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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 2022

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 2022 (“**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 2022

		Unaudited	
		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	5	1,994,285	2,001,876
Contract costs	6	(1,893,866)	(1,934,222)
Gross profit		100,419	67,654
Other income and gains	5	4,923	904
Administrative expenses		(36,875)	(43,907)
Finance costs		(7,456)	(5,373)
Share of profits and losses of joint ventures		4,023	3,076
PROFIT BEFORE TAX	6	65,034	22,354
Income tax expense	7	(15,232)	(8,826)
PROFIT FOR THE PERIOD		49,802	13,528

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

Six months ended 30 September 2022

		Unaudited	
		Six months ended	
		30 September	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD		<u>49,802</u>	<u>13,528</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences in translation of foreign operations		<u>(14,303)</u>	<u>–</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		<u>(14,303)</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>35,499</u>	<u>13,528</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>HK cents</i>)	9	<u>2.49</u>	<u>0.68</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2022

		Unaudited	Audited
		30 September	31 March
		2022	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	1,487,004	1,207,511
Investments in joint ventures		91,274	87,251
Financial assets at fair value through profit or loss		11,265	11,155
		<hr/>	<hr/>
Total non-current assets		1,589,543	1,305,917
		<hr/>	<hr/>
CURRENT ASSETS			
Accounts receivable	<i>11</i>	278,883	307,320
Contract assets		821,141	741,451
Prepayments, other receivables and other assets		55,734	54,054
Restricted cash		14,704	14,704
Cash and cash equivalents		820,015	1,502,962
		<hr/>	<hr/>
Total current assets		1,990,477	2,620,491
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	<i>12</i>	648,168	701,567
Tax payable		30,038	19,327
Other payables and accruals		997,059	1,083,450
Interest-bearing bank loans		24,680	205,442
		<hr/>	<hr/>
Total current liabilities		1,699,945	2,009,786
		<hr/>	<hr/>
NET CURRENT ASSETS		290,532	610,705
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,880,075	1,916,622
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2022

	Unaudited	Audited
	30 September	31 March
	2022	2022
<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	482,500	482,500
Other payables	9,653	11,699
	<hr/>	<hr/>
Total non-current liabilities	492,153	494,199
	<hr/>	<hr/>
Net assets	1,387,922	1,422,423
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	<i>13</i> 20,000	20,000
Reserves	1,367,922	1,402,423
	<hr/>	<hr/>
Total equity	1,387,922	1,422,423
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2022

	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>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2022	20,000	574,485*	(36,742)*	–*	864,680*	1,422,423
Profit for the period	–	–	–	–	49,802	49,802
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operation	–	–	–	(14,303)	–	(14,303)
Total comprehensive income for the period	–	–	–	(14,303)	49,802	35,499
2021/22 final dividend (<i>note 8</i>)	–	–	–	–	(70,000)	(70,000)
At 30 September 2022	<u>20,000</u>	<u>574,485*</u>	<u>(36,742)*</u>	<u>(14,303)*</u>	<u>844,482*</u>	<u>1,387,922</u>
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 dividend (<i>note 8</i>)	–	–	–	–	(50,000)	(50,000)
At 30 September 2021	<u>20,000</u>	<u>574,485</u>	<u>(36,742)</u>	<u>–</u>	<u>755,328</u>	<u>1,313,071</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,367,922,000 (31 March 2022: HK\$1,402,423,000) in the consolidated statement of financial position as at 30 September 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2022

		Unaudited	
		Six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows used in operating activities		(137,540)	(88,476)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary		(180,543)	–
Additions of items of property, plant and equipment	<i>10</i>	(69,427)	(53,293)
Purchase of financial assets at fair value through profit or loss		–	(6,987)
Increase in restricted cash		–	(14,704)
Net cash flows used in investing activities		(249,970)	(74,984)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		54,680	200,016
Repayment of bank loans		(235,442)	(480,250)
Dividends paid	<i>8</i>	(70,000)	(50,000)
Principal portion of lease payments		(43,445)	(15,781)
Net cash flows used in financing activities		(294,207)	(346,015)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(681,717)	(509,475)
Cash and cash equivalents at beginning of period		1,502,962	904,933
Effect of foreign exchange rate change		(1,230)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		820,015	395,458
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		569,765	395,458
Non-pledged time deposits		250,250	–
Cash and cash equivalents as stated in the statement of cash flows		820,015	395,458

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Six months ended 30 September 2022

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 2022 (“**the/this/current period**”), the Company and its subsidiaries (collectively, the “**Group**”) were principally engaged in building construction and repair, maintenance, alteration and addition (“**RMAA**”) works in Hong Kong. Except for the acquisition of Gain Capital Corporation Limited (“**Gain Capital**”) for upstream expansion into the pre-fabrication business, there were no significant changes in the nature of the Group’s principal activities during the period.

In the opinion of the board (the “**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 2022 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 2022 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 or amended HKASs and 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 the life insurance policies which have been measured at fair value, and is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) 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 2022. 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 accounting policies adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the following revised HKFRSs for the first time for current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The amendments did not have any significant impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the contract works segment engages in contract works, acting as a main contractor or sub-contractor, primarily in respect of building construction and RMAA works; and
- (b) the pre-fabrication segment engages in manufacturing, processing and sale of pre-fabrication items.

During the period, the Group expanded its business to pre-fabrication through acquisition of Gain Capital. As at 30 September 2022, the business of pre-fabrication was not commenced as the factory, office and related premises on a leasehold land in Mainland China held by the subsidiary of Gain Capital (collectively, the “**Huizhou Factory**”) were under construction. Accordingly, the Group's revenue from external customers during the period was derived solely from its contract works business in Hong Kong and therefore no segment information regarding disaggregation of revenue and segment results is presented for the period. Further details of the Group's revenue from contract works business are set out in note 5 to this unaudited condensed consolidated interim financial information.

Other than the Huizhou Factory and related property, plant and equipment with carrying amount of HK\$266,772,000, the segment assets and segment liabilities of pre-fabrication business are less than 1% of the Group's total assets and total liabilities as at 30 September 2022, no segment information regarding total assets and total liabilities is presented for the period. At the end of the reporting period, the Group's non-current assets of the Group were located as follows:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Hong Kong	1,311,506	1,294,762
Mainland China	266,772	–

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

The interim operation of the Group has no seasonality or cyclicity impact.

5. REVENUE, OTHER INCOME AND GAINS

All of the Group's revenue from contract works is recognised over time. An analysis of the Group's revenue, other income and gains, is as follows:

	Unaudited	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Contract works for building construction	1,994,285	2,001,876
Contract works for RMAA works	–	–
	1,994,285	2,001,876
<i>Other income and gains</i>		
Interest income	1,366	190
Government subsidies	2,605	714
Fair value gain on financial assets at fair value through profit or loss	110	–
Exchange difference	842	–
	4,923	904

6. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Contract costs	1,893,866	1,934,222
Depreciation of owned assets	222	272
Depreciation of right-of-use assets	36,276	38,952
Employee benefit expenses (excluding directors' remuneration)	75,953	87,844
Directors' remuneration	8,268	8,874

7. INCOME TAX

	Unaudited	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Current – Hong Kong:		
Charge for the period	15,232	8,826

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during this period. No provision for Mainland China corporate income tax has been made as the Group did not generate any assessable profits arising in Mainland China during the period (six months ended 30 September 2021: nil).

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.

8. DIVIDEND

During the six months ended 30 September 2022, the Company declared and paid a final dividend of HK\$0.035 (HK3.5 cents) (six months ended 30 September 2021: HK\$0.025 (HK\$2.5 cents)) per share for the year ended 31 March 2022, amounting to a total of HK\$70,000,000 (six months ended 30 September 2021: HK\$50,000,000).

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: 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 2022 and 2021 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 2022 and 2021.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group (i) acquired the Huizhou Factory which valued at HK\$213,388,000 upon completion of acquisition (six months ended 30 September 2021: nil); (ii) incurred HK\$69,427,000 (six months ended 30 September 2021: HK\$53,293,000) on the additions of items of property, plant and equipment; and (iii) newly recognised right-of-use assets amounted to HK\$44,957,000 (six months ended 30 September 2021: HK\$43,440,000) for new lease agreements and several leasehold land lots in Hong Kong.

There was no disposal of property, plant and equipment during the reporting period.

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 relevant members of the Group. As at 30 September 2022, the aggregate amount of accounts receivable related to such contract works were pledged to secure the relevant banking facilities was HK\$216,197,000 (31 March 2022: HK\$40,008,000).

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 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
Current to six months	<u>278,883</u>	<u>307,320</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 2022 <i>HK\$'000</i>	Audited 31 March 2022 <i>HK\$'000</i>
Current to three months	351,163	467,841
Four to six months	32,648	37,188
Over six months	<u>264,357</u>	<u>196,538</u>
	<u>648,168</u>	<u>701,567</u>

At 30 September 2022, retention payables included in accounts payable amounted to HK\$297,049,000 (31 March 2022: HK\$255,769,000), 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

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>

There was no movement in the Company's share capital during the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

14. SHARE OPTION SCHEME

Pursuant to a members' 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 and full-time employees of any member of the 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, 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. In addition, any share options granted to a substantial shareholder of the Company or an independent non-executive Director, 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 2022, the guarantees given by the Group to certain banks in respect of performance bonds issued in favour of certain customers of contract works business amounted to HK\$285,315,000 (31 March 2022: HK\$285,315,000).

(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 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 assess they 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 believe that the probability of loss is remote.

16. COMMITMENTS

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

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Contracted, but not provided for:		
Construction in progress	579,673	84,797
Acquisition of Gain Capital	–	181,400
Acquisition of a potential joint venture (<i>note</i>)	–	125,000
	<u>579,673</u>	<u>391,197</u>

Note: The related sale and purchase agreement was terminated on 5 May 2022.

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 2022	2021
<i>Notes</i>	HK\$'000	HK\$'000
Rental payments to a company owned and controlled by Mr. NGAI Chun Hung (“Mr. NGAI”, a non-executive Director and a controlling shareholder of the Company)	(i), (ii), (iv) 1,404	1,404
Purchase of products and installation services from a joint venture	(i), (iv) 5,935	31,313
Acquisition of Gain Capital from Mr. NGAI	(i), (iii) 181,400	–

Notes:

- (i) These transactions were conducted on terms and conditions mutually agreed between the relevant parties.
- (ii) These related party transactions also constitute de minimis continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (iii) This related party transaction also constitutes connected transactions as defined in Chapter 14A of the Listing Rules.
- (iv) 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	
	2022	2021
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	7,769	4,933
Retirement benefit costs	36	54
	<hr/>	<hr/>
Total compensation paid to key management personnel	7,805	4,987
	<hr/>	<hr/>

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) **Financial risk management**

The Group's financial risk management objectives and policies of current period are the same as those disclosed in the Group's audited consolidated financial statements for the year ended 31 March 2022 except for the Group is also exposed to currency risks primarily through business activities in the Mainland China which give rise to cash and bank balances that are denominated in currencies other than the functional currency of the operations to which the transactions relate.

(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 values 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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE INTERIM PERIOD

During the six months ended 30 September 2022, Able Engineering Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a consolidated turnover of HK\$1,994,285,000, representing a slight decrease of 0.4% from HK\$2,001,876,000 of the previous corresponding period. The Group’s gross profit during this period was HK\$100,419,000, representing an increase of 48% from HK\$67,654,000 for the six months ended 30 September 2021. Profit of this period amounted to HK\$49,802,000 (six months ended 30 September 2021: HK\$13,528,000). The increase in gross profit and net profit was mainly attributable to a substantial building construction project was completed in current period which the actual cost incurred in current period was lower than that previously estimated. Accordingly, the basic earnings per share increased from HK0.68 cents for the six months ended 30 September 2021 to HK2.49 cents for this period.

DIVIDEND

During the six months ended 30 September 2022, the Company declared a final dividend of HK\$0.035 (HK3.5 cents) per share for the year ended 31 March 2022, amounted to a total of HK\$70,000,000 (six months ended 30 September 2021: HK\$50,000,000). The 2021/22 final dividend was paid on 27 September 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved not to declare the payment of an interim dividend for this period (six months ended 30 September 2021: nil).

BUSINESS REVIEW

Market Review

Supported by the HKSAR Government of the Hong Kong Special Administrative Region (“**HKSAR Government**”)’s commitment in increasing land supply for housing and the number of public housing units, the two “10-year Hospital Plan” implemented and the idea “The Northern Metropolis Development Strategy”, tendering opportunities of construction contracts from the public sector in the coming years will be sustainable and stable.

The Group's Performance

The Group recorded revenue of HK\$1,994,285,000 for this period which was comparable with the revenue amounted to HK\$2,001,876,000 for the six months ended 30 September 2021. As of 30 September 2022, the estimated total gross 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\$4,131 million (31 March 2022: approximately HK\$5,804 million) and HK\$3,448 million (31 March 2022: approximately HK\$3,543 million), respectively; and (ii) joint operations of the Group amounted to HK\$18,675 million (31 March 2022: approximately HK\$18,675 million) and HK\$10,894 million (31 March 2022: approximately HK\$12,903 million). These contracts are expected to be completed in around one to three years.

The gross profit margin increased from 3.4% for the six months ended 30 September 2021 to 5.0% for this period. The increase was mainly attributable to a substantial building construction project was completed in current period which the actual cost incurred in current period was lower than that previously estimated. Under the adoption of HKFRS 15, gross profit margins of the Group's individual contracts works project will not remain constant at the overall gross profit margin of that project but will fluctuate over different reporting periods, depending on the actual revenue certified and costs incurred for the specific construction works performed during the period.

During the six months ended 30 September 2022, the following substantial construction contract was awarded to the Group with estimated contract value of HK\$596 million:

- Public Rental Housing Development at Ting On Street, Kwun Tong.

On the other hand, the Group completed the following significant contract during the six months ended 30 September 2022:

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

Other Income and Gains

Other income and gains increased from HK\$904,000 for the six months ended 30 September 2021 to HK\$4,923,000 for this period. The significant increase was mainly due to (i) subsidies of HK\$2,409,000 was received under the “2022 Employment Support Scheme” under the “Anti-epidemic Fund” set up by the HKSAR Government during the current period; (ii) increase in interest income from HK\$190,000 of prior period to HK\$1,366,000 of current period due to the Group placed idle cash for fixed deposit; and (iii) exchange gain amounted to HK\$842,000 (six months ended 30 September 2021: nil) raised from investment in the new business in Mainland China.

Administrative Expenses

Administrative expenses decreased by HK\$7,032,000 from HK\$43,907,000 for the six months ended 30 September 2021 to HK\$36,875,000 for this period. The significant decrease was mainly due to (i) decrease in donations amounted to HK\$10,000,000; and (ii) increase in legal and professional fees amounted to HK\$2,778,000 incurred for the GC Acquisition (as defined in this announcement) and certain proposed connected transactions in current period.

Finance Costs

For the six months ended 30 September 2022, the Group’s finance costs amounted to HK\$7,456,000 (six months ended 30 September 2021: HK\$5,373,000). The increase in interest for bank loans by HK\$2,186,000 in this period was due to the general increase in The Hong Kong Interbank Offered Rate in this period. On the other hand, current period’s interest on lease liabilities decreased by HK\$103,000 to HK\$284,000 (six months ended 30 September 2021: HK\$387,000) 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 2022 amounted to HK\$4,023,000 (six months ended 30 September 2021: HK\$3,076,000) was solely arisen from the Group’s share of profits and losses of Gold Victory Resources Inc. and its subsidiaries, in which the Group has 50% interest.

Income Tax Expense

Income tax expense increased by HK\$6,406,000 from HK\$8,826,000 for the six months ended 30 September 2021 to HK\$15,232,000 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\$36,274,000 from HK\$13,528,000 for the six months ended 30 September 2021 to HK\$49,802,000 for this period.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

The capital of the Company 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 2022 was HK\$1,387,922,000 (31 March 2022: HK\$1,422,423,000).

The Group monitors capital structure using net gearing ratio, which is measured as interest-bearing bank loans less cash and cash equivalents and restricted cash, divided by total equity. As at 30 September 2022, the Group's net gearing ratio was 0% (31 March 2022: 0%).

The Group's cash and cash equivalents decreased by 45% from HK\$1,502,962,000 as at 31 March 2022 to HK\$820,015,000 at current period end. The decrease was mainly due to (i) the net repayment of bank loans; (ii) the net cash outflows from operating activities; (iii) consideration paid for the acquisition of Gain Capital Corporation Limited ("**Gain Capital**"); (iv) payment of construction costs for the redevelopment of the site at No.7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong (the "**Site**") and the factory, office and related premises on a leasehold land in Mainland China held by the subsidiary of Gain Capital (collectively, the "**Huizhou Factory**"); and (v) payment of 2021/22 final dividend. Current ratio stood at 1.17 and 1.30 at 30 September 2022 and 31 March 2022, 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\$2,750,000,000 as of 30 September 2022 (31 March 2022: HK\$2,400,000,000), of which HK\$1,956,004,000 was unutilised (31 March 2022: HK\$1,425,243,000).

Looking forward, due to the redevelopment of the Site and the construction of the Huizhou Factory, 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 2022 and 31 March 2022, 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 Mainland China and in Hong Kong. The interest rates of these bank accounts are determined with reference to the respective bank's offer rate.

At 31 March 2022, the Group's business operations were solely engaged in Hong Kong and the Group's business transactions were denominated in the local currencies except for the financial assets at fair value through profit or loss which were denominated in United States Dollar. During the six months ended 30 September 2022, the Group entered into business in Mainland China through acquisition of Gain Capital. Hence, the Group is exposed to currency risks primarily through business activities which give rise to cash and bank balances that are denominated in currencies other than the functional currency of the operations to which the transactions relate.

For the six months ended 30 September 2022 and 30 September 2021, 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\$1,487,004,000 as of 30 September 2022 (31 March 2022: HK\$1,207,511,000). The increase was due to (i) the acquisition of the Huizhou Factory, which valued at HK\$213,388,000 upon completion of acquisition, through acquisition of Gain Capital; (ii) the additions to right-of-use assets (including acquisition of several leasehold land lots in Hong Kong) and items of property, plant and equipment of total HK\$114,384,000; (iii) the depreciation of HK\$36,498,000 provided; and (iv) exchange realignment amounted to HK\$12,948,000.

Financial Assets at Fair Value through Profit or Loss

The balance represented the cash values of life insurance policies acquired for two executive Directors. Cash values of the policies are determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policies, and as set out in periodic statements.

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 certified by and received from customers up to the end of the reporting period. All of the accounts receivable as at 30 September 2022 was subsequently settled (31 March 2022: 100% was subsequently settled).

Contract Assets

Balance at current period end mainly represented retention receivables of HK\$457,652,000 (31 March 2022: HK\$432,326,000) and unbilled revenue of HK\$363,489,000 (31 March 2022: HK\$309,125,000). Retention receivables represented the retention monies required by customers to secure our Group's due performance of the contracts.

Prepayments, Other Receivables and Other Assets

As at 30 September 2022, 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.

Other Payables and Accruals

As of 30 September 2022, the current and non-current balances of other payables and accruals amounted to HK\$997,059,000 (31 March 2022: HK\$1,083,450,000) and HK\$9,653,000 (31 March 2022: HK\$11,699,000), respectively, which mainly represented provision for contract works costs, staff costs payable, redevelopment cost payables for the Site and lease liabilities recognised. The decrease in balance during the period was mainly due to (i) the decrease in provision for contract works costs of HK\$53,601,000; and (ii) the settlement of payables regarding construction cost payables and Directors' bonus brought forward from 31 March 2022.

Charges on Assets

As at 30 September 2022, the Group's property, plant and equipment, the accounts receivable, unbilled revenue and retention receivables related to certain contract works of HK\$1,157,730,000 (31 March 2022: 1,175,685,000), HK\$216,197,000 (31 March 2022: HK\$40,008,000), HK\$331,680,000 (31 March 2022: HK\$42,076,000) and HK\$143,890,000 (31 March 2022: HK\$62,895,000), respectively, and the equity interest of a subsidiary of the Group were pledged in favour of certain banks to secure certain banking facilities granted by those banks to relevant members of the Group.

As at 30 September 2022, bank deposit of HK\$14,704,000 (31 March 2022: HK\$14,704,000) was pledged as a guarantee deposit for a performance bond issued by a bank in relation to a construction project of the Group. In addition, the Group's bank loans with an aggregate carrying amount of HK\$24,680,000 (31 March 2022: HK\$110,442,000) at period end were secured by certain deposits accounts maintained with the relevant banks as continuing security for the obligation of the relevant members 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.

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 2022 except for investment in joint ventures. Apart from those disclosed in this interim result announcement, there were no material investments or material additions of capital assets authorised by the Board.

ACQUISITION OF GAIN CAPITAL

On 18 February 2022, the Group entered into a conditional sale and purchase agreement with Mr. NGAI to acquire the entire issued share capital of Gain Capital and all such sum of money due and owing by Gain Capital and its subsidiary to Mr. NGAI on the date of completion of the acquisition at a cash consideration of HK\$181,400,000 (the “**GC Acquisition**”). The GC Acquisition was constituted a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. The GC Acquisition and the transactions contemplated thereunder were approved by independent shareholders of the Company on 29 April 2022 and were completed on 5 May 2022. For further details of the GC Acquisition, please refer to the announcements of the Company dated 18 February 2022, 29 April 2022 and 5 May 2022, and the circular of the Company dated 31 March 2022.

As at 30 September 2022 and the date of this interim result announcement, Gain Capital and its subsidiary had not commenced any business and are currently constructing the Huizhou Factory for future production of pre-fabrication products. The construction of the superstructure of the Huizhou Factory is expected to be completed on or before 31 December 2022.

The Board believes the GC Acquisition could expand the Group’s business to upstream manufacturing business and is in line with the Group’s vertical integration strategy to enhance profit margin and shareholders’ return, in particular with assurance of products quality, product availability, better management or control of the cost and the increase in capacity by shortening the construction time utilised per project.

OUTLOOK

The HKSAR Government demonstrated its dedication to increase the supply of public housing. It identified sufficient land to provide 360,000 public housing units to meet the 10-year public housing supply target of 301,000 units between 2023 and 2032.

As mentioned in the 2022 Policy Address, a number of major development projects in the Northern Metropolis have already been commenced and the HKSAR Government decided to increase the development intensity for residential sites of the Northern Metropolis by adopting a higher plot ratio.

In view of the demand for housing and healthcare services from community remains strong and the new engine from the development of the Northern Metropolis, the medium to long-term outlook of the construction industry in Hong Kong looks promising.

Looking forward, we believe the upstream expansion into pre-fabrication business (including the production of free-standing integrated modules) through the GC Acquisition and broaden our potential customer-base from collaboration with Lanon Development Limited (a connected party which is ultimately owned and controlled by the son of Mr. NGAI that the Group has entered into two framework agreements with the entity on 18 February 2022 (as amended and supplemented by the supplemental framework agreements on 20 May 2022)) can enable us to be competitive in tendering new projects and seize the opportunity of the construction industry in Hong Kong. We will continue our efforts in identifying opportunities to integrate with our business partners in order to reduce construction costs, enhance project efficiency and create synergy, so as to create reasonable return for shareholders' of the Company in the long-run.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2022, the Group employed 309 full-time employees (31 March 2022: 352) in Hong Kong. The Group remunerates its employees based on their performance and work experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus and share options may be granted to senior management and staff members by reference to the Group's performance, specific project's performance as well as the individual employee's performance. Staff benefits include mandatory provident fund, medical insurance, incentive travel, subsidies for education and training programmes, etc..

At the Annual General Meeting of the Company held on 31 August 2018, the adoption of a share option scheme (the "**Scheme**") was considered and approved. The purposes of the Scheme are to provide incentives for the directors and full-time employees of the members of the Group to work towards enhancing the value of the Company and its shares for 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 2022, 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 the 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 2022.

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 2022.

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 2022.

REVIEW BY AUDIT COMMITTEE

As at 30 September 2022, 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 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The Company’s interim results announcement is published on the websites of HKExnews (<http://www.hkexnews.hk>) and the Company (<http://www.ableeng.com.hk>). The Company’s 2022/23 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and be 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
YAU Kwok Fai
Chairman

Hong Kong, 25 November 2022

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

Executive Directors

Mr. YAU Kwok Fai

Mr. CHEUNG Ho Yuen

Mr. LAU Chi Fai Daniel

Non-executive Director

Mr. NGAI Chun Hung

Independent Non-executive Directors

Prof. KO Jan Ming

Dr. LEE Man Piu Albert

Dr. LI Yok Sheung

Ms. MAK Suk Hing

Mr. MONG Chan