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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 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Able Engineering Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2018 (“**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 2018

		Unaudited Six months ended 30 September 2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	6	1,333,224	1,661,046
Contract costs		<u>(1,188,316)</u>	<u>(1,532,452)</u>
Gross profit		144,908	128,594
Other income and gains	6	7,341	2,567
Administrative expenses		(56,051)	(27,656)
Finance costs		<u>(367)</u>	<u>(221)</u>
PROFIT BEFORE TAX	7	95,831	103,284
Income tax expense	8	<u>(17,586)</u>	<u>(17,231)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>78,245</u>	<u>86,053</u>

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

Six months ended 30 September 2018

		Unaudited Six months ended 30 September 2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
	<i>Notes</i>		
Profit and total comprehensive income attributable to owners of the parent		<u>78,245</u>	<u>86,053</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK cents)			
Basic and diluted	10	<u>3.91</u>	<u>4.30</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2018

		Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	702,959	3,725
Investment in a joint venture		8,394	8,394
Prepayment and deposit		–	113,641
Deferred tax assets		41	41
Total non-current assets		711,394	125,801
CURRENT ASSETS			
Gross amount due from customers for contract works	3	–	17,306
Accounts receivable	3,12	275,694	530,482
Prepayments, deposits and other receivables		11,762	19,567
Contract assets	3	212,552	–
Tax recoverable		8,809	8,809
Cash and cash equivalents		809,499	1,185,501
Total current assets		1,318,316	1,761,665
CURRENT LIABILITIES			
Accounts payable	13	429,363	438,171
Accruals of costs for contract works	3	–	224,360
Tax payable	3	52,723	16,572
Other payables and accruals	3	290,934	23,864
Due to a joint venture		7,313	7,313
Total current liabilities		780,333	710,280
NET CURRENT ASSETS		537,983	1,051,385
TOTAL ASSETS LESS CURRENT LIABILITIES		1,249,377	1,177,186
NON-CURRENT LIABILITIES			
Deferred tax liabilities		43	43
Total non-current liabilities		43	43
Net assets		1,249,334	1,177,143
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	20,000	20,000
Reserves		1,229,334	1,157,143
Total equity		1,249,334	1,177,143

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2018

	Attributable to owners of the parent					
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 31 March 2018	20,000	574,485*	(36,742)*	–*	619,400*	1,177,143
Impact on initial application of HKFRS 15 (note 3)	–	–	–	–	93,946	93,946
Adjusted balance as at 1 April 2018	20,000	574,485	(36,742)	–	713,346	1,271,089
Profit and total comprehensive income for the period	–	–	–	–	78,245	78,245
2017/18 final dividends paid (note 9)	–	–	–	–	(100,000)	(100,000)
At 30 September 2018	<u>20,000</u>	<u>574,485*</u>	<u>(36,742)*</u>	<u>–*</u>	<u>691,591*</u>	<u>1,249,334</u>
At 1 April 2017	20,000	574,485	(36,742)	–	444,429	1,002,172
Profit and total comprehensive income for the period	–	–	–	–	86,053	86,053
At 30 September 2017	<u>20,000</u>	<u>574,485</u>	<u>(36,742)</u>	<u>–</u>	<u>530,482</u>	<u>1,088,225</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,229,334,000 (31 March 2018: HK\$1,157,143,000) in the consolidated statement of financial position as at 30 September 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2018

		Unaudited	
		Six months ended	
		30 September	
		2018	2017
	Notes	HK\$'000	HK\$'000
Net cash flows from operating activities		322,048	440,847
Cash flows from investing activities			
Additions of items of property, plant and equipment	11	(598,212)	(707)
Proceeds from disposal of items of property, plant and equipment		162	–
Net cash flows used in investing activities		(598,050)	(707)
Cash flows from financing activities			
Repayment of bank loans		–	(50,769)
Dividend paid	9	(100,000)	–
Net cash flows used in financing activities		(100,000)	(50,769)
Net increase/(decrease) in cash and cash equivalents		(376,002)	389,371
Cash and cash equivalents at beginning of period		1,185,501	732,196
Cash and cash equivalents at end of period		809,499	1,121,567
Analysis of cash and cash equivalents:			
Cash and bank balances		439,499	598,349
Non-pledged time deposits with original maturity of less than three months when acquired		370,000	523,218
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		809,499	1,121,567

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2018

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Group’s principal subsidiaries were engaged in building construction and maintenance businesses.

In the opinion of the Directors, Profit Chain Investments Limited (“**Profit Chain**”), a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate holding company of the Company; Vantage International (Holdings) Limited (“**Vantage**”, together with its subsidiaries, excluding the Group, collectively referred to as the “**Remaining Vantage Group**”), a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, is the intermediate holding company of the Company; and the ultimate holding company of the Company is Winhale Ltd., a company incorporated in the BVI.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial information are consistent with those set out in the Group’s audited consolidated financial statements for the year ended 31 March 2018 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except as stated in note 3 of the unaudited condensed consolidated interim financial information below. This unaudited condensed consolidated interim financial information has been prepared under the historical convention 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 audited consolidated financial statements for the year ended 31 March 2018. This condensed consolidated interim financial information has not been audited or reviewed by the Company’s external auditor, but has been reviewed by the Company’s audit committee (the “**Audit Committee**”).

3. PRINCIPAL ACCOUNTING POLICIES

The Group has adopted, for the first time, the following new and revised to HKFRSs for the current periods unaudited condensed consolidated interim financial information:

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

The Group has applied, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations are applied for the first time in this period, but do not have significant impact on the unaudited condensed consolidated interim financial information of the Group.

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

Key Changes in Accounting Policies Resulting from Application of HKFRS 15

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration of all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has elected to apply the modified retrospective method whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 31 March 2018 are adjusted at the opening balance of retained profits as at 1 April 2018 and prior period comparatives are not restated. The effects of the adoption of HKFRS 15 are set out below.

From 1 April 2018 onwards, the Group has adopted the following accounting policies on revenue:

General Policies

Revenue is recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, the control of the goods or services may be transferred over time or at a point in time.

Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration.

A contract liability represents the Group's obligation to transfer goods and services to a customer for which the Group has received consideration from the customer.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

Contract works

In prior reporting periods, the Group mainly accounted for revenue from construction contracts using the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contract. Profit is only recognized when the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract works. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as accruals of costs for contract works.

Under HKFRS 15, revenue from construction contracts will continue to be recognised over time when the Group creates or enhances an asset that the customer controls over time in accordance with the direct measurements of the value transferred by the Group to the customer with reference to the certified value of work performed to date.

The Group has assessed that the adoption of HKFRS 15 would have impact on the recognition of contract costs relating to the Group's contract works, where costs that relate to satisfied performance obligations in a contract will be recognised to profit or loss immediately but not according to the project's overall profit estimation.

In addition to the impacts on the recognition of contract costs as disclosed above, reclassifications of certain items on the Group's financial statements were made as at 1 April 2017 to consistent with the terminology used under HKFRS 15:

- Unbilled amount resulting from construction contracts and retention receivables were reclassified from "accounts receivable" to "contract assets".

The following table summarize the impact of HKFRS 15 on the Group's financial position as at 1 April 2018.

	As at 1 April 2018		
	As previously stated HK\$'000	Impact of HKFRS 15 HK\$'000	As restated HK\$'000
Assets			
Gross amount due from customers for			
contract works	17,306	(17,306)	–
Accounts receivable	530,482	(244,348)	286,134
Contract assets	–	244,348	244,348
Liabilities			
Accruals of costs for contract works	224,360	(224,360)	–
Other payables and accruals	23,864	94,544	118,408
Tax payable	16,572	18,564	35,136
Equity			
Retained profits	<u>619,400</u>	<u>93,946</u>	<u>713,346</u>

The following table summarize the estimated impact of the adoption of HKFRS 15 on the Group's financial performance for the six months ended 30 September 2018.

	For the six months ended 30 September 2018		
	Hypothetical amount before adoption of of HKFRS 15 HK\$'000	Estimated impact of HKFRS 15 HK\$'000	Amounts reported in accordance with HKFRS 15 HK\$'000
Contract works costs	1,280,498	(92,182)	1,188,316
Income tax expense	2,376	15,210	17,586
Profit for the period	<u>1,273</u>	<u>76,972</u>	<u>78,245</u>

Key Changes in Accounting Policies Resulting from Application of HKFRS 9

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has elected not to adjust the comparative information for the period beginning 1 April 2018, which was presented under classification and measurement requirements of HKAS 39. The impacts relating to the classification and measurement and the impairment requirements upon the adoption of HKFRS 9 are summarised as follows:

Classification and measurement

Debtors arising from contracts with customers are initially measured in accordance with HKFRS 15. Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“**FVPL**”), amortised cost, or fair value through other comprehensive income (“**FVOCI**”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the “**SPPI criterion**”).

The new classification and measurement of the Group’s debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group’s accounts receivable and deposits and other receivables.

All other financial assets are subsequently measured at FVPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies. Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. The Group does not have any equity instruments at FVOCI during the reporting period.

The assessment of the Group’s business models was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

The accounting for the Group’s financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Impairment

HKFRS 9 requires an impairment on accounts receivables, contract assets and other receivables that are not accounted for at FVPL under HKFRS 9, to be recorded based on an expected credit loss (“ECL”) model either on a twelve-month basis or a lifetime basis. While cash and cash equivalents and deposits are also subject to the impairment requirement of HKFRS 9, the ECL was immaterial.

The Group applied the simplified approach and recorded lifetime expected losses (if any) that were estimated based on the present value of all cash shortfalls over the remaining life of all of its deposits and receivables. The Group performed a detailed analysis which considers all reasonable and supportable information, including historical experience and forward-looking elements, for estimation of expected credit losses on its accounts and other receivables.

The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

Hedge accounting

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The Group does not have any financial instruments related to hedge accounting throughout the period ended 30 September 2018 and year ended 31 March 2018.

4. ESTIMATES

The preparation of this unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements of the Group as at and for the year ended 31 March 2018, except for the loss allowances for financial assets that are based on assumptions about risk of default and expected loss rates upon the initial adoption of HKFRS 9. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

5. SEGMENT INFORMATION

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

Disaggregation of Revenue

The group's revenue from the contracts with customers during the reporting period were transferred over time.

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.

6. REVENUE, OTHER INCOME AND GAINS

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

	Unaudited	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
Revenue		
Contract works revenue	<u>1,333,224</u>	<u>1,661,046</u>
Other income and gains		
Interest income	2,726	2,421
Gain on disposal of items of property, plant and equipment	162	–
Rental income	3,909	–
Sundry income	<u>544</u>	<u>146</u>
	<u>7,341</u>	<u>2,567</u>

7. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
Depreciation	12,619	1,490
Employee benefits expenses (exclusive of directors' remuneration)	90,522	90,440
Directors' remuneration	<u>31,643</u>	<u>20,328</u>

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
Current – Hong Kong:		
Charge for the period	17,586	17,347
Deferred	<u>–</u>	<u>(116)</u>
Total tax charge for the period	<u>17,586</u>	<u>17,231</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during this period.

The joint venture did not generate any assessable income during the current period, no tax has been provided for the joint venture (six months ended 30 September 2017: Nil).

9. DIVIDEND

During the six months ended 30 September 2018, the Company declared and paid a final dividend of HK\$0.05 per share for the year ended 31 March 2018, amounting to a total of HK\$100,000,000 (six months ended 30 September 2017: Nil).

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

10. 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 2018 and 2017 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 2018 and 2017.

The Group had no potential dilutive ordinary shares in issue during the period ended 30 September 2018 and 2017.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group incurred approximately HK\$712,240,000 (six months ended 30 September 2017: approximately HK\$707,000) on the additions of items of property, plant and equipment.

12. ACCOUNTS RECEIVABLE

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

At 31 March 2018, retentions receivable included in accounts receivable amounted to HK\$203,219,000, which are repayable within terms ranging from one to four years.

At 30 September 2018, retentions receivable of HK\$207,171,000, which repayable within terms ranging from one to four years, have been classified in “contract assets” upon adoption of HKFRS 15.

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to the Group. As at 30 September 2018, the aggregate amount of accounts receivable related to such contract works pledged to secure the relevant banking facilities amounted to HK\$219,551,000 (31 March 2018: HK\$220,143,000).

The following is an ageing analysis of the Group’s accounts receivable presented based on the invoice date at the end of the reporting period:

	Unaudited 30 September 2018 <i>HK\$’000</i>	Audited 31 March 2018 <i>HK\$’000</i>
Current to three months	267,487	326,645
Four to six months	–	5,473
Over six months	8,207	198,364
	<u>275,694</u>	<u>530,482</u>

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	Unaudited 30 September 2018 <i>HK\$’000</i>	Audited 31 March 2018 <i>HK\$’000</i>
Past due but not impaired:		
One to three months past due	–	–
Four to six months past due	–	8,738
Seven to twelve months past due	–	270
Over one year past due	8,068	8,068
	8,068	17,076
Neither past due nor impaired	267,626	513,406
	<u>275,694</u>	<u>530,482</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. Based on past experience, the Directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 30 September 2018, no expected credit loss (31 March 2018: Nil) was made against the gross amount of accounts receivables. The Group did not hold any collateral or other credit enhancements over these balances.

Accounts receivable that are neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

13. ACCOUNTS PAYABLE

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

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Current to three months	164,746	187,941
Four to six months	19,547	20,912
Over six months	245,070	229,318
	<u>429,363</u>	<u>438,171</u>

At 30 September 2018, retentions payable included in accounts payable amounted to HK\$28,165,000 (31 March 2018: HK\$197,588,000), which are normally settled within terms ranging from one to four years.

Accounts payable are non-interest-bearing. The payment terms are stipulated in the relevant contracts.

14. SHARE CAPITAL

Shares

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Authorised:		
10,000,000,000 (31 March 2018: 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 2018: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>

15. SHARE OPTION SCHEME

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

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

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

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the 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 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 granted from the date of adoption of the Scheme up to the date of approval of these unaudited condensed consolidated interim financial information.

16. CONTINGENT LIABILITIES

- (a) At 30 September 2018, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$179,443,000 (31 March 2018: HK\$179,443,000).

(b) **Claims**

(i) *Personal injuries*

In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's sub-contractors in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

(ii) *Sub-contractors' claims*

In the ordinary course of the Group's construction business, the Group has been subject to various claims from sub-contractors from time to time. Provision would be made for claims when the management assessed and can reasonably estimate the probable outcome of the claims. No provision would be made for claims when the claims cannot be reasonably estimated or management believes that the probability of loss is remote.

17. CAPITAL COMMITMENTS

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

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Contracted, but not provided for, in respect of:		
Property, plant and equipment	<u> – </u>	<u> 556,740 </u>

18. 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	
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental payment to the Remaining Vantage Group	(i)	<u>1,320</u>	<u>1,320</u>

Notes:

- (i) These transactions were conducted at terms and conditions mutually agreed between the relevant parties.

(b) Compensation of key management personnel

	Unaudited	
	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	4,376	5,529
Post-employment benefits	<u>63</u>	<u>45</u>
Total compensation paid to key management personnel	<u>4,439</u>	<u>5,574</u>

The above compensation of key management personnel excludes the directors' and chief executive's remuneration, details of which are set out in note 7.

19. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Financial risk management

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's annual consolidated financial statements for the year ended 31 March 2018.

(b) Fair value measurement

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, accounts payable, deposits and other receivables, other payables and accruals and amount due to a joint venture 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.

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 28 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE INTERIM PERIOD

The Directors report that during the six months ended 30 September 2018 (“**this period**”), the Group recorded a consolidated turnover of HK\$1,333,224,000, representing a decrease of 19.7% from HK\$1,661,046,000 of the previous corresponding period. The Group's gross profit during this period was HK\$144,908,000, representing an increase by 12.7% from HK\$128,594,000 for the six months ended 30 September 2017. Profit attributable to owners of the parent of this period amounted to HK\$78,245,000 (six months ended 30 September 2017: HK\$86,053,000). The decrease in profit for this period was mainly attributable to the increase in the administrative expenses of HK\$28,395,000 and the recognition of approximately HK\$94,000,000 contract profits directly in equity upon the adoption of HKFRS 15.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for this period (six months ended 30 September 2017: Nil).

BUSINESS REVIEW

The Group recorded a turnover of HK\$1,333,224,000 for this period, representing a decrease of 19.7% from HK\$1,661,046,000 for the six months ended 30 September 2017. The decrease in turnover was mainly resulted from the completion of a substantial portion of a large-scale building construction project during this period which contributed a large portion of revenue in last comparative period and it was in final stage of development in that period and did not contribute much revenue to the Group in current period. As of 30 September 2018, the estimated total contract values and estimated total outstanding values of the Group's substantial contracts on hand were approximately HK\$4,549 million and HK\$1,297 million, respectively. These contracts are expected to be completed in around one to two years' time.

The gross profit margin increased from approximately 7.7% for the six months ended 30 September 2017 to approximately 10.9% for this period. This was mainly resulted from the effect of the adoption of HKFRS 15 in the current period. Under HKAS 11 as adopted by the Group in prior years, revenue and contracts costs were recognised using the percentage-of-completion method and an even gross profit margin was achieved for an individual contract over the life of the contract. Upon the adoption of HKFRS 15, contract costs related to a satisfied performance obligation would be recognised in profit or loss immediately which would result in uneven gross profit margins in individual reporting periods over the life of each contract. As a result, the gross profit margins of the Group's contracts will fluctuate over different reporting periods, depending on the actual revenue certified and costs incurred for the construction work performed, and the increase in gross profit margin for the current period was mainly due to the recognition of certain construction work performed with higher gross profit margins during the period.

Since 1 October 2018 and up to the date of approving this announcement, the Group secured the following two substantial contracts, which have an aggregate estimated contract value of approximately HK\$3,157 million:

- Design and Construction of Redevelopment of Queen Mary Hospital, Phase 1 – Main Works at Pok Fu Lam Road, Hong Kong (*Note*); and
- Extension and Conversion to St. Paul's Primary Catholic School at Wong Nai Chung Road, Happy Valley, Hong Kong.

Note: Project with a contract sum of HK\$9,450 million has been awarded to Paul Y.–Able Joint Venture, an unincorporated body in which 30% interest of this joint operation is attributable to the Group.

We expected to incur much upfront cost for the above newly awarded projects in the second half of the year, which will have negative impact on our financial performance resulting a loss in the second half of the year.

On the other hand, the Group completed the following significant contract regarding building construction works during the six months ended 30 September 2018:

- Construction of Public Housing Development at Tung Chung Area 39.

Other Income and Gains

Other income and gains increased substantially from HK\$2,567,000 for the six months ended 30 September 2017 to HK\$7,341,000 for this period. The increase was mainly attributable to the rental income from the existing tenants of Man Shung Industrial Building.

Administrative Expenses

Administrative expenses increased by HK\$28,395,000 from HK\$27,656,000 for the six months ended 30 September 2017 to HK\$56,051,000 for this period. The increase in the administrative expenses was mainly due to the recognition of depreciation of Man Shun Industrial Building and the increase of research and development cost and human resources expenses.

Finance Costs

For this period, the Group's finance costs were HK\$367,000 (six months ended 30 September 2017: HK\$221,000). The increase in finance costs in current period was mainly attributable to the increase in average bank borrowings during this period.

Share of Profits and Losses of a Joint Venture

For the six months ended 30 September 2018, the Group's did not share any profits or losses from a joint venture, Leighton-Able Joint Venture ("LAJV"), in which the Group has 49% interest, net of tax, (six months ended 30 September 2017: Nil). The projects of LAJV had been completed while some contract costs are yet to be finalised with respective sub-contractors.

Income Tax Expense

Income tax expense increased slightly by 2.1% from HK\$17,231,000 for the six months ended 30 September 2017 to HK\$17,586,000 for this period.

Profit Attributable to Owners of the Parent

As a result of the foregoing, profit attributable to owners of the parent decreased from HK\$86,053,000 for the six months ended 30 September 2017 to HK\$78,245,000 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 2018 was HK\$1,249,334,000 (31 March 2018: HK\$1,177,143,000).

Due to the Group's net cash inflows from operating activities during the six months ended 30 September 2018 setting off by the net cash outflows from investing and financing activities, the Group's cash and cash equivalents decreased by 31.7% from HK\$1,185,501,000 as at 31 March 2018 to HK\$809,499,000 at current period end. Current ratio stood at 1.69 and 2.48 at 30 September 2018 and 31 March 2018, respectively. Current ratio is measured at total current assets divided by total current liabilities.

The Group's banking facilities, comprising primarily bank loans, overdrafts and performance bond, amounted to HK\$1,345,000,000 as of 30 September 2018 (31 March 2018: HK\$1,345,000,000), of which HK\$1,165,557,000 (31 March 2018: HK\$1,165,557,000) was unutilised. At 30 September 2018 and 31 March 2018, the Group's bank borrowings were all denominated in Hong Kong dollars and on a floating rate basis.

The Group does not engage in any interest rates and currency speculation activities. The Group's bank accounts are operated with principal bankers in Hong Kong. The interest rates of these bank accounts are determined by reference to the respective bank offer rate. The Group maintains sufficient working capital resources to execute its contract works. The Group generally takes a prudent and cautious approach to cash application and its capital commitments.

Interest Exposure

At 30 September 2018 and 31 March 2018, the Group's bank borrowings were all denominated in Hong Kong dollars and on a floating rate basis. The interest rates of these bank borrowing are determined by reference to the respective bank offer rate. During this period, the Group did not engage in any interest rates and currency speculation activities. The Group's bank accounts were operated with principal bankers in Hong Kong.

Accounts Receivable

The Group's accounts receivable represented the receivables for contract works in relation to completed and on-going contract works projects. Trade debtors represent progress billing of work performed by us and the progress payment certificates issued by and received from our customers. The level of our trade debtors is principally affected by our work progress and the amount of the progress payment certificate received from our customers before the end of the reporting period. Approximately 97% of the trade debtors as at 30 September 2018 were subsequently settled as at 2 November 2018.

Contract Assets

Balance at current period end mainly represented retention of accounts receivables and unbilled revenue, which were previously classified under "accounts receivables" before the adoption of HKFRS15 on 1 April 2018.

Charges on Assets

At 30 September 2018, the assignment of the Group's financial benefits under certain contract works with total accounts receivable amounting to HK\$219,551,000 (31 March 2018: HK\$220,143,000) were pledged in favour of certain banks to secure the banking facilities granted by those banks to the Group.

Contingent Liabilities

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

Capital Commitments

Details of the Group's capital commitments are set out in note 17 to the unaudited condensed consolidated interim financial information.

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

The Group did not have any significant investment held as at 30 September 2018. The Group is currently investigating and evaluating different investment opportunities.

THE MAN SHUN ACQUISITION

On 8 January 2018, Bright Wind Limited (“**Bright Wind**”, an indirect wholly-owned subsidiary of Group) entered into nine provisional sale and purchase agreements with various independent third parties for the acquisition of certain properties (representing 21/26 equal and undivided shares) located at Man Shung Industrial Building (“**Man Shung**”), No. 7, Lai Yip Street, Kwun Tong, Kowloon at an aggregate consideration of HK\$438.6 million (the “**First Round Man Shung Acquisition**”).

In addition to the First Round Man Shung Acquisition, on 9 February 2018, Bright Wind entered into three provisional sale and purchase agreements with various independent third parties for the acquisition of certain remaining properties (representing 4/26 equal and undivided shares) located at Man Shung at an aggregate consideration of HK\$180 million (the “**Second Round Man Shung Acquisition**”, together with the First Round Man Shung Acquisition, the “**Man Shung Acquisition**”).

In addition to the First Round Acquisition and Second Round Acquisition completed in April 2018, Bright Wind completed the acquisition of the remaining property at Man Shung at a consideration of HK\$30.3 million at the end of August 2018.

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

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

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 20 February 2017 (the “**Listing Date**”). Net proceeds from the Listing were approximately HK\$524 million (after deducting the underwriting commission and other expenses in relation to the offering). According to the section “Future Plans and Proposed Use of Proceeds” as set out in the prospectus dated 26 January 2017, the Group used the net proceeds during the period between the Listing Date and 30 September 2018 as follows:

	Net proceeds from the Listing <i>HK\$ Million</i>	Unused amount at 1 April 2018 <i>HK\$ Million</i>	Used in this period <i>HK\$ Million</i>	Unused amount at 30 September 2018 <i>HK\$ Million</i>
Maintaining and increasing the employed capital requirement and working capital requirement for future/new projects in the public sector	402	354	(63)	291
Payment for the upfront costs	70	–	–	–
General working capital	52	32	(28)	4
	<u>524</u>	<u>386</u>	<u>(91)</u>	<u>295</u>
Total	<u>524</u>	<u>386</u>	<u>(91)</u>	<u>295</u>

As at 30 September 2018, the unused proceeds were deposited in licensed banks in Hong Kong.

PROSPECTS

The housing problem is the greatest challenge for the Hong Kong Government all the time. There were over hundred thousand applications for public rental housing as at end-September 2018. As mentioned in the 2018 Policy Address, the Hong Kong Government would continue its effort in increasing the land supply and number of residential units in the coming future to meet the public needs. The Hong Kong Government raised a controversial planning for the development of Lantau Island (“**Lantau Tomorrow**”) in order to increase the land supply. Although Lantau Tomorrow triggered many intense discussions among different parties, the Hong Kong Government showed its desire to tackle the fundamental problem for the Hongkongers. The Hong Kong Government also introduced two 10-year hospital development plans to deal with the increasing demand for healthcare services arising from an ageing population. The total budget for these two 10-year hospital development plans amounted to about HK\$570 billion.

In view of the Hong Kong Government's development plans, the medium to long-term outlook of the construction industry in Hong Kong looks promising. We believe that our Group has accumulated ample experience and know-how to be competitive in tendering new projects. After the reporting period, the Group together with a joint venture partner has been awarded one large project from the Architectural Services Department.

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

STAFF AND REMUNERATION POLICY

As of 30 September 2018, the Group employed 367 full-time employees (31 March 2018: 388) in Hong Kong. The Group remunerates its employees based on their performance and working experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus may be granted to senior management and staff members by reference to the Group's performance, specific project's performance as well as the individual employee's performance. Staff benefits include medical, mandatory provident fund, incentive travel, subsidies for education and training programmes.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the code provisions as set out in the "*Corporate Governance Code*" contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 2018.

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 2018.

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 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of HKExnews at (www.hkexnews.hk) and the Company at (www.ableeng.com.hk). The 2017/18 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 Directors, 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, 28 November 2018

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

Executive Directors

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

Independent Non-executive Directors

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