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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 2020

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2020 (“**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 2020

		Unaudited Six months ended 30 September	
	<i>Notes</i>	2020	2019
		HK\$'000	HK\$'000
REVENUE	5	1,411,491	644,367
Contract costs		(1,392,804)	(498,984)
Gross profit		18,687	145,383
Other income and gains	5	14,327	8,638
Administrative expenses		(25,982)	(57,786)
Finance costs		(3,957)	(358)
Share of profits and losses of joint ventures		(574)	2,913
PROFIT BEFORE TAX	6	2,501	98,790
Income tax expense	7	(1,105)	(19,233)
PROFIT FOR THE PERIOD		1,396	79,557

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

Six months ended 30 September 2020

		Unaudited	
		Six months ended	
		30 September	
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD		1,396	79,557
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		—	(2,263)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		—	(2,263)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,396	77,294
Profit for the period attributable to owners of the parent		1,396	79,557
Profit and total comprehensive income for the period attributable to owners of the parent		1,396	77,294
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>HK cents</i>)	9	0.07	3.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2020

		Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	635,771	618,512
Investments in joint ventures		88,547	89,121
Deferred tax assets		217	217
		<hr/>	<hr/>
Total non-current assets		724,535	707,850
		<hr/>	<hr/>
CURRENT ASSETS			
Accounts receivable	11	330,789	201,272
Contract assets		191,838	218,845
Prepayments, other receivables and other assets		38,826	58,388
Tax recoverable		7,060	8,165
Restricted cash		110,000	110,000
Cash and cash equivalents		724,966	616,645
		<hr/>	<hr/>
Total current assets		1,403,479	1,213,315
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	12	490,656	314,936
Contract liabilities		30,000	–
Tax payable		919	919
Other payables and accruals		65,259	222,234
Interest-bearing bank loans		266,681	121,517
		<hr/>	<hr/>
Total current liabilities		853,515	659,606
		<hr/>	<hr/>
NET CURRENT ASSETS		549,964	553,709
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,274,499	1,261,559
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables		18,260	6,716
		<hr/>	<hr/>
Total non-current liabilities		18,260	6,716
		<hr/>	<hr/>
Net assets		1,256,239	1,254,843
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	20,000	20,000
Reserves		1,236,239	1,234,843
		<hr/>	<hr/>
Total equity		1,256,239	1,254,843
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2020

	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 2020	20,000	574,485*	(36,742)*	–*	697,100*	1,254,843
Profit for the period	–	–	–	–	1,396	1,396
At 30 September 2020	<u>20,000</u>	<u>574,485*</u>	<u>(36,742)*</u>	<u>–*</u>	<u>698,496*</u>	<u>1,256,239</u>
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	20,000	574,485	(36,742)	(497)	752,682	1,309,928

* These reserve accounts comprise the consolidated reserves of HK\$1,236,239,000 (31 March 2020: HK\$1,234,843,000) in the consolidated statement of financial position as at 30 September 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2020

		Unaudited	
		Six months ended	
		30 September	
		2020	2019
	Notes	HK\$'000	HK\$'000
Net cash flows used in operating activities		(26,859)	(114,396)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of items of property, plant and equipment	10	(2,541)	–
Proceeds from disposal of items of property, plant and equipment		20	–
Increase in restricted cash		–	(110,000)
Net cash flows used in investing activities		(2,521)	(110,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		507,348	258,900
Repayment of bank loans		(362,184)	(256,641)
Dividends paid	8	–	(80,000)
Principal portion of lease payments		(7,463)	(3,263)
Net cash flows from/(used in) financing activities		137,701	(81,004)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		108,321	(305,400)
Cash and cash equivalents at beginning of period		616,645	896,837
CASH AND CASH EQUIVALENTS AT END OF PERIOD		724,966	591,437
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and bank balances		724,966	231,437
Non-pledged time deposits		–	360,000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		724,966	591,437

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2020

1. CORPORATE INFORMATION

Able Engineering Holdings Limited (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 PO Box 1350, Clifton House, 75 Fort Street, 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 six months ended 30 September 2020 (“**the/this/current period**”), the Company and its subsidiaries (collectively, referred to as the “**Group**”) were engaged in building construction and repair, maintenance, alteration and addition (“**RMAA**”) works in Hong Kong. There were no significant changes in the nature of the Group’s principal activities during the period.

In the opinion of the Board, as at 30 September 2020, Profit Chain Investments Limited (“**Profit Chain**”), a company incorporated in the British Virgin Islands (“**BVI**”), was 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 which shares were listed on the Main Board of the Stock Exchange from 8 September 2000 to 22 October 2020, was the intermediate holding company of the Company; and the ultimate holding company of the Company was Winhale Ltd., a company incorporated in the BVI.

Subsequent to the change in shareholding structure of controlling shareholder of the Company on 19 November 2020, Golden Lux Holdings Limited, a company incorporated in the BVI, became the immediate holding company of the Company; Golden More Limited, a company incorporated in the BVI, became 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 2020 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 (the “**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 2020 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, 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 2020. This condensed consolidated interim financial information has not been audited or reviewed by the Company's external auditor, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19 – Related Rent Concessions (early adopted)</i>
Amendment to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

(a) Amendments to HKFRS 3 – *Definition of a Business*

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – *Interest Rate Benchmark Reform*

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendments to HKFRS 16 – Covid-19 (“COVID-19”)-Related Rent Concessions (early adopted)

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 September 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has early adopted the amendment on 1 April 2020 and the amendments did not have any impact on the Group’s interim condensed consolidated financial information.

(d) Amendment to HKAS 1 and HKAS 8 – Definition of Material

Amendment to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group’s interim condensed consolidated financial information.

4. OPERATING 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 a 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 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 all located in Hong Kong.

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, other income and gains, is as follows:

	Unaudited Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Contract works for building construction	1,405,129	621,982
Contract works for RMAA works	6,362	22,385
	<u>1,411,491</u>	<u>644,367</u>
<i>Other income and gains</i>		
Interest income	3,530	6,270
Gain on disposal of items of property, plant and equipment	20	–
Gross rental income with fixed lease payments	–	1,972
Government subsidies	10,777	396
	<u>14,327</u>	<u>8,638</u>

6. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Contract costs	1,392,804	498,984
Depreciation of owned assets	298	1,136
Depreciation of right-of-use assets	20,041	13,637
Employee benefit expenses (exclusive of directors' remuneration)	95,475	83,831
Directors' remuneration	9,169	27,090

7. INCOME TAX

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Current – Hong Kong:		
Charge for the period	1,105	19,233

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 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during this period.

8. DIVIDEND

During the six months ended 30 September 2020, the Board did not recommend the payment of any final dividend for the year ended 31 March 2020 (six months ended 30 September 2019: HK\$0.04 per share, a total amount of HK\$80,000,000).

The Board also resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: 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 2020 and 2019 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 2020 and 2019.

The Group had no potential dilutive ordinary shares in issue during the period ended 30 September 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

The Group has entered into new lease agreements during the six months ended 30 September 2020. Right-of-use assets amounted to HK\$35,057,000 (six months ended 30 September 2019: HK\$13,743,000) have been recognised accordingly.

During the six months ended 30 September 2020, the Group incurred HK\$2,541,000 on the additions of items of property, plant and equipment.

Items of property, plant and equipment with net book value of nil was disposed by the Group during the six months ended 30 September 2020, resulting in a gain on disposal of HK\$20,000 (30 September 2019: no item of property, plant and equipment was disposed).

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. As at 30 September 2020, the aggregate amount of accounts receivable related to such contract works pledged to secure the relevant banking facilities was HK\$164,680,000 (31 March 2020: HK\$130,653,000).

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

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Current to three months	316,377	192,395
Four to six months	1,323	–
Over six months	13,089	8,877
	<u>330,789</u>	<u>201,272</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 or the payment certificate date, is as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Current to three months	290,525	131,069
Four to six months	17,286	34,940
Over six months	182,845	148,927
	<u>490,656</u>	<u>314,936</u>

At 30 September 2020, retentions payable included in accounts payable amounted to HK\$155,441,000 (31 March 2020: HK\$144,927,000), 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 are normally settled within 60 days from the date of invoice or payment certificate date.

13. SHARE CAPITAL

Shares

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Authorised:		
10,000,000,000 (31 March 2020: 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 2020: 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 2020.

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 shareholders 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 at the date of the shareholders' approval (excluding for this purpose any share options which have been previously granted (including those outstanding, cancelled, lapsed or exercised) 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 and 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 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\$324,297,000 (31 March 2020: HK\$201,348,000).

(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

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

	Unaudited 30 September 2020 <i>HK\$'000</i>	Audited 31 March 2020 <i>HK\$'000</i>
Contracted, but not provided for:		
Building	<u>–</u>	<u>1,904</u>

17. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

	Unaudited Six months ended 30 September 2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental payment to the Remaining Vantage Group (<i>note</i>)	<u>1,404</u>	<u>1,376</u>

Note: The transactions were conducted on terms and conditions mutually agreed between the relevant parties.

The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

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

	Unaudited Six months ended 30 September 2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term employee benefits	13,267	4,654
Post-employment benefits	<u>47</u>	<u>45</u>
Total compensation paid to key management personnel	<u>13,314</u>	<u>4,699</u>

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 audited consolidated financial statements for the year ended 31 March 2020.

(b) Fair value measurement

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, contract assets, financial assets included in prepayments, other receivables and other assets, accounts payable, contract liabilities, financial liabilities included in other payables and accruals, an amount due to a joint venture and interest-bearing bank loans 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. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, the Group accepted a formal written offer (the “**Offer**”), with conditions, from Lands Department in respect of the proposed modification of the lease of the site of No. 7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong from industrial use to non-residential use (the “**Proposed Lease Modification**”). Pursuant to the Offer, the premium of the Proposed Lease Modification was amounted to HK\$554,570,000 and a deposit of HK\$55,457,000 was paid up to the date of approval of this announcement.

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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE INTERIM PERIOD

During the six months ended 30 September 2020 (“**this period**” or “**current period**”), the Group recorded a consolidated turnover of HK\$1,411,491,000 representing an increase of 119% from HK\$644,367,000 of the previous corresponding period. The Group’s gross profit during this period was HK\$18,687,000 representing a decrease of 87% from HK\$145,383,000 for the six months ended 30 September 2019. Profit attributable to owners of the parent of this period amounted to HK\$1,396,000 (six months ended 30 September 2019: HK\$79,557,000). The significant decrease in net profit was mainly attributable to certain projects were in the preliminary stage of development and that the actual revenue certified by the customers was lower than the actual costs incurred. The basic earnings per share decreased from HK3.98 cents for the six months ended 30 September 2019 to HK0.07 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 2019: nil).

BUSINESS REVIEW

The Group recorded revenue of HK\$1,411,491,000 for this period, representing an increase of 119% from HK\$644,367,000 for the six months ended 30 September 2019. The increase was mainly due to increase in revenue for the current period from large-scale building construction projects which were in the preliminary stage of development in comparative last period. As of 30 September 2020, the estimated total contract values and estimated total outstanding values of the Group’s substantial contracts on hand were approximately HK\$11,915 million (31 March 2020: approximately HK\$7,584 million) and HK\$9,218 million (31 March 2020: approximately HK\$6,113 million), respectively. These contracts are expected to be completed in around one to four years’ time.

The gross profit margin decreased from 23% for the six months ended 30 September 2019 to 1% for this period. The decrease was mainly attributable to certain projects were in the preliminary stage of development and that the actual revenue certified by the customers was lower than the actual costs incurred. 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 works performed.

During the six months ended 30 September 2020, the following substantial contracts were awarded to the Group with estimated shared contract value of approximately HK\$4,591 million:

- Main Works for Development of Cingleot Premium Logistics Centre at Kwo Lo Wan of Hong Kong International Airport, a project with a contract sum of HK\$5,638 million was awarded to BUILD KING – ABLE JOINT VENTURE, an unincorporated body which 49% interest of this joint operation is attributable to the Group
- Design and Construction of Joint-user Government Office Building Are 67, Tseung Kwan O, a project with a contract sum of HK\$3,587 million was awarded to ABLE – PAUL Y. JOINT VENTURE, an unincorporated body, which 51% interest of this joint operation is attributable to the Group

We expected to incur much upfront cost for the above newly awarded projects and projects which are still 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 maintenance works during the six months ended 30 September 2020:

- Hospital Authority Term Contract for Gascoigne Road Site of Minor Capital Project 15/16

Other Income and Gains

Other income and gains increased from HK\$8,638,000 for the six months ended 30 September 2019 to HK\$14,327,000 for this period. The increase in the other income and gain was mainly due to the Group applied and recognised government subsidies of HK\$9,443,000 under the “Employment Support Scheme” provided by the Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”) during the period.

Administrative Expenses

Administrative expenses decreased by HK\$31,804,000 from HK\$57,786,000 for the six months ended 30 September 2019 to HK\$25,982,000 for this period. The decrease in the administrative expenses were mainly due to (i) decrease in the discretionary performance-related bonuses and donations; (ii) three out of five executive directors were fully engaged in the project management that their respective remunerations were included in the contract costs for this period; and (iii) following the decision of the Board to demolish Man Shung Industrial Building (the “**Man Shung Building**”) for the redevelopment as further mentioned in the section of “REDEVELOPMENT OF NO.7 LAI YIP STREET”, the relevant consultancy fee and demolition cost incurred during the period were capitalised as the cost of the new building.

Finance Costs

For this period, the Group’s finance costs were HK\$3,957,000 (six months ended 30 September 2019: HK\$358,000). The interest for bank loans increased by HK\$3,295,000 in this period due to the increase 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\$449,000 (six months ended 30 September 2019: HK\$145,000) was incurred and recorded under this item in accordance with HKFRS 16.

Share of Profits and Losses of Joint Ventures

The share of loss of joint ventures for the six months ended 30 September 2020 of HK\$574,000 (six months ended 30 September 2019: profit of HK\$2,913,000) was solely arisen from the share of profits and losses of Gold Victory Resources Inc. and its subsidiaries, in which the Group has 50% interest.

Income Tax Expense

Income tax expense decreased by 94% from HK\$19,233,000 for the six months ended 30 September 2019 to HK\$1,105,000 for this period as a result of the decrease 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 by 98% from HK\$79,557,000 for the six months ended 30 September 2019 to HK\$1,396,000 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 2020 was HK\$1,256,239,000 (31 March 2020: HK\$1,254,843,000).

The Group monitors capital structure by using gearing ratio, which is measured as interest-bearing bank loans, divided by equity attributable to owners of the parent. As at 30 September 2020, the Group's gearing ratio was 21% (31 March 2020: 10%).

The Group's cash and cash equivalents increased by 18% from HK\$616,645,000 as at 31 March 2020 to HK\$724,966,000 at current period end was mainly due to net effect of (i) increase in net borrowing; (ii) the net cash outflows from operating activities; and (iii) payment of demolition costs of the Man Shung Building. Current ratio stood at 1.64 and 1.84 at 30 September 2020 and 31 March 2020, respectively. Current ratio is measured at total current assets divided by total current liabilities.

The Group's banking facilities, comprising primarily bank loans, bank overdrafts and performance bond, amounted to HK\$1,990,000,000 as of 30 September 2020 (31 March 2020: HK\$2,040,000,000), of which HK\$1,399,022,000 (31 March 2020: HK\$1,717,135,000) was unutilised.

Looking forward, due to (i) the new substantial projects awarded to the joint operations in which a subsidiary of the Group is a joint operator are in the preliminary stage of development; and (ii) the redevelopment of the site of No.7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong (the "Site"), it is expected significant amount of cash will be consumed in the coming six months. The Group will continuously take a prudent and cautious approach to cash application and its capital commitments.

Interest and Foreign Exchange Exposure

At 30 September 2020 and 31 March 2020, the Group's bank loans 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.

The Group's business operations are in Hong Kong and the Group's business transactions are denominated in the local currencies. Hence, the Group is not exposed to significant foreign exchange risk.

For the six months ended 30 September 2020 and 30 September 2019, the Group did not engage in any interest rates and currency speculation activities.

Property, plant and equipment

The Group's property, plant and equipment amounted to HK\$635,771,000 as of 30 September 2020 (31 March 2020: HK\$618,512,000). The increase was due to the net effect of (i) the additions to right-of-use assets and property, plant and equipment of total HK\$37,598,000; and (ii) the depreciation of HK\$20,339,000 provided during the period.

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 95% of the accounts receivable as at 30 September 2020 was subsequently settled as at 15 November 2020 (30 September 2019: approximately 88% was subsequently settled by 15 November 2019).

Contract Assets

Balance at current period end mainly represented retention receivables of HK\$171,667,000 (31 March 2020: HK\$168,307,000) and unbilled revenue of HK\$20,171,000 (31 March 2020: HK\$50,538,000). Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts.

Contract Liabilities

Balance at current period end represented the advance payment received from a project of HK\$30,000,000 (31 March 2020: nil). This item will be recognised as revenue when the Group performs under the contract.

Other Payables and Accruals

As of 30 September 2020, the current and non-current balances of other payable and accruals amounted to HK\$65,259,000 (31 March 2020: HK\$222,234,000) and HK\$18,260,000 (31 March 2020: HK\$6,716,000), respectively, which mainly represented provision for contract works, staff costs payable and lease liabilities recognised. The decrease in total balance during the period was mainly due to the net effect of (i) the decrease in provision for contract works of HK\$183,616,000; and (ii) the increase in the recognition of lease liabilities of HK\$28,043,000.

Charges on Assets

As at 30 September 2020, the accounts receivable, unbilled revenue and retention receivables related to certain contract works of HK\$164,680,000 (31 March 2020: HK\$130,653,000), HK\$15,356,000 (31 March 2020: HK\$43,824,000) and HK\$127,321,000 (31 March 2020: HK\$103,575,000), 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 30 September 2020, bank deposit of HK\$110,000,000 (31 March 2020: HK\$110,000,000) was pledged to secure a guarantee deposit for the performance bond issued by the relevant bank in relation to a construction project of the Group and the Group's bank loans with an aggregate carrying amount of HK\$266,681,000 (31 March 2020: HK\$121,517,000) were secured by certain deposits accounts maintained with the relevant banks as continuing security for the obligation of the Group.

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.

REDEVELOPMENT OF NO.7 LAI YIP STREET

As disclosed in the joint announcement of the Company and Vantage dated 7 January 2020 and the annual report of the Company for the year ended 31 March 2020, Bright Wind Limited ("**Bright Wind**", an indirect wholly-owned subsidiary of the Company) received the formal written approval and permission, with conditions, given by the Town Planning Board in respect of its application for the minor relaxation of plot ratio and building height restrictions of the Site. Considered the conditions and facilities of the Man Shung Building located at the Site, the Board decided to redevelop the Site and the demolition works of the Man Shung Building were completed in July 2020.

Further disclosed in the announcement of Company dated 10 November 2020, Bright Wind received a formal written offer (the “**Offer**”), with conditions, from Lands Department (“**LandsD**”) in respect of its proposed modification of the lease of the Site from industrial use to non-residential use (the “**Proposed Lease Modification**”). Pursuant to the Offer, the premium of the Proposed Lease Modification was amounted to HK\$554,570,000 (the “**Premium**”) and the Site could be redeveloped for non-residential use that the total gross floor area of the non-residential building to be erected shall not exceed 14,775 square meters. The redevelopment of the Site could provide more flexibility to the Group for its future development with an option to lease out surplus space of the building, if any.

As at the date of this announcement, Bright Wind accepted the Offer and a deposit equals to 10% of the Premium was paid to the LandsD. Further announcement(s) in relation to the redevelopment of the Site will be made by the Company as and when appropriate in accordance with the Listing Rules.

POSSIBLE ACQUISITION

As disclosed in the joint announcement of the Company and Vantage 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\$130,000,000 (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**”).

The Agreement Valid Period was extended to 2 July 2020 (or such other period as duly agreed by both parties in writing) (the “**Extended Agreement Valid Period**”) as further disclosed in the other joint announcement of the Company and Vantage dated 2 January 2020.

Given that the Conditions Precedent were not fulfilled or waived by the Purchaser within the Extended Agreement Valid Period and no further agreement was entered into between the Purchaser and the Vendor, the Company and Vantage jointly announced on 3 July 2020 that the Framework Agreement was lapsed after the end of the Extended Agreement Valid Period on 2 July 2020 pursuant to the terms of the Framework Agreement. Therefore, the Possible Acquisition constituted under the Framework Agreement was not proceeded.

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 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 500,000,000 new ordinary shares issued pursuant to the listing of Shares on the Stock Exchange). As disclosed in the annual report of the Company for the year ended 31 March 2020, the balance of net proceeds was fully utilised in the current period (31 March 2020: the unused net proceeds were approximately HK\$82 million).

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 Group used the net proceeds during six months ended 30 September 2020 as follows:

	Net proceeds from the Listing <i>HK\$'Million</i>	Unused amount at 1 April 2020 <i>HK\$'Million</i>	Used amount in this period <i>HK\$'Million</i>	Unused amount at 30 September 2020 <i>HK\$'Million</i>
Maintaining and increasing the employed capital requirement and working capital requirement for future/new projects in the public sector	402	82	(82)	–
Payment for the upfront costs	70	–	–	–
General working capital	52	–	–	–
Total	<u>524</u>	<u>82</u>	<u>(82)</u>	<u>–</u>

PROSPECTS

With the global outbreak of the Covid-19 (the “**COVID-19**”) since January 2020, the economic activities and people live around the world were deeply affected as a result of difference types of lockdowns and social distancing restrictions. During the past six-month period, we took the necessary measures to protect the health and safety of our staff and workers and all the current projects of the Group were progressing well as planned. Further, our joint operations have secured two significant construction projects with our share of the estimated contract values amounting to approximately HK\$4,591 million. As such, our construction business in Hong Kong was likely not materially affected by the COVID-19 pandemic. Given the two significant contracts awarded during the period and other contracts on hand, we believe that the turnover of the Group’s operation in the coming years will remain sustainable and stable.

The HKSAR Government has committed to increasing the supply of land and housing supply, especially in public housing, as well as hospital facilities to fulfil the needs of the community. We believe that the project workload of the construction industry in medium to long term will continue active by supporting from the HKSAR Government. The construction industry will still promising in the future.

The Group keeps actively investing in innovation and technology so as to enhance work efficiency, quality of quality and health and safety. We believe that our Group has accumulated ample experience and know-how to be competitive in future tendering new projects. We are also looking for different investment opportunities to broaden our source of income. Our actions will help create reasonable return for shareholders in a changing marketplace.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2020, the Group employed 360 full-time employees (31 March 2020: 336) in Hong Kong. The Group remunerates its employees based on their performance and work experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus and share options may be granted to senior management and staff members by reference to the Group’s performance, specific project’s performance as well as the individual employee’s performance. Staff benefits include mandatory provident fund, medical insurance, incentive travel, subsidies for education and training programmes, etc..

At the Annual General Meeting of the Company held on 31 August 2018, the adoption of a share option scheme (the “**Scheme**”) was considered and approved. The purposes of the 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 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 Scheme and up to 30 September 2020, the Company did not grant any share options under the Scheme and no equity-settled share option expense was charged to the profit or loss.

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 2020.

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 2020.

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 2020.

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 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The Company's 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 Company's 2020/21 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 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