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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 2020

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 2020, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	5	1,547,841	2,385,415
Contract costs		<u>(1,391,313)</u>	<u>(2,149,888)</u>
Gross profit		156,528	235,527
Other income and gains	5	13,940	14,049
Administrative expenses		(90,292)	(80,787)
Other expenses		(40,588)	–
Finance costs	6	(1,320)	(528)
Share of profits and losses of joint ventures		<u>1,328</u>	<u>2,173</u>
PROFIT BEFORE TAX	7	39,596	170,434
Income tax expense	8	<u>(15,621)</u>	<u>(29,002)</u>
PROFIT FOR THE YEAR		<u>23,975</u>	<u>141,432</u>

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

Year ended 31 March

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
PROFIT FOR THE YEAR		23,975	141,432
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss)			
that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of joint ventures		<u>(1,766)</u>	<u>1,766</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(1,766)	1,766
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		22,209	143,198
Profit for the year attributable to owners of the parent		23,975	141,432
Profit and total comprehensive income for the year attributable to owners of the parent		22,209	143,198
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>HK cents</i>)	<i>10</i>	1.20	7.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		618,512	690,085
Investments in joint ventures		89,121	104,559
Deferred tax assets		217	218
Total non-current assets		707,850	794,862
CURRENT ASSETS			
Accounts receivable	<i>11</i>	201,272	110,026
Contract assets	<i>12</i>	218,845	220,160
Prepayments, other receivables and other assets		58,388	23,399
Tax recoverable		8,165	176
Restricted cash		110,000	–
Cash and cash equivalents		616,645	896,837
Total current assets		1,213,315	1,250,598
CURRENT LIABILITIES			
Accounts payable	<i>13</i>	314,936	332,931
Tax payable		919	13,434
Other payables and accruals		222,234	386,084
Interest-bearing bank loans		121,517	377
Total current liabilities		659,606	732,826
NET CURRENT ASSETS		553,709	517,772
TOTAL ASSETS LESS CURRENT LIABILITIES		1,261,559	1,312,634
NON-CURRENT LIABILITIES			
Other payables		6,716	–
Total non-current liabilities		6,716	–
Net assets		1,254,843	1,312,634
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>14</i>	20,000	20,000
Reserves		1,234,843	1,292,634
Total equity		1,254,843	1,312,634

NOTES

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are publicly traded on the Main Board of 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 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.

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 (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

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 (“**HK\$’000**”) 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 2020. 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 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 to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle* which are not relevant to the preparation of the Group's financial statement, the nature and impact of the new 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Accordingly, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with no impact to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

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.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for leasehold land, office properties 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 an elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in other payables and accruals. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date and the Group elected to present right-of-use assets as part of the elements of property, plant and equipment in the statement of financial position.

The right-of use assets also include the leasehold land previously recognised under a finance lease of HK\$644,909,000 that was reclassified from land and buildings at 1 April 2019.

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application when applying HKFRS 16 at 1 April 2019.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	814
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	<u>(814)</u>
Lease liabilities as at 1 April 2019	<u>–</u>

(b) 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 tax 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup transactions. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authority. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the contract works segment. The contract works segment engages in contract works, acting as a main contractor or sub-contractor, primarily in respect of building construction and 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 consolidated financial statements.

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.

Information about major customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	591,506	1,919,974
Customer B	414,551	N/A*
Customer C	<u>340,045</u>	<u>327,339</u>

* Less than 10% of the Group's revenue in the respective year.

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

5. REVENUE, OTHER INCOME AND GAINS

All of the Group's revenue from construction services is recognised over time and an analysis of the Group's revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Contract works for building construction	1,478,874	2,283,372
Contract works for RMAA works	68,967	102,043
	<u>1,547,841</u>	<u>2,385,415</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest Income	10,658	5,885
Gain on disposal of items of property, plant and equipment	70	162
Gross rental income with fixed lease payments	2,314	7,357
Sundry income	898	645
	<u>13,940</u>	<u>14,049</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	904	528
Interest on lease liabilities	416	—
	<u>1,320</u>	<u>528</u>

7. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract costs	1,391,313	2,149,888
Provision for contract works, net*:		
Additional provision	10,577	320,444
Utilisation/reversal	(185,119)	(54,389)
	<u>(174,542)</u>	<u>266,055</u>
Depreciation of owned assets*	1,823	26,982
Depreciation of right-of-use assets*	29,202	–
Auditor's remuneration	2,532	2,997
Employee benefit expense (excluding Directors' remuneration)*:		
Wages and salaries	186,730	193,910
Pension scheme contributions (defined contribution schemes)	5,400	5,696
	<u>192,130</u>	<u>199,606</u>
Director's remuneration:		
Fees	432	432
Other emoluments:		
Salaries, allowances and benefits in kind	12,238	11,961
Discretionary performance-related bonuses	21,100	25,850
Pension scheme contributions (defined contribution schemes)	106	108
	<u>33,444</u>	<u>37,919</u>
	<u>33,876</u>	<u>38,351</u>
Loss on derecognition of a building held for redevelopment**	40,588	–
Fair value loss on a derivative financial instrument	21	186
Minimum lease payments under operating leases	–	22,856
Lease payments not included in the measurement of lease liabilities*	11,868	–
Government subsidies***	(753)	(544)

* For the year ended 31 March 2020, depreciation of owned assets, depreciation of right-of-use assets, employee benefit expense, utilisation/reversal of provision for contract works and lease payments not included in the measurement of lease liabilities of nil (2019: HK\$1,181,000), HK\$4,338,000 (2019: Nil), HK\$185,288,000 (2019: HK\$196,195,000), HK\$174,542,000 (2019: provision of HK\$266,055,000) and HK\$11,428,000 (2019: Nil), respectively, are included in contract costs disclosed above.

** This item is included in the "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** Subsidies have been received from the Hong Kong Vocational Training Council and the Construction Industry Council, institutions established by the Government of the Hong Kong Special Administrative Region, 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2020 HK\$'000	2019 HK\$'000
Current – Hong Kong		
Charge for the year	16,254	29,222
Overprovision in prior years	(634)	–
Deferred	1	(220)
Total tax charge for the year	15,621	29,002

9. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Proposed final – Nil (2019: HK4 cents) per ordinary share	–	80,000

The Board did not recommend the payment of any final dividend for the year ended 31 March 2020.

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 (2019: 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 2020 and 2019.

11. ACCOUNTS RECEIVABLE

Accounts receivable represented receivables for contract works. The payment terms of contract works receivables are stipulated in the relevant contracts and the payments are normally due within 60 days from the date of issuance of the payment certificate.

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 2020, the aggregate amount of accounts receivable related to such contract works pledged to secure the relevant banking facilities was HK\$130,653,000 (31 March 2019: HK\$21,963,000).

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

	2020 HK\$'000	2019 <i>HK\$'000</i>
Current to three months	192,395	101,754
Four to six months	–	65
Over six months	8,877	8,207
	201,272	110,026

The Group has applied the simplified approach to provide for impairment for expected credit losses (“ECL(s)”) 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 ECL rate for the Group’s accounts receivable is minimal and therefore no provision for impairment of accounts receivable was necessary as at 31 March 2020 and 2019.

12. CONTRACT ASSETS

	2020 HK\$'000	2019 <i>HK\$'000</i>
Contract assets arising from construction contracts:		
Unbilled revenue	50,538	57,742
Retention receivables	168,307	162,418
	218,845	220,160

The movements of contract assets are as follows:

	2020 HK\$'000	2019 <i>HK\$'000</i>
At beginning of the year	220,160	244,348
Addition in contract assets	99,562	59,948
Transfers to accounts receivable	(100,877)	(84,136)
At end of the year	218,845	220,160

Unbilled revenue included in contract assets represents the Group’s right to receive consideration for the 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. Contract assets regarding unbilled revenue 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 the 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. Contract assets regarding retention receivables 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 2020 and 2019.

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 2020, the aggregate amount of unbilled revenue and retention receivables related to such contract works pledged to secure the relevant banking facilities were HK\$43,824,000 (31 March 2019: HK\$23,255,000) and HK\$103,575,000 (31 March 2019: 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 or the payment certificate date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to three months	131,069	124,092
Four to six months	34,940	6,385
Over six months	148,927	202,454
	<u>314,936</u>	<u>332,931</u>

At 31 March 2020, retention payables included in accounts payable amounted to HK\$144,927,000 (31 March 2019: HK\$172,663,000), which are non-interest-bearing and normally settled within terms ranging from one to four years.

Other than retention payables, accounts payable are non-interest-bearing and normally settled within 60 days from the date of invoice or payment certificate.

14. SHARE CAPITAL

	2020 HK\$'000	2019 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 2020, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain customers of contract works amounted to HK\$201,348,000 (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 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

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

	2020 HK\$'000	2019 HK\$'000
Contracted, but not provided for:		
Buildings	<u>1,904</u>	<u>–</u>

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 2020, the Group's consolidated revenue amounted to approximately HK\$1,548 million, representing a decrease of 35% from HK\$2,385 million for the year ended 31 March 2019. Profit attributable to owners of the parent of the Company for the year ended 31 March 2020 and 31 March 2019 amounted to approximately HK\$24 million and HK\$141 million, respectively, a decrease of 83%. The basic and diluted earnings per share for the year were HK1.20 cents (2019: HK7.07 cents).

The decline in net profit was mainly attributable to (i) the decrease in revenue as certain projects were still in the preliminary stage of development during the year ended 31 March 2020 and the suspension of certain site works in February 2020 to prevent the spread of novel coronavirus ("**COVID-19**"); and (ii) the onetime loss on derecognition ("**Loss on Derecognition**") of the full remaining net book value of the building portion of Man Shung Industrial Building ("**Man Shung**") of approximately HK\$41 million following the decision of the Board to demolish it for the redevelopment of the site of No. 7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong (the "**Site**") where it is located at. The profit attributable to owners of the parent of the Company for the year ended 31 March 2020 would be approximately HK\$65 million if excluding the Loss on Derecognition, a decrease of 54% comparing with last year.

The net asset value attributable to owners of the parent as at 31 March 2020 amounted to approximately HK\$1,255 million (approximately HK\$0.63 per share), representing an decrease of 4% from approximately HK\$1,313 million (approximately HK\$0.66 per share) as at 31 March 2019.

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 March 2020 (2019: HK4 cents per ordinary share).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2020 Annual General Meeting ("**AGM**") of the Company will be held in Hong Kong on 4 September 2020, Friday. Notice of the AGM will be issued and disseminated to the shareholders of the Company (the "**Shareholder(s)**") in due course.

To ascertain the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from 1 September 2020, Tuesday to 4 September 2020, Friday (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 31 August 2019, Monday.

BUSINESS REVIEW

Market Review

With both short-term and long-term measures in housing strategies and healthcare infrastructure implemented by the HKSAR Government, the supply of the construction contracts from public sector will be still stable in the coming years. On the other hand, during the year of 2019/20, the social unrest in second half of 2019 and the political wrangling over funding at Legislative Council of the Hong Kong Special Administrative Region (the "HKSAR") affected the progress of the tendering and award of projects from public sector. The workload peaks and troughs for government projects became unpredictable.

The Group's Performance

For the year ended 31 March 2020, the Group's revenue amounted to approximately HK\$1,548 million (2019: approximately HK\$2,385 million), representing a decrease of 35% from that of last year. The decrease in revenue was mainly resulted from certain projects were still in the preliminary stage of development during the current year while the projects in last year were in their mature stage of development. In addition, certain site works were suspended in February 2020 to prevent the spread of COVID-19 which affected the progress of the projects and revenue certified.

The gross profit margin increased from 9.9% for the year ended 31 March 2019 to 10.1% for the year ended 31 March 2020. Under the adoption of HKFRS 15, the gross profit margins of the Group's individual contract works will not remain constant but will fluctuate over different reporting periods, depending on the actual revenue certified and costs incurred for the construction work performed.

Other Income and Gains

Other income and gains was approximately HK\$14 million for both of the year ended 31 March 2019 and 31 March 2020. For the year ended 31 March 2020, the interest income increased by HK\$5 million comparing with last year to approximately HK\$11 million as a result of the increase in fixed deposit and interest rate during the year. On the other hand, the rental income decreased by HK\$5 million comparing with last year to approximately HK\$2 million for the year ended 31 March 2020 as all the leases under Man Shung were terminated or expired during the year for the redevelopment plan of the Site.

Administrative Expenses

Administrative expenses increased from approximately HK\$81 million for the year ended 31 March 2019 to approximately HK\$90 million for the year ended 31 March 2020. The increase was mainly due to the increase in the consultancy fee incurred for the revitalisation of Man Shung in order to maximise its use.

Other Expenses

For the year ended 31 March 2020, the other expenses amounted to approximately HK\$41 million (2019: Nil), which representing the onetime loss on derecognition of the full remaining net book value of the building portion of Man Shung of approximately HK\$41 million following the decision of the Board to demolish it for the redevelopment of the Site.

Finance Costs

For the year ended 31 March 2020, the Group's finance costs amounted to approximately HK\$1.3 million (2019: approximately HK\$0.5 million). The interest for bank loans increased by HK\$0.4 million in this year due to the increase in trust receipt loans raised during the year comparing with last year. In addition, the interest on lease liabilities of approximately HK\$0.4 million (2019: Nil) was incurred during the year upon the adoption of HKFRS 16 in this year.

Share of Profits and Losses of Joint Ventures

For the year ended 31 March 2020, share of profits of joint ventures of approximately HK\$1 million (period from 1 December 2018 to 31 March 2019: profits of approximately HK\$2 million) was solely arisen from the share of net profits (including accounting adjustments in relation to acquisition) of Gold Victory Resources Inc. ("**Gold Victory**") and its subsidiaries (collectively, the "**JV Group**").

To expand the contract works business in the manufacturing, installation and trading of doors, door frames, furniture and other related products, Grand Superb Limited (“**Grand Superb**”, an indirect wholly-owned subsidiary of the Company) as the purchaser, acquired 50% interest in the Gold Victory from Golden Stone Asia Inc. (“**Golden Stone**”, a company controlled by Mr. WONG Kin Wah (the “**Mr. WONG**”, an independent third party)) on 30 November 2018. To streamline the operation and manage the operation risk, the JV Group disposed its manufacturing arm in The People’s Republic of China (“**PRC**”) at a gain in December 2019.

Pursuant to an equity transfer agreement (the “**Equity Transfer Agreement**”) entered into between Grand Superb, Golden Stone and Mr. WONG on 30 November 2018, Mr. WONG irrevocably warrants and guarantees to Grand Superb that the actual profits of the JV Group for the period commencing from 1 December 2018 and ending on 31 March 2022 (the “**Profit Warranty Period**”) shall not be less than the guaranteed profits (the “**Guaranteed Profits**”) of HK\$50 million (the “**Profit Warranty**”). In the event the total Guaranteed Profits are not achieved or reached for the entire Profit Warranty Period based on auditor’s certification, Golden Stone shall pay Grand Superb 50% of the shortfall between the actual profits and the Guaranteed Profits, unless the shortfall is caused by the event of force majeure as defined in the Equity Transfer Agreement. The Profit Warranty constitutes a derivative financial instrument of the Group.

Due to the impacts caused by the outbreak of COVID-19, the accumulated amount of profit that the JV Group recognised during the period from the acquisition date up to 31 March 2020 was lower than that previously estimated by approximately HK\$2 million. The Group will closely monitor the financial performance of the JV Group during the remaining Profit Warranty Period to ensure the Profit Warranty are met or remedy action has been taken according to the Equity Transfer Agreement.

Income Tax Expense

Income tax expense decreased by 46% from approximately HK\$29 million for the year ended 31 March 2019 to approximately HK\$16 million for the year ended 31 March 2020. The decrease was consistent with the decrease in taxable profit for this year.

Profit Attributable to Owners of the Parent

As a result of the foregoing, profit attributable to owners of the parent decreased by 83% from approximately HK\$141 million for the year ended 31 March 2019 to approximately HK\$24 million for the year ended 31 March 2020.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “**Share(s)**”) were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (“**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 500,000,000 new ordinary shares issued pursuant to the listing of Shares on The Stock Exchange. As at 31 March 2020, the unused net proceeds were approximately HK\$82 million (31 March 2019: approximately HK\$181 million). The unused proceeds were deposited in licensed banks in Hong Kong.

According to the section “Future Plans and Proposed Use of Proceeds” as set out in the prospectus of the Company dated 26 January 2017 (the “**Prospectus**”), the Group used the net proceeds during the year ended 31 March 2020 as follows:

	Net proceeds from Listing <i>HK\$'million</i>	Unused amount at 1 April 2019 <i>HK\$'million</i>	Used amount in this year <i>HK\$'million</i>	Unused amount at 31 March 2020 <i>HK\$'million</i>
				<i>(Note)</i>
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>

Note: The unused proceeds of approximately HK\$82 million as at 31 March 2020 were consumed for the purpose of “Maintaining and increasing the employed capital requirement and working capital requirement for future/new projects in the public sector” when a new project was awarded to “Build King – ABLE Joint Venture”, a new joint operation in which the Company has 49% interest, subsequent to the year ended 31 March 2020.

PROSPECTS

The social unrest since second half of 2019 and the COVID-19 pandemic in early 2020 affected the economy and the property market of Hong Kong. Accordingly, we foresee that there may be a contraction in the private construction sector in the next few years. Despite such uncertain social and economic environment, the community need for the housing and provision of hospital facilities in Hong Kong is still unchanged.

The Government of HKSAR demonstrated its dedication to increase the supply of public housing by increasing the proportion of public housing in overall housing supply to 70% as announced in 2018 Policy Address. In addition, as mentioned in 2019 Policy Address, the HKSAR Government set aside HK\$5 billion to increase the number of transitional housing projects substantially to provide a total of 10,000 units within the next three years, which was further increased to 15,000 units as announced by the HKSAR Government in January 2020. The HKSAR Government also expedited land supply planning work and resumed three types of private land wholly for public housing, Starter Homes and related infrastructure development by invoking the “Lands Resumption Ordinance” (Cap. 124 of the Law of Hong Kong) and other applicable ordinances. Further, the Land Sharing Pilot Scheme announced in 2018 Policy Address will tap market force in housing planning and construction which can release private land lots with consolidated ownership but not yet covered by government planning and study, so as to speed up short- and medium-term housing supply.

To meet the increasing demand for healthcare services arising from an ageing population, the HKSAR Government had planned ahead the necessary healthcare infrastructure and set aside HK\$300 billion as announced in the 2018-19 Budget for such purposes.

Moreover, the Group also strives for developing innovative technology aiming at enhancing safety, environmental protection, health, quality and efficiency in managing projects.

The Directors believe that the construction contracts from the public sector in view of the various development plans of HKSAR Government and our investment in innovation technology will support the long-term growth of the Group’s construction business. Looking forward, we will keep looking for different investment opportunities to broaden our source of income and integrate with our business partners in order to reduce construction costs, enhance project efficiency and create synergy, which will create reasonable return for the Group and the Shareholders in the long run.

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 2020 was approximately HK\$1,255 million (31 March 2019: approximately HK\$1,313 million).

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 2020, the Group's net gearing ratio was 0 (31 March 2019: 0).

Due to the combined effects of (i) net cash outflows from operating activities; (ii) increase in restricted cash ; (iii) net increase in bank borrowings; and (iv) payment of 2018/19 final dividend during the year, the Group's cash and cash equivalents recorded a decrease of 31% from approximately HK\$897 million as at 31 March 2019 to approximately HK\$617 million as at 31 March 2020. Current ratio of the Group stood at 1.8 at 31 March 2020, while that as at 31 March 2019 was 1.7. Current ratio is measured as total current assets divided by total current liabilities.

The Group's banking facilities, comprising primarily bank loans, overdrafts and performance bonds, amounted to approximately HK\$2,040 million as of 31 March 2020 (31 March 2019: approximately HK\$1,620 million), of which approximately HK\$1,717 million (31 March 2019: approximately HK\$1,341 million) was unutilised.

The Group maintains sufficient working capital resources to execute its contract works. The Group will continuously takes a prudent and cautious approach to cash application and its capital commitments.

Interest Exposure

At 31 March 2019 and 31 March 2020, the Group's bank borrowings were all denominated in Hong Kong dollars and on a floating rate basis. The Group's bank accounts were operated with principal bankers in Hong Kong. The interest rates of these bank accounts are determined by reference to the respective banks' offer rate. For the year ended 31 March 2019 and 31 March 2020, the Group did not engage in any interest rates and currency hedging or speculation activities.

Foreign Exchange Exposure

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

Property, plant and equipment

The Group's property, plant and equipment amounted to approximately HK\$619 million as of 31 March 2020 (31 March 2019: approximately HK\$690 million). The decrease was mainly due to the derecognition of the full remaining net book value of the building portion of Man Shung of approximately HK\$41 million and the depreciation of right-of-use assets of approximately HK\$29 million provided during the year. The right-of-use assets recognised upon the adoption of HKFRS 16 were included in the "Property, plant and equipment".

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 by us and the progress payment certificates issued by and received from our customers. The level of accounts receivable is principally affected by our work progress and the amount of the progress payment certificate received from our customers up to the end of the financial period. Approximately 93% of the accounts receivable as at 31 March 2020 was subsequently settled as at 31 May 2020 (31 March 2019: approximately 93% was subsequently settled by 31 May 2019).

Contract Assets

Balance at current year end mainly represented retention receivables of approximately HK\$168 million (31 March 2019: approximately HK\$162 million) and unbilled revenue of approximately HK\$51 million (31 March 2019: approximately HK\$58 million). Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts.

Other Payables and Accruals

As of 31 March 2020, the current and non-current balances of other payable and accruals amounted to approximately HK\$222 million (31 March 2019: approximately HK\$386 million) and HK\$7 million (31 March 2019: Nil), respectively, which mainly represented provision for contract works, staff costs payable and the lease liabilities recognised under HKFRS 16. Decrease in total balance of approximately HK\$157 million in current year end was the combined effects of the decrease in provision for contract works of approximately HK\$175 million and the recognition of lease liabilities of approximately HK\$17 million upon the adoption of HKFRS 16. The lease liabilities were included in “Other payables and accruals” in the consolidated statement of financial position.

Charges on Assets

As at 31 March 2020, the accounts receivable, unbilled revenue and retention receivables related to certain contract works of HK\$130,653,000 (31 March 2019: HK\$21,963,000), HK\$43,824,000 (31 March 2019: HK\$23,255,000) and HK\$103,575,000 (31 March 2019: HK\$57,871,000), respectively were pledged in favour of certain banks to secure certain bank loans and banking facilities granted by those banks to the Group.

As at 31 March 2020, bank deposits amounting to HK\$110,000,000 (31 March 2019: Nil) were placed as guaranteed deposit for the performance bond issued by the relevant bank in relation to a construction project of the Group and the Group’s bank loan with an aggregate carrying amount of HK\$121,517,000 (31 March 2019: Nil) were secured by certain deposits accounts maintained with the relevant banks as continuing security for the obligations of the Group.

Contingent liabilities

Details of the Group’s contingent liabilities are set out in note 15 to the consolidated financial statements.

Capital Commitments

Details of the Group’s capital commitments are set out in note 16 to the consolidated financial statements.

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

The Group did not have any significant investment held as at 31 March 2020. The Group is currently investigating and evaluating different investment opportunities.

REDEVELOPMENT OF NO. 7 LAI YIP STREET

The whole block of Man Shung located at No. 7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong (i.e. the Site) was acquired by the Group through several acquisition transactions in the year of 2018/19. The Group received the formal written approval and permission on 7 January 2020, with conditions, given by the Town Planning Board (the “**TPB**”) in respect of an application made by the Group to the TPB for the minor relaxation of plot ratio and building height restrictions of the Site. Considered the current conditions and facilities of Man Shung, the Board considered redevelopment of the Site into a new non-residential building would be more effective to unlock the potential value and/or gross floor area of the Site than conducting material renovation of Man Shung. The demolition work of Man Shung is in progress.

MATERIAL ACQUISITION AND DISPOSALS

Possible Acquisition

As disclosed in the joint announcement of the Company and Vantage (stock code: 15) dated 9 July 2019, Rhythm Classic Limited (the “**Purchaser**”, an indirect wholly-owned subsidiary of the Company) entered into a framework agreement on 9 July 2019 (the “**Framework Agreement**”) with an independent third party (“**Vendor**”) for 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 million (the “**Possible Acquisition**”). Pursuant to the Framework Agreement, the Possible Acquisition is conditional upon, among others, the fulfilment of the conditions as stated in the Framework Agreement (the “**Conditions Precedent**”) within 180 days from the date of signing of the Framework Agreement, or such other period as duly agreed by both parties in writing (the “**Agreement Valid Period**”).

Further disclosed in the joint announcement of the Company and Vantage dated 2 January 2020, given that additional time was required for the fulfillment of the Conditions Precedent, the Purchaser and the Vendor have entered into a supplementary agreement on 2 January 2020, to extend the Agreement Valid Period to 2 July 2020 (or such other period as duly agreed by both parties in writing).

Up to the date of this annual report, the Conditions Precedent have not been fulfilled and no deposit has been paid to the Vendor. The Possible Acquisition is subject to, among others, fulfillment of the Conditions Precedent and the entering into of a formal agreement (the “**Formal Agreement**”). The Possible Acquisition is also subject to fulfilment of such conditions precedent as may be provided under the Formal Agreement, which terms and conditions are yet to be finalised. The Framework Agreement may or may not lead to the entering into the Formal Agreement, and thus, the Possible Acquisition may or may not proceed. If proceed, it is expected that the Possible Acquisition will constitute a discloseable transaction to the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). 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.

EMPLOYEES AND REMUNERATION POLICY

As of 31 March 2020, the Group employed 336 full-time employees (31 March 2019: 360) in Hong Kong. The Group remunerates its employees based on their performance and work experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus and share options may be granted to senior management and staff members by reference to the Group’s performance, specific project’s performance as well as the individual employee’s performance. Staff benefits include mandatory provident fund, medical insurance, incentive travel, subsidies for education and training programmes.

At the AGM of the Company held on 31 August 2018, the adoption of a share option scheme (the “**Option Scheme**”) was considered and approved. The purposes of the Option Scheme are to provide incentives for the directors and full-time employees of the members of the Group to work towards enhancing the value of the Company and its Shares for benefit of the Company and its Shareholders as a whole. The Option Scheme provides the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants of the scheme. From the date of adoption of the Option Scheme and up to 31 March 2020, the Company did not grant any share options under the Option Scheme and no equity-settled share option expense was charged to the profit or loss.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2020.

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 of the Listing Rules throughout the year ended 31 March 2020.

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 2020.

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 2020 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 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 the management the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The annual 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 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

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 for their support.

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

Hong Kong, 24 June 2020

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

Executive Directors

Mr. NGAI Chun Hung
Mr. CHEUNG Ho Yuen
Mr. LAU Chi Fai, Daniel
Mr. IP Yik Nam
Mr. YAU Kwok Fai

Independent Non-executive Directors

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