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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 2021

The board of directors of Able Engineering Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries for the six months ended 30 September 2021 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

| | | Unaudited | |
|---|--------------|-------------------------|--------------------|
| | | Six months ended | |
| | | 30 September | |
| | | 2021 | 2020 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| REVENUE | 5 | 2,001,876 | 1,411,491 |
| Contract costs | 6 | <u>(1,934,222)</u> | <u>(1,392,804)</u> |
| Gross profit | | 67,654 | 18,687 |
| Other income and gains | 5 | 904 | 14,327 |
| Administrative expenses | | (43,907) | (25,982) |
| Finance costs | | (5,373) | (3,957) |
| Share of profits and losses of joint ventures | | <u>3,076</u> | <u>(574)</u> |
| PROFIT BEFORE TAX | 6 | 22,354 | 2,501 |
| Income tax expense | 7 | <u>(8,826)</u> | <u>(1,105)</u> |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>13,528</u> | <u>1,396</u> |

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

| | | Unaudited | |
|---|-------------|-------------------------|---------------------|
| | | Six months ended | |
| | | 30 September | |
| | | 2021 | 2020 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>13,528</u> | <u>1,396</u> |
| Profit and total comprehensive income for the period attributable to owners of the parent | | <u>13,528</u> | <u>1,396</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted (<i>HK cents</i>) | 9 | <u>0.68</u> | <u>0.07</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Notes</i> | Unaudited 30 September 2021 HK\$'000 | Audited 31 March 2021 HK\$'000 |
|---|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>10</i> | 1,242,513 | 1,185,004 |
| Investments in joint ventures | | 91,682 | 88,606 |
| Financial assets at fair value through profit or loss | | 10,844 | 5,137 |
| Deferred tax assets | | 217 | 217 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 1,345,256 | 1,278,964 |
| CURRENT ASSETS | | | |
| Accounts receivable | <i>11</i> | 322,557 | 203,611 |
| Contract assets | | 644,918 | 521,027 |
| Prepayments, other receivables and other assets | | 52,171 | 44,835 |
| Tax recoverable | | 955 | 955 |
| Restricted cash | | 124,704 | 110,000 |
| Cash and cash equivalents | | 395,458 | 904,933 |
| | | <hr/> | <hr/> |
| Total current assets | | 1,540,763 | 1,785,361 |
| CURRENT LIABILITIES | | | |
| Accounts payable | <i>12</i> | 693,156 | 430,552 |
| Tax payable | | 26,966 | 9,935 |
| Other payables and accruals | | 292,035 | 447,974 |
| Interest-bearing bank loans | | 60,016 | 340,250 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 1,072,173 | 1,228,711 |
| NET CURRENT ASSETS | | <hr/> 468,590 | <hr/> 556,650 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 1,813,846 | <hr/> 1,835,614 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank loans | | 482,000 | 482,000 |
| Other payables | | 18,775 | 4,071 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 500,775 | 486,071 |
| Net assets | | <hr/> 1,313,071 | <hr/> 1,349,543 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | <i>13</i> | 20,000 | 20,000 |
| Reserves | | 1,293,071 | 1,329,543 |
| | | <hr/> | <hr/> |
| Total equity | | <hr/> 1,313,071 | <hr/> 1,349,543 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 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> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| At 1 April 2021 | 20,000 | 574,485* | (36,742)* | 791,800* | 1,349,543 |
| Profit and total comprehensive income for the period | – | – | – | 13,528 | 13,528 |
| 2020/21 final dividends (<i>note 8</i>) | – | – | – | (50,000) | (50,000) |
| | <u>20,000</u> | <u>574,485*</u> | <u>(36,742)*</u> | <u>755,328*</u> | <u>1,313,071</u> |
| At 30 September 2021 | | | | | |
| At 1 April 2020 | 20,000 | 574,485 | (36,742) | 697,100 | 1,254,843 |
| Profit and total comprehensive income for the period | – | – | – | 1,396 | 1,396 |
| | <u>20,000</u> | <u>574,485</u> | <u>(36,742)</u> | <u>698,496</u> | <u>1,256,239</u> |
| At 30 September 2020 | | | | | |

* These reserve accounts comprise the consolidated reserves of HK\$1,293,071,000 (31 March 2021: HK\$1,329,543,000) in the consolidated statement of financial position as at 30 September 2021.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | | Unaudited | |
|---|-----------|-------------------------|------------------------|
| | | Six months ended | |
| | | 30 September | |
| | | 2021 | 2020 |
| <i>Notes</i> | | HK\$'000 | HK\$'000 |
| Net cash flows used in operating activities | | <u>(88,476)</u> | <u>(26,859)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions of items of property, plant and equipment | <i>10</i> | (53,293) | (2,541) |
| Purchase of financial assets at fair value through profit or loss | | (6,987) | – |
| Proceeds from disposal of items of property, plant and equipment | | – | 20 |
| Increase in restricted cash | | <u>(14,704)</u> | <u>–</u> |
| Net cash flows used in investing activities | | <u>(74,984)</u> | <u>(2,521)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans | | 200,016 | 507,348 |
| Repayment of bank loans | | (480,250) | (362,184) |
| Dividends paid | <i>8</i> | (50,000) | – |
| Principal portion of lease payments | | <u>(15,781)</u> | <u>(7,463)</u> |
| Net cash flows from/(used in) financing activities | | <u>(346,015)</u> | <u>137,701</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | | (509,475) | 108,321 |
| Cash and cash equivalents at beginning of period | | <u>904,933</u> | <u>616,645</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | |
| | | <u>395,458</u> | <u>724,966</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | <u>395,458</u> | <u>724,966</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 Windward 3, Regatta Office Park, 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 six months ended 30 September 2021 (“**the/this/current period**”), the Company and its subsidiaries (collectively, as the “**Group**”) were principally 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 (“**Board**”) of directors (the “**Directors**”) of the Company, Golden Lux Holdings Limited, a company incorporated in the British Virgin Islands (the “**BVI**”), is the immediate holding company of the Company; Golden More Limited, a company incorporated in the BVI, is the ultimate holding company of the Company.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2021 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 2021 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 for the adoption of the revised HKFRSs as stated in note 3 to this unaudited condensed consolidated interim financial information below. This unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and 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 Company’s audited annual consolidated financial statements for the year ended 31 March 2021. 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 information:

| | |
|---|--|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i> |
| Amendment to HKFRS 16 | <i>COVID-19-Related Rent Concessions beyond 30 June 2021</i> |

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank loans denominated in HK\$ based on the Hong Kong Interbank Offered Rate as at 30 September 2021. Since the interest rates of these loans were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these loans are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these loans provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the coronavirus disease (“**COVID-19**”) pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. The amendment did not have any impact on the financial position and performance of the Group.

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 this 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 contract works 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 | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| <i>Revenue from contracts with customers</i> | | |
| Contract works for building construction | 2,001,876 | 1,405,129 |
| Contract works for RMAA works | <u>–</u> | <u>6,362</u> |
| | 2,001,876 | 1,411,491 |
| <i>Other income and gains</i> | | |
| Interest income | 190 | 3,530 |
| Gain on disposal of items of property, plant and equipment | <u>–</u> | <u>20</u> |
| Government subsidies | 714 | <u>10,777</u> |
| | 904 | 14,327 |

6. PROFIT BEFORE TAX

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

| | Unaudited Six months ended 30 September | |
|---|---|--------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Contract costs | 1,934,222 | 1,392,804 |
| Depreciation of owned assets | 272 | 298 |
| Depreciation of right-of-use assets | 38,952 | 20,041 |
| Employee benefit expenses (excluding directors' remuneration) | 87,844 | 95,475 |
| Directors' remuneration | 8,874 | 9,169 |
| | <u>8,874</u> | <u>9,169</u> |

7. INCOME TAX

| | Unaudited Six months ended 30 September | |
|-----------------------|---|--------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Current – Hong Kong: | | |
| Charge for the period | <u>8,826</u> | <u>1,105</u> |

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 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during this period.

8. DIVIDEND

During the six months ended 30 September 2021, the Company declared and paid a final dividend of HK\$0.025 (HK2.5 cents) per share for the year ended 31 March 2021, amounting a total of HK\$50,000,000 (six months ended 30 September 2020: nil).

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: 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 2021 and 2020 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 six months ended 30 September 2021 and 2020.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2021 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

The Group has entered into new lease agreements during the six months ended 30 September 2021. Right-of-use assets amounted to HK\$43,440,000 (six months ended 30 September 2020: HK\$35,057,000) have been recognised accordingly.

During the six months ended 30 September 2021, the Group incurred HK\$53,293,000 (six months ended 30 September 2020: HK\$2,541,000) on the additions of items of property, plant and equipment.

Items of property, plant and equipment with nil net book value were disposed by the Group during the six months ended 30 September 2020, resulting in a gain on disposal of HK\$20,000.

11. ACCOUNTS RECEIVABLE

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

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to members of the Group. As at 30 September 2021, the aggregate amount of accounts receivable related to such contract works was pledged to secure the relevant banking facilities was HK\$6,206,000 (31 March 2021: HK\$87,632,000).

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 2021 <i>HK\$'000</i> | Audited 31 March 2021 <i>HK\$'000</i> |
|-----------------------|---|--|
| Current to six months | 322,557 | 203,472 |
| Over six months | — | 139 |
| | <u>322,557</u> | <u>203,611</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 2021 <i>HK\$'000</i> | Audited 31 March 2021 <i>HK\$'000</i> |
|-------------------------|---|--|
| Current to three months | 454,990 | 227,507 |
| Four to six months | 29,623 | 32,434 |
| Over six months | 208,543 | 170,611 |
| | 693,156 | 430,552 |

At 30 September 2021, retention payables included in accounts payable amounted to HK\$223,067,000 (31 March 2021: HK\$181,359,000), 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 2021 <i>HK\$'000</i> | Audited 31 March 2021 <i>HK\$'000</i> |
|--|---|--|
| Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each | 100,000 | 100,000 |
| Issued and fully paid: 2,000,000,000 ordinary shares of HK\$0.01 each | 20,000 | 20,000 |

There was no movement in the Company's share capital during the six months ended 30 September 2021.

Share options

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

14. SHARE OPTION SCHEME

Pursuant to a resolution of the Company passed on 31 August 2018, the Company has adopted a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any directors (including executive directors and independent non-executive directors) and full-time employees of any member of the Group and Vantage International (Holdings) Limited (“**Vantage**”, the then intermediate holding company of the Company) and its subsidiaries (collectively, the “**Vantage Group**”) (pursuant to the Scheme, directors and full-time employees of the Vantage Group are no longer eligible participants of the Scheme from 19 November 2020 when Vantage ceased to be the intermediate holding company of the Company). 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, 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 adoption date of the Scheme or on the day when such limit is subsequently refreshed with shareholders’ approval (excluding for this purpose any share options which have been previously granted pursuant to the Scheme and any other scheme (including those outstanding, cancelled, lapsed or exercised)).

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, officers or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder of the Company 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 Directors 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 Directors, 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 sheets 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

As at 30 September 2021, 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\$395,301,000 (31 March 2021: HK\$306,184,000).

(b) Claims

(i) *Personal injuries*

In the ordinary course of the Group's contract works 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 contract works, 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 2021 <i>HK\$'000</i> | Audited 31 March 2021 <i>HK\$'000</i> |
|-----------------------------------|---|--|
| Contracted, but not provided for: | | |
| Construction in progress | <u>90,701</u> | <u>143,153</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 related parties during the period:

| | Unaudited Six months ended 30 September | |
|---|---|----------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Rental payment to a company controlled by an executive Director (note) | 1,404 | 1,404 |
| Purchase of products and installation services from a joint venture (note) | 31,313 | – |

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

The Directors are of the opinion that these 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 | |
|---|---|----------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Short-term employee benefits | 4,933 | 13,267 |
| Post-employment benefits | 54 | 47 |
| Total compensation paid to key management personnel | 4,987 | 13,314 |

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 2021.

(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.

The fair values of financial assets at fair value through profit or loss is determined with reference to the Cash Value as provided by the insurance company.

19. 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 25 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE INTERIM PERIOD

During the six months ended 30 September 2021 (“**the/this/current period**”), the Group recorded a consolidated turnover of HK\$2,001,876,000, representing an increase of 42% from HK\$1,411,491,000 of the previous corresponding period. The Group’s gross profit during this period was HK\$67,654,000, representing an increase of 262% from HK\$18,687,000 for the six months ended 30 September 2020. Profit attributable to owners of the parent of this period amounted to HK\$13,528,000 (six months ended 30 September 2020: HK\$1,396,000). The increase in net profit was mainly attributable to certain projects were in the preliminary stage of development during comparative period that the actual revenue certified by the customers for that period was lower than the actual costs incurred. The basic earnings per share increased from HK0.07 cents for the six months ended 30 September 2020 to HK0.68 cents for this period.

DIVIDEND

During the six months ended 30 September 2021, the Company declared and paid a final dividend of HK\$0.025 (HK2.5 cents) per share for the year ended 31 March 2021, amounting a total of HK\$50,000,000 (six months ended 30 September 2020: nil).

The Board has resolved not to declare the payment of an interim dividend for this period (six months ended 30 September 2020: nil).

BUSINESS REVIEW

The Group recorded revenue of HK\$2,001,876,000 for this period, representing an increase of 42% from HK\$1,411,491,000 for the six months ended 30 September 2020. The increase was mainly due to increase in revenue for the current period from two large-scale building construction projects which were in the preliminary stage of development in the comparative period. As of 30 September 2021, the estimated total contract values and estimated total outstanding values of the Group’s substantial contracts that were awarded to (i) subsidiaries of the Group amounted to approximately HK\$5,804 million (31 March 2021: approximately HK\$4,489 million) and HK\$4,209 million (31 March 2021: approximately HK\$1,444 million), respectively; and (ii) joint operations of the Group amounted to HK\$18,675 million (31 March 2021: approximately HK\$18,675 million) and HK\$15,482 million (31 March 2021: approximately HK\$16,668 million). These contracts are expected to be completed in around one to three years.

The gross profit margin increased from 1.3% for the six months ended 30 September 2020 to 3.4% for this period. The increase was mainly attributable to certain projects were in the preliminary stage of development during the comparative period and that the actual revenue certified by the customers for that period was lower than the actual costs incurred. Under the adoption of HKFRS 15, 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 2021, the following substantial contracts were awarded to the Group with estimated contract value of approximately HK\$3,535 million:

- Construction of Public Housing Development at Yip Wong Road Phase 1 and Phase 2, Tuen Mun; and
- Construction of Public Housing Development at Kai Tak Site 2B2.

We expected to incur much upfront cost for the above newly awarded projects which may have temporary negative impact on our financial performance in the early stage of these projects.

On the other hand, the Group has completed the following significant contract regarding building construction works during the six months ended 30 September 2021:

- Extension and Conversion to St. Paul's Primary Catholic School at Wong Nai Chung Road, Happy Valley, Hong Kong ; and
- Main Contract for the Proposed Residential Development at Kai Tak Area 1K Site 1, Kai Tak.

Other Income and Gains

Other income and gains decreased from HK\$14,327,000 for the six months ended 30 September 2020 to HK\$904,000 for this period. The significant decrease was mainly due to (i) government subsidies of HK\$9,443,000 under the "Employment Support Scheme" were provided by the Government of the Hong Kong Special Administrative Region ("**HK SAR Government**") during the period ended 30 September 2020; and (ii) decrease in interest income from HK\$3,530,000 of prior period to HK\$190,000 of current period.

Administrative Expenses

Administrative expenses increased by HK\$17,925,000 from HK\$25,982,000 for the six months ended 30 September 2020 to HK\$43,907,000 for this period. The increase was mainly due to the increase in donations and depreciation for right-of-use assets amounted to approximately HK\$20 million in total.

Finance Costs

For this period, the Group's finance costs were HK\$5,373,000 (six months ended 30 September 2020: HK\$3,957,000). The interest for bank loans increased by HK\$1,478,000 in this period due to the increase in bank loans balances comparing with the corresponding period of that of last year. On the other hand, current period's interest on lease liabilities of HK\$387,000 (six months ended 30 September 2020: HK\$449,000) was recorded under this item in accordance with HKFRS 16.

Share of Profits and Losses of Joint Ventures

The share of profit of joint ventures for the six months ended 30 September 2021 of HK\$3,076,000 (six months ended 30 September 2020: loss of HK\$574,000) was solely arisen from the share of profits and losses of Gold Victory Resources Inc. ("**Gold Victory**") and its subsidiaries, in which the Group has 50% interest.

Income Tax Expense

Income tax expense increased by HK\$7,721,000 from HK\$1,105,000 for the six months ended 30 September 2020 to HK\$8,826,000 for this period as a result of the increase in taxable profit for this period.

Profit Attributable to Owners of the Parent

As a result of the foregoing, profit attributable to owners of the parent increased by HK\$12,132,000 from HK\$1,396,000 for the six months ended 30 September 2020 to HK\$13,528,000 for this period.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

The capital of the Group only comprises ordinary shares. The Group mainly relies on its internally generated capital and bank borrowings to finance its business. The total equity of the Group as at 30 September 2021 was HK\$1,313,071,000 (31 March 2021: HK\$1,349,543,000).

The Group monitors capital structure by net gearing ratio, which is measured as interest-bearing bank loans less cash and bank balances, divided by total equity. As at 30 September 2021, the Group's net gearing ratio was 1.66% (31 March 2021: 0%).

The Group's cash and cash equivalents decreased by 56% from HK\$904,933,000 as at 31 March 2021 to HK\$395,458,000 at current period end was mainly due to net effect of (i) net repayment of bank loans; (ii) the net cash outflows from operating activities; (iii) payment of construction costs of the redevelopment of the site of No.7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong (the "Site"); and (iv) payment of 2020/21 final dividend. Current ratio stood at 1.44 and 1.45 at 30 September 2021 and 31 March 2021, 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\$2,060,682,000 was unutilised as at 30 September 2021 (31 March 2021: HK\$1,819,566,000).

Looking forward, due to (i) the new substantial projects awarded to the Group are in the preliminary stage of development; and (ii) the redevelopment of 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 2021 and 31 March 2021, the Group's bank loans were all denominated in Hong Kong dollars and interest were charged 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 with reference to the respective bank's offer rate.

The Group's business operations are engaged in Hong Kong and the Group's business transactions are denominated in the local currencies except for the financial assets at fair value through profit or loss which is denominated in United States Dollar. Hence, the Group is not exposed to significant foreign exchange risk.

For the six months ended 30 September 2021 and 30 September 2020, 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\$1,242,513,000 as of 30 September 2021 (31 March 2021: HK\$1,185,004,000). 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\$96,733,000; and (ii) the depreciation of HK\$39,224,000 provided during the period.

Financial Assets at Fair Value through Profit or Loss

The balance represented the cash value of life insurances acquired for certain executive Directors.

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 works 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. All of the accounts receivable as at 30 September 2021 was subsequently settled before 15 November 2021 (31 March 2021: approximately 93% was subsequently settled before 16 June 2021).

Contract Assets

Balance at current period end mainly represented retention receivables of HK\$331,952,000 (31 March 2021: HK\$275,061,000) and unbilled revenue of HK\$312,966,000 (31 March 2021: HK\$245,966,000). Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts.

Prepayments, Other Receivables and Other Assets

As at 30 September 2021, the prepayments, other receivables and other assets mainly represented the prepaid insurance for contract works projects, construction waste disposal deposits and rental and utilities deposit. The increase in total balance during the period was mainly due to the insurances purchased and utility deposits paid for the newly awarded construction projects.

Other Payables and Accruals

As of 30 September 2021, the current and non-current balances of other payable and accruals amounted to HK\$292,035,000 (31 March 2021: HK\$447,974,000) and HK\$18,775,000 (31 March 2021: HK\$4,071,000), respectively, which mainly represented provision for contract works, staff costs payable, redevelopment cost payables for the Site 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\$171,705,000; and (ii) the increase in the recognition of lease liabilities of HK\$43,440,000.

Charges on Assets

As at 30 September 2021, the Group's property, plant and equipment, the accounts receivable, unbilled revenue and retention receivables related to certain contract works of HK\$1,187,841,000 (31 March 2021: 1,156,000,000), HK\$6,206,000 (31 March 2021: HK\$87,632,000), nil (31 March 2021: HK\$100,411,000) and HK\$3,924,000 (31 March 2021: HK\$61,034,000), respectively, were pledged in favour of certain banks to secure certain banking facilities granted by those banks to the Group.

As at 30 September 2021, bank deposit of HK\$124,704,000 (31 March 2021: HK\$110,000,000) was pledged as secure guarantee deposits for the performance bonds issued by the relevant banks in relation to contract works projects of the Group. In addition, the Group's bank loans with an aggregate carrying amount of HK\$20,016,000 (31 March 2021: HK\$87,276,000) were secured by certain deposits accounts amounted to HK\$65,289,000 (31 March 2021: HK\$120,521,000) 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.

OUTLOOK

The HKSAR Government demonstrated its dedication to increase the supply of public housing. It identified 330 hectares of land to provide 316,000 public housing units to meet the 10-year public housing supply target of 301,000 units between 2021-22 and 2030-31.

Also as mentioned in the 2021 Policy Address, the HKSAR Government pursue development in various parts of the New Territories and introduced "Northern Metropolis Development Strategy". The Northern Metropolis Development Strategy plans to transform the northern part of Hong Kong into a lively and attractive area for housing, technology development and other industries.

In view of the high demand for housing and healthcare services from community remains unchanged and the development plan of Northern Metropolis Development Strategy, the medium to long-term outlook of the construction industry in Hong Kong looks promising. We believe that our Group has accumulated ample experience and know-how to be competitive in tendering new projects.

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

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2021, the Group employed 384 full-time employees (31 March 2021: 330) 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 (suspended in the period under the COVID-19 pandemic), 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 the benefit of the Company and its shareholders as a whole. The Scheme provides the Group with a flexible means of 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 2021, 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 2021.

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 2021.

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 2021.

REVIEW BY AUDIT COMMITTEE

As at 30 September 2021, the Audit Committee comprises five independent non-executive Directors, namely Mr. MONG Chan (*Chairman*), Prof. KO Jan Ming, Dr. LEE Man Piu, Albert, 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. Mr. MONG Chan is a certified public accountant and 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 2021.

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 2021/22 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, 25 November 2021

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. YAU Kwok Fai
Mr. IP Yik Nam

Independent Non-executive Directors

Prof. KO Jan Ming
Dr. LEE Man Piu, Albert
Dr. LI Yok Sheung
Ms. MAK Suk Hing
Mr. MONG Chan