compensation paid to key management personnel	4,699	4,439

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Financial risk management

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's annual consolidated financial statements for the year ended 31 March 2019.

(b) Fair value measurement

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivable, contract assets, accounts payable, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, interest-bearing bank loans and lease liabilities are approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform to the audited consolidated financial statements for the year ended 31 March 2019.

20. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 27 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE INTERIM PERIOD

During the six months ended 30 September 2019 (“**this period**” or “**current period**”), the Group recorded a consolidated turnover of HK\$644,367,000, representing a decrease of 52% from HK\$1,333,224,000 of the previous corresponding period. The Group’s gross profit during this period was HK\$145,383,000, representing a decrease of 1% from HK\$146,888,000 for the six months ended 30 September 2018. Profit attributable to owners of the parent of this period amounted to HK\$79,557,000 (six months ended 30 September 2018: HK\$79,898,000), remained at similar level comparing with the same period of last year. The basic earnings per share decreased slightly from HK3.99 cents for the six months ended 30 September 2018 to HK3.98 cents for this period.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for this period (six months ended 30 September 2018: Nil).

BUSINESS REVIEW

The Group recorded revenue of HK\$644,367,000 for this period, representing a decrease of 52% from HK\$1,333,224,000 for the six months ended 30 September 2018. The decrease in revenue was mainly due to certain projects were in the preliminary stage of development which generated not much revenue in this period while most of the projects in the same period of last year were in the mature stage of development. As of 30 September 2019, the estimated total contract values and estimated total outstanding values of the Group’s substantial contracts on hand were approximately HK\$8,787 million and HK\$7,077 million, respectively. These contracts are expected to be completed in around one to four years’ time.

The gross profit margin increased from approximately 11% for the six months ended 30 September 2018 to approximately 23% for this period. Under the adoption of HKFRS 15, the gross profit margins of the Group’s contracts will fluctuate over different reporting periods, depending on the actual revenue certified and costs incurred for the construction work performed. The increase in gross profit margin was mainly due to certain projects reaching construction phase of higher gross profit margin during this period.

During the six months ended 30 September 2019, the following substantial contract was awarded to the Group with estimated contract value of approximately HK\$2,269 million:

- Construction of Public Housing Development at Tuen Mun Area 54 Sites 1 & 1A

We expected to incur much upfront cost for the above newly awarded project and projects which are in the preliminary stage of development in the second half of the year, which may have negative impact on our financial performance in the second half of the year.

On the other hand, the Group has completed the following significant contract regarding building construction works during the six months ended 30 September 2019:

- Construction of Public Rental Housing Development at Lai Chi Kok Road – Tonkin Street Phases 1 & 2

Other Income and Gains

Other income and gains increased from HK\$7,341,000 for the six months ended 30 September 2018 to HK\$8,638,000 for this period. The increase was the combined effect of (i) the increase in bank interest income of HK\$3,544,000 as a result of the increase in fixed deposit and interest rate during this period; and (ii) the decrease in rental income of HK\$1,937,000 contributed by Man Shung Industrial Building (“**Man Shung**”) due to the termination of certain tenancy agreements upon their expiry.

Administrative Expenses

Administrative expenses increased by HK\$1,735,000 from HK\$56,051,000 for the six months ended 30 September 2018 to HK\$57,786,000 for this period. The increase in the administrative expenses was mainly due to the consultancy fees incurred for revitalisation of Man Shung in order to maximise its use.

Finance Costs

For this period, the Group’s finance costs were HK\$358,000 (six months ended 30 September 2018: HK\$367,000). The interest for bank loans dropped by HK\$154,000 in this period due to the decrease in bank loans raised during this period comparing with the same period of last year. On the other hand, interest on lease liabilities of HK\$145,000 (six months ended 30 September 2018: Nil) was incurred upon the adoption of HKFRS 16 in this period.

Share of Profits and Losses of Joint Ventures

The share of profits of joint ventures for the six months ended 30 September 2019 was solely arisen from the share of profits of Gold Victory Resources Inc. and its subsidiaries, in which the Group has 50% interest in them.

Income Tax Expense

Income tax expense increased by 7% from HK\$17,913,000 for the six months ended 30 September 2018 to HK\$19,233,000 for this period as a result of the increase in taxable profit for this period.

Profit Attributable to Owners of the Parent

As a result of the foregoing, profit attributable to owners of the parent decreased from HK\$79,898,000 for the six months ended 30 September 2018 to HK\$79,557,000 for this period.

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 30 September 2019 was HK\$1,309,928,000 (31 March 2019: HK\$1,312,634,000).

The Group monitors capital structure by using 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 30 September 2019, the Group's net gearing ratio was 0 (31 March 2019: 0).

The Group's cash and cash equivalents decreased by 34% from HK\$896,837,000 as at 31 March 2019 to HK\$591,437,000 at current period end due to (i) net cash outflows from operating activities; (ii) increase in pledged time deposits; and (iii) payment of 2018/19 final dividend during this period. Current ratio stood at 1.9 and 1.7 at 30 September 2019 and 31 March 2019, respectively. Current ratio is measured at total current assets divided by total current liabilities.

The Group's banking facilities, comprising primarily bank loans, overdrafts and performance bond, amounted to HK\$2,030,000,000 as of 30 September 2019 (31 March 2019: HK\$1,620,000,000), of which HK\$1,757,688,000 (31 March 2019: HK\$1,341,138,000) was unutilised.

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 30 September 2019 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 bank's offer rate. During this period, the Group did not engage in any interest rates and currency speculation activities.

Foreign Exchange Exposure

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

Accounts Receivable

The Group's accounts receivable represented the receivables for contract works in relation to completed and on-going contract works projects. Accounts receivable represents progress billing of work performed and the progress payment certificates issued by and received from customers. The level of accounts receivable is principally affected by our work progress and the amount of the progress payment certificate received from customers before the end of the reporting period. Approximately 88% of the accounts receivable as at 30 September 2019 was subsequently settled as at 15 November 2019.

Contract Assets

Balance at current period end represented retention receivables and unbilled revenue. 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

As at 30 September 2019, bank deposit of HK\$110,000,000 (31 March 2019: Nil) was pledged to secure a guarantee given by the Group to a bank in respect of a performance bond in favour of a contract customer. In addition, the Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to the Group. As at 30 September 2019, the aggregated amount of accounts receivable, unbilled revenue and retention receivables related to such contract works pledged to secure the relevant banking facilities amounted to HK\$39,693,000 (31 March 2019: HK\$21,963,000), nil (31 March 2019: HK\$23,255,000) and HK\$60,059,000 (31 March 2019: HK\$57,871,000), respectively.

Contingent Liabilities

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

Capital Commitments

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

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS ON CAPITAL ASSETS

The Group did not have any significant investment held as at 30 September 2019. The Group is currently investigating and evaluating different investment opportunities.

MATERIAL ACQUISITION AND DISPOSALS

Possible Acquisition

The Group entered into a framework agreement on 9 July 2019 (the “**Framework Agreement**”) with an independent third party for the possible acquisition (the “**Possible Acquisition**”) of 100% of the equity interest of a Hong Kong company (the “**Target Company**”) and 100% of the interest-free shareholder loan (if any) advanced by the vendor to the Target Company, at a consideration of HK\$130,000,000. The Possible Acquisition is subject to the terms and conditions of the Framework Agreement and the entering into of a formal sale and purchase agreement. For further details of the Possible Acquisition, please refer to the joint announcement of the Company and Vantage dated 9 July 2019. Further announcement(s) in relation to the Possible Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange (the “**Listing**”) on 20 February 2017 (the “**Listing Date**”). Net proceeds from the Listing were approximately HK\$524 million (after deducting the underwriting commission and other expenses in relation to the offering). According to the section “Future Plans and Proposed Use of Proceeds” as set out in the prospectus dated 26 January 2017, the Group used the net proceeds during the period between the Listing Date and 30 September 2019 as follows:

	Actual Net proceeds from the Listing HK\$ Million	Unused amount at 1 April 2019 HK\$ Million	Used amount in this period HK\$ Million	Unused amount at 30 September 2019 HK\$ Million
Maintaining and increasing the employed capital requirement and working capital requirement for future/new projects in the public sector	402	179	(97)	82
Payment for the upfront costs	70	–	–	–
General working capital	52	2	(2)	–
	<u>524</u>	<u>181</u>	<u>(99)</u>	<u>82</u>
Total	<u>524</u>	<u>181</u>	<u>(99)</u>	<u>82</u>

As at 30 September 2019, the unused proceeds were deposited in licensed banks in Hong Kong.

PROSPECTS

As mentioned in the 2019 Policy Address, the Government of Hong Kong Special Administrative Region (the “**Hong Kong Government**”) will continue its effort in increasing the land supply and number of residential units to meet the public needs. The Policy Address mentioned various short-and medium-term support measures to tackle the shortage of housing supply. The Hong Kong Government will set aside HK\$5 billion to increase the number of transitional housing projects to provide a total of 10,000 units within the next three years and expedite planning work and then invoke the Lands Resumption Ordinance to resume three types of private land for developing public housing and Starter Homes.

In view of the Hong Kong Government's development plans, the medium to long-term outlook of the construction industry in Hong Kong looks promising. We believe that our Group has accumulated ample experience and know-how to be competitive in tendering new projects.

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.

STAFF AND REMUNERATION POLICY

As of 30 September 2019, the Group employed 357 full-time employees (31 March 2019: 360) 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.

CORPORATE GOVERNANCE

In the opinion of Board, the Company complied with the code provisions as set out in the "*Corporate Governance Code*" contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Following specific enquiry made by the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, Ms. LEUNG Yuen Shan, Maisy (*Chairman*), Dr. LI Yok Sheung and Ms. MAK Suk Hing, with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. Ms. LEUNG Yuen Shan, Maisy possesses the appropriate accounting qualifications and experiences in financial matters. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters. The Audit Committee has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of HKExnews at <http://www.hkexnews.hk> and the Company at <http://www.ableeng.com.hk>. The 2019/20 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

By Order of the Board of
ABLE ENGINEERING HOLDINGS LIMITED
NGAI Chun Hung
Chairman

Hong Kong, 27 November 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