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ABLE ENGINEERING HOLDINGS LIMITED

安保工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1627)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Able Engineering Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively as the “**Group**”) for the year ended 31 March 2022, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March

| | <i>Notes</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| REVENUE | 5 | 5,577,514 | 3,705,241 |
| Contract costs | | <u>(5,324,291)</u> | <u>(3,558,208)</u> |
| Gross profit | | 253,223 | 147,033 |
| Other income and gains | 5 | 2,405 | 24,802 |
| Administrative expenses | | (86,847) | (65,180) |
| Finance costs | 6 | (11,506) | (8,350) |
| Share of profits and losses of joint ventures | | <u>(1,355)</u> | <u>14,485</u> |
| PROFIT BEFORE TAX | 7 | 155,920 | 112,790 |
| Income tax expense | 8 | <u>(33,040)</u> | <u>(18,090)</u> |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>122,880</u> | <u>94,700</u> |

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

Year ended 31 March

| | <i>Note</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 122,880 | 94,700 |
| Profit and total comprehensive income for the year attributable to owners of the parent | | 122,880 | 94,700 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted (<i>HK cents</i>) | <i>10</i> | 6.14 | 4.74 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

| | <i>Notes</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,207,511 | 1,185,004 |
| Investment in joint ventures | | 87,251 | 88,606 |
| Financial assets at fair value through profit or loss | | 11,155 | 5,137 |
| Deferred tax assets | | – | 217 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 1,305,917 | 1,278,964 |
| CURRENT ASSETS | | | |
| Accounts receivable | <i>11</i> | 307,320 | 203,611 |
| Contract assets | <i>12</i> | 741,451 | 521,027 |
| Prepayments, other receivables and other assets | | 54,054 | 44,835 |
| Tax recoverable | | – | 955 |
| Restricted cash | | 14,704 | 110,000 |
| Cash and cash equivalents | | 1,502,962 | 904,933 |
| | | <hr/> | <hr/> |
| Total current assets | | 2,620,491 | 1,785,361 |
| CURRENT LIABILITIES | | | |
| Accounts payable | <i>13</i> | 701,567 | 430,552 |
| Tax payable | | 19,327 | 9,935 |
| Other payables and accruals | | 1,083,450 | 447,974 |
| Interest-bearing bank loans | | 205,442 | 340,250 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 2,009,786 | 1,228,711 |
| NET CURRENT ASSETS | | <hr/> 610,705 | <hr/> 556,650 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 1,916,622 | <hr/> 1,835,614 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank loans | | 482,500 | 482,000 |
| Other payables | | 11,699 | 4,071 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 494,199 | 486,071 |
| Net assets | | <hr/> 1,422,423 | <hr/> 1,349,543 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | <i>14</i> | 20,000 | 20,000 |
| Reserves | | 1,402,423 | 1,329,543 |
| | | <hr/> | <hr/> |
| Total equity | | <hr/> 1,422,423 | <hr/> 1,349,543 |

NOTES

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are publicly traded on the Main Board of The Stock Exchange of Hong Kong Limited (“**The Stock Exchange**”). The registered office of the Company is located at 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 year ended 31 March 2022 (“**the year**”/“**this year**”), the Group was principally engaged in building construction and repair, maintenance, alteration and addition (“**RMAA**”) works.

In the opinion of the Directors, Golden Lux Holdings Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the intermediate holding company of the Company; and the ultimate holding company of the Company is Golden More Limited, a company incorporated in BVI.

2. BASIS OF PREPARATION

These financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial information has been prepared under the historical cost convention, except for life insurance policies and a derivative financial instrument which have been measured at fair value, and are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

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

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 April 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the contract works segment. The contract works segment engages in contract works, acting as a main contractor or a sub-contractor, primarily in respect of building construction and RMAA works. Accordingly, no segment information is presented. Further details of the Group's revenue from building construction and RMAA works are set out in note 5 to the financial information.

The Group's revenue from external customers was derived solely from its operations in Hong Kong and the non-current assets of the Group are all located in Hong Kong.

Information about major customers

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 1,139,398 | 996,264 |
| Customer B | N/A* | 1,200,121 |
| Customer C | 1,334,459 | 719,426 |
| Customer D | <u>2,818,619</u> | <u>636,765</u> |

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue from contracts with customers: | | |
| Contract works for building construction works | 5,577,514 | 3,698,889 |
| Contract works for RMAA works | — | 6,352 |
| | <u>5,577,514</u> | <u>3,705,241</u> |

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest income | 303 | 4,064 |
| Gain on disposal of items of property, plant and equipment | — | 20 |
| Government subsidies | 2,102 | 20,711 |
| Sundry income | — | 7 |
| | <u>2,405</u> | <u>24,802</u> |

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Interest on bank loans | 10,826 | 7,554 |
| Interest on lease liabilities | 680 | 796 |
| | <u>11,506</u> | <u>8,350</u> |

7. PROFIT BEFORE TAX

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Contract costs | 5,324,291 | 3,558,208 |
| Provision for contract works, net*: | | |
| Additional provision | 779,000 | 363,126 |
| Utilisation/reversal | <u>(148,800)</u> | <u>(177,899)</u> |
| | <u>630,200</u> | <u>185,227</u> |
| Depreciation of owned assets | 610 | 585 |
| Depreciation of right-of-use assets* | 78,396 | 51,431 |
| Auditor's remuneration | 2,700 | 2,600 |
| Employee benefit expense (excluding Directors' remuneration)*: | | |
| Wages and salaries | 185,875 | 215,278 |
| Pension scheme contributions (defined contribution schemes)** | <u>5,408</u> | <u>5,951</u> |
| | <u>191,283</u> | <u>221,229</u> |
| Directors' remuneration: | | |
| Fees | 860 | 504 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 18,220 | 11,502 |
| Discretionary performance-related bonuses | 21,000 | 15,600 |
| Pension scheme contributions (defined contribution schemes)** | <u>90</u> | <u>90</u> |
| | <u>39,310</u> | <u>27,192</u> |
| | <u>40,170</u> | <u>27,696</u> |
| Fair value loss on financial assets at fair value through profit or loss | 969 | 1,159 |
| Derecognition of a derivative financial instrument | 173 | – |
| Lease payments not included in the measurement of lease liabilities* | 69,890 | 22,779 |
| Government subsidies*** | <u>(2,102)</u> | <u>(20,711)</u> |

* For the year ended 31 March 2022, depreciation of right-of-use assets, employee benefit expense, provision for contract works, net and lease payments not included in the measurement of lease liabilities of HK\$35,549,000 (2021: HK\$21,568,000), HK\$187,660,000 (2021: HK\$213,597,000), HK\$630,200,000 (2021: HK\$185,227,000) and HK\$67,082,000 (2021: HK\$22,779,000), respectively, are included in "Contract costs" on the face of the CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** Subsidies have been received from (i) “Anti-epidemic Fund” set up by the Government of the Hong Kong Special Administrative Region (the “**HKSAR Government**”) and (ii) the Hong Kong Vocational Training Council and the Construction Industry Council, institutions established by the HKSAR Government, for providing time-limited financial support to employers to retain their employees and for providing on-the-job training for graduate engineers and trainees, respectively. There were no unfulfilled conditions or contingencies relating to these subsidies.

8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Current – Hong Kong: | | |
| Charge for the year | 32,889 | 18,090 |
| Overprovision in prior years | (66) | – |
| Deferred | 217 | – |
| | <hr/> | <hr/> |
| Total tax charge for the year | 33,040 | 18,090 |

9. DIVIDENDS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Proposed final – HK3.5 cents (2021: HK2.5 cents) per ordinary share | 70,000 | 50,000 |

The final dividend proposed subsequent to the end of the reporting period is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,000,000,000 (2021: 2,000,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

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 the payment certificate.

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to members of the Group and as at 31 March 2022, the aggregate amount of accounts receivable related to such contract works pledged to secure the relevant banking facilities was HK\$40,008,000 (31 March 2021: HK\$87,632,000).

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Current to six months | 307,320 | 203,472 |
| Over six months | <u>–</u> | <u>139</u> |
| | <u>307,320</u> | <u>203,611</u> |

The Group has applied the simplified approach to provide for impairment for expected credit losses (“ECL(s)”) prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all accounts receivable. To measure the ECLs, accounts receivable has been grouped based on shared credit risk characteristics and the days past due. With the incorporation of forward-looking information in the measurement of ECLs, management considered that the ECL rate for the Group's accounts receivable is minimal and therefore no provision for impairment of accounts receivable was necessary as at 31 March 2022 and 31 March 2021.

12. CONTRACT ASSETS

| | 31 March 2022 <i>HK\$'000</i> | 31 March 2021 <i>HK\$'000</i> | 1 April 2020 <i>HK\$'000</i> |
|--|---|-------------------------------------|------------------------------------|
| Contract assets arising from construction contracts: | | | |
| Unbilled revenue | 309,125 | 245,966 | 50,538 |
| Retention receivables | <u>432,326</u> | <u>275,061</u> | <u>168,307</u> |
| | <u>741,451</u> | <u>521,027</u> | <u>218,845</u> |

The movements of contract assets are as follows:

| | 2022 | 2021 |
|----------------------------------|-----------------------|-----------------------|
| | HK\$'000 | HK\$'000 |
| At beginning of the year | 521,027 | 218,845 |
| Additions in contract assets | 546,367 | 419,467 |
| Transfers to accounts receivable | (325,943) | (117,285) |
| | <hr/> | <hr/> |
| At end of the year | <u>741,451</u> | <u>521,027</u> |

Unbilled revenue included in contract assets represents the Group's rights to receive consideration for the work performed but not yet certified by customers because the rights are conditional and pending upon the quality and quantity check by the customers on the construction work performed by the Group for the issuance of payment certification by the customers. Contract assets regarding unbilled revenue are transferred to accounts receivable when the rights become unconditional, which is typically at the time the Group obtains the payment certification of the performed construction work from the customers.

Retention receivables included in contract assets represents the Group's rights to consideration for the work performed but not yet collectible because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. Contract assets regarding retention receivables are transferred to the accounts receivable when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all contract assets. To measure the ECLs, contract assets have been grouped based on shared credit risk characteristics and the days past due. With the incorporation of forward-looking information in the measurement of ECLs, management considered that the ECL rate for the Group's contract assets is minimal and therefore no provision for impairment of contract assets was necessary as at 31 March 2022 and 31 March 2021.

The Group assigned its financial benefits under certain contract works to secure certain general banking facilities granted to members of the Group and as at 31 March 2022, the amounts of unbilled revenue and retention receivables related to such contract works pledged to secure the relevant banking facilities were HK\$42,076,000 (31 March 2021: HK\$100,411,000) and HK\$62,895,000 (31 March 2021: HK\$61,034,000), respectively.

13. ACCOUNTS PAYABLE

An ageing analysis of the Group's accounts payable as at the end of the reporting period, based on the date of invoice or the payment certificate date, is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Within three months | 467,841 | 227,507 |
| Four to six months | 37,188 | 32,434 |
| Over six months | <u>196,538</u> | <u>170,611</u> |
| | <u>701,567</u> | <u>430,552</u> |

At 31 March 2022, retention payables included in accounts payable amounted to HK\$255,769,000 (31 March 2021: HK\$181,359,000), which are non-interest bearing and normally settled within terms ranging from one to four years.

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

14. SHARE CAPITAL

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| 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 year.

15. CONTINGENT LIABILITIES

(a) As at 31 March 2022, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain customers of contract works amounted to HK\$285,315,000 (31 March 2021: HK\$306,184,000).

(b) Claims

(i) Personal injuries

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

(ii) Sub-contractors' claims

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

16. CAPITAL COMMITMENTS

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Contracted, but not provided for: | | |
| Construction in progress | 84,797 | 143,153 |
| Acquisition of a subsidiary | 181,400 | – |
| Acquisition of a potential joint venture* | 125,000 | – |
| | <u>391,197</u> | <u>143,153</u> |

* The related sale and purchase agreement was terminated subsequently on 5 May 2022.

PERFORMANCE

During the year under review, the Group was engaged in the contract works business, which mainly comprised building construction and RMAA works in Hong Kong.

Hong Kong's economy was deeply affected by COVID-19 for the year ended 31 March 2022, however, the Group's performance was less impacted. For the year ended 31 March 2022, the Group's consolidated revenue amounted to HK\$5,577,514,000, representing an increase of 50.5% from HK\$3,705,241,000 for the year ended 31 March 2021. Profit attributable to owners of the parent of the Company for the year ended 31 March 2022 and 31 March 2021 amounted to HK\$122,880,000 and HK\$94,700,000, respectively, representing an increase of 29.8% during the year. The basic and diluted earnings per share for the year was HK6.14 cents (2021: HK4.74 cents).

The net assets value attributable to owners of the parent of the Company as at 31 March 2022 amounted to HK\$1,422,423,000 (approximately HK\$0.71 per share), representing an increase of 5.4% from HK\$1,349,543,000 (approximately HK\$0.67 per share) as at 31 March 2021.

DIVIDEND

The Board recommended the payment of a final dividend of HK3.5 cents (2021: HK2.5 cents) per ordinary share of the Company for the year ended 31 March 2022 to the shareholders whose names appear on the register of members of the Company on 5 September 2022, Monday. The proposed payment of the final dividend is subject to the approval of the Company's shareholders (the "**Shareholder(s)**") at the forthcoming 2022 annual general meeting ("**AGM**") of the Company and has not been recognised as a liability as at 31 March 2022.

Based on the 2,000,000,000 ordinary shares of the Company in issue as of the date of this announcement, the total final dividend amounted to HK\$70,000,000.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The 2022 AGM of the Company will be held in Hong Kong on 26 August 2022, Friday. Notice of the AGM will be issued and disseminated to the Shareholders in due course.

To ascertain the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from 23 August 2022, Tuesday, to 26 August 2022, Friday, (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 22 August 2022, Monday.

DIVIDEND PAYMENT AND CLOSURE OF REGISTER OF MEMBERS

Assuming that the final dividend recommended by the Board is approved by the Shareholders at the forthcoming AGM, for the purposes of ascertaining the entitlement to the final dividend, the register of members of the Company will be closed from 1 September 2022, Thursday to 5 September 2022, Monday (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 31 August 2022, Wednesday. It is expected that the final dividend will be payable to those entitled Shareholders on or before 27 September 2022, Tuesday.

BUSINESS REVIEW

Market Review

Supported by the 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" as introduced in The Chief Executive's 2021 Policy Address, tendering opportunities of construction contracts from the public sector in the coming years will be sustainable and stable.

The Group's Performance

For the year ended 31 March 2022, the Group's revenue amounted to HK\$5,577,514,000 (2021: HK\$3,705,241,000), representing an increase of 50.5% from that of last year. The increase in revenue was mainly resulted from a substantial building construction project which contributed over 50% of the revenue in this year.

The Group's overall gross profit margin slightly increased from 4.0% for the year ended 31 March 2021 to 4.5% for the year ended 31 March 2022. Under the adoption of HKFRS 15, the gross profit margins of the Group's individual contract works projects over different reporting periods 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.

Other Income and Gains

Other income and gains decreased from HK\$24,802,000 for the year ended 31 March 2021 to HK\$2,405,000 for the year ended 31 March 2022. The decrease was mainly due to the prior year amount included HKSAR Government subsidies of HK\$18,556,000 under the "Employment Support Scheme". The Group did not implement any mandatory no-pay leave or pay-cut measures for the years ended 31 March 2022 and 31 March 2021 under COVID-19 pandemic.

Administrative Expenses

Administrative expenses increased from HK\$65,180,000 for the year ended 31 March 2021 to HK\$86,847,000 for the year ended 31 March 2022. The increase in administrative expenses were mainly due to (i) the full year impact of the depreciation charged for the premium paid for the site of No.7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong (the "Site") in January 2021; and (ii) donation made to The Hong Kong Polytechnic University to support its education and research development on construction and environment.

Finance Costs

For the year ended 31 March 2022, the Group's finance costs amounted to HK\$11,506,000 (31 March 2021: HK\$8,350,000). The increase in interest on bank loans by HK\$3,272,000 in this year was due to the full year impact of the non-current bank loans borrowed since January 2021. On the other hand, interest on lease liabilities of HK\$680,000 (2021: HK\$796,000) for the year was incurred and recorded under this item in accordance with HKFRS 16.

Share of Profits and Losses of Joint Ventures

This year's share of net losses of joint ventures amounted to HK\$1,355,000 (2021: share of net profits HK\$14,485,000) was solely arisen from the share of results of Gold Victory Resources Inc. ("**Gold Victory**") and its subsidiaries (collectively, the "**JV Group**") in which the Group has 50% interest. The financial result of the JV Group dropped significantly in current year as substantial additional cost was incurred due to the fifth wave outbreak of COVID-19.

Pursuant to an equity transfer agreement (the "**Equity Transfer Agreement**") entered into between Grand Superb Limited ("**Grand Superb**", an indirect wholly-owned subsidiary of the Company), Golden Stone Asia Inc. (the holding company of the Gold Victory and a company controlled by Mr. WONG Kin Wah ("**Mr. WONG**", an independent third party), and Mr. WONG on 30 November 2018, Mr. WONG irrevocably warrants and guarantees to Grand Superb that the actual profits of the JV Group for the period commencing from 1 December 2018 and ending on 31 March 2022 (the "**Profit Warranty Period**") shall not be less than the guaranteed profits (the "**Guaranteed Profits**") of HK\$50 million. In the event the total Guaranteed Profits are not achieved or reached for the entire Profit Warranty Period based on auditor's certification, Golden Stone shall pay Grand Superb 50% of the shortfall between the actual profits and the Guaranteed Profits, unless the shortfall is caused by the event of force majeure as defined in the Equity Transfer Agreement.

The Guaranteed Profits was met by the JV Group as an accumulated profit of HK\$50,462,000 had been recognised by the end of the Profit Warranty Period.

Income Tax Expense

Income tax expense increased by 82.6% from HK\$18,090,000 for the year ended 31 March 2021 to HK\$33,040,000 for the year ended 31 March 2022. The increase was consistent with the increase in taxable profit for this year.

Profit Attributable to Owners of the Parent

As a result of the foregoing, profit attributable to owners of the parent increased by 29.8% from HK\$94,700,000 for the year ended 31 March 2021 to HK\$122,880,000 for the year ended 31 March 2022.

PROSPECTS

According to The Chief Executive's 2021 Policy Address, the HKSAR Government has identified around 350 hectares of land and around 170 hectares of land for additional supply of approximately 330,000 public housing units for the 10-year period commencing year 2022-2023 and approximately 100,000 private housing units, respectively.

Also, as mentioned in The Chief Executive's 2021 Policy Address, the HKSAR Government pursue development in various parts of the New Territories and introduced the "Northern Metropolis Development Strategy". The Northern Metropolis Development Strategy plans to transform the northern part of Hong Kong into a lively and attractive area for housing, technology development and other industries. It includes the provision of approximately 350,000 residential units through projects currently planned or under planning and an additional 600 hectares of land within the Northern Metropolis for residential and industrial purposes.

Correspondingly, The Financial Secretary estimated that approximately HK\$75.5 billion in the Capital Works Reserve Fund shall be allocated to public works programme in The 2022-2023 Budget of the HKSAR Government, representing an increase in the estimated amount of approximately HK\$67.8 billion allocated to the same category for the financial year 2021-2022, despite the on-going COVID-19 pandemic.

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

Looking forward, we believe our accumulated ample experience and know-how will enable us to be competitive in tendering new projects; expanding our business upstream into the production of free-standing integrated modules and wider use of modular integrated construction method through the subsequent acquisition of Gain Capital (as defined below); broaden our customer-base which could be reached by cooperating with Lanon Development (as defined below) and seize the opportunity of the construction industry in Hong Kong and help create reasonable return for Shareholders in the long-run. 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.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

The capital of the Company only comprises ordinary shares. The Group mainly rely on its internally generated capital and bank borrowings to finance its business. The total equity of the Group as at 31 March 2022 was HK\$1,422,423,000 (31 March 2021: HK\$1,349,543,000).

The Group monitors capital structure using net gearing ratio, which is measured as interest-bearing bank loans less cash and bank balances, divided by equity attributable to owners of the parent. As at 31 March 2022, the Group's net gearing ratio was nil (31 March 2021: nil).

The Group's cash and cash equivalents increased by 66.1% from HK\$904,933,000 as at 31 March 2021 to HK\$1,502,962,000 at 31 March 2022 was mainly due to net effect of (i) the net cash inflows from operating activities; (ii) the net decrease in restricted cash; (iii) payment of redevelopment cost of the Site; and (iv) payment of final dividend for the year ended 31 March 2021. Current ratio stood at 1.30 and 1.45 at 31 March 2022 and 31 March 2021, respectively. Current ratio is measured at total current assets divided by total current liabilities.

The Group's banking facilities, comprising primarily bank loans, bank overdrafts and performance bonds, amounted to HK\$2,400,000,000 as of 31 March 2022 (31 March 2021: HK\$2,950,000,000), of which HK\$1,425,243,000 (31 March 2021: HK\$1,819,566,000) was unutilised.

Looking forward, due to (i) the redevelopment of the Site, (ii) the cash consideration for the subsequent acquisition of Gain Capital (as defined below) and (iii) construction of the factory, office and related premises for Gain Capital (as defined below) in The People's Republic of China (the "PRC"), it is expected significant amount of cash will be consumed in the coming twelve months. The Group will continuously takes a prudent and cautious approach to cash application and capital commitments.

Interest and Foreign Exchange Exposure

At 31 March 2022 and 31 March 2021, the Group's bank borrowings were all denominated in Hong Kong dollars and on a floating rate basis. The Group's bank accounts were operated with principal bankers in Hong Kong. The interest rates of these bank accounts are determined by reference to the respective banks' offer rates.

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

For the years ended 31 March 2022 and 31 March 2021, the Group did not engage in any interest rates and currency hedging or speculation activities.

Property, plant and equipment

The Group's property, plant and equipment amounted to HK\$1,207,511,000 as of 31 March 2022 (31 March 2021: HK\$1,185,004,000). The increase was mainly due to the net effect of (i) the additions to right-of-use assets and cost incurred for the redevelopment of the Site during the year; and (ii) the depreciation provided during the year.

Financial assets at fair value through profit or loss

The balance represented the cash values of life insurance policies acquired for two executive Directors at respective years end. The increase in balance is mainly due to an additional life insurance policy was acquired in this year.

Accounts Receivable

The Group's accounts receivable represented the receivables for contract works in relation to completed or on-going contract works projects. Accounts receivable represents progress billing of work performed and the progress payment certificates issued by and received from our customers. The level of accounts receivable is principally affected by our work progress and the amount of the progress payment certificate certified by and received from our customers up to the end of the financial period. 100% of the accounts receivable as at 31 March 2022 was subsequently settled as at 10 June 2022 (31 March 2021: approximately 99% was subsequently settled by 16 June 2021).

Contract Assets

Balance at current year end mainly represented retention receivables of HK\$432,326,000 (31 March 2021: HK\$275,061,000) and unbilled revenue of HK\$309,125,000 (31 March 2021: HK\$245,966,000). 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 31 March 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. The increase in total balance was mainly due to the prepaid insurance for newly awarded building construction projects during the year.

Other Payables and Accruals

As of 31 March 2022, the current and non-current balances of other payables and accruals amounted to HK\$1,083,450,000 (31 March 2021: HK\$447,974,000) and HK\$11,699,000 (31 March 2021: HK\$4,071,000), respectively, which mainly represented provision for contract works costs, staff costs payable, construction costs payable of the Site and the lease liabilities recognised. The increase in total balance during the year was mainly due to the increase in provision for contract works costs of HK\$630,200,000.

Charges on Assets

As at 31 March 2022, the Group's property, plant and equipment, accounts receivable, unbilled revenue and retention receivables related to certain contract works of HK\$1,176,000,000 (31 March 2021: HK\$1,156,000,000), HK\$40,008,000 (31 March 2021: HK\$87,632,000), HK\$42,076,000 (31 March 2021: HK\$100,411,000) and HK\$62,895,000 (31 March 2021: HK\$61,034,000), respectively, and equity interest of a subsidiary of the Group were pledged in favour of certain banks to secure certain bank loans and banking facilities granted by those banks to members of the Group.

As at 31 March 2022, bank deposit of HK\$14,704,000 (31 March 2021: HK\$110,000,000) was pledged as a guaranteed deposit for the performance bond issued by the relevant bank in relation to a construction project of the Group. The Group's bank loans with an aggregate carrying amount of HK\$110,442,000 (31 March 2021: HK\$87,276,000) at year end were also secured by certain deposits accounts maintained with these banks as continuing security for the obligations of the related members of Group.

Contingent liabilities

Details of the Group's contingent liabilities are set out in note 15 to this announcement.

Capital Commitments

Details of the Group's capital commitments are set out in note 16 to this announcement.

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

Save as disclosed elsewhere in this announcement and the proposed acquisition of 50% interest in Lanon Development (as defined below) which was subsequently terminated on 5 May 2022, the Group did not have any other significant investment held and future investment plan as at 31 March 2022.

SUBSEQUENT ACQUISITION OF GAIN CAPITAL

On 18 February 2022, Tregunter Global Limited ("**Tregunter Global**", an indirect wholly-owned subsidiary of the Group) and Mr. NGAI Chun Hung ("**Mr. NGAI**", the controlling Shareholder, the chairman, and an executive Director of the Company) entered into a sale and purchase agreement to which Tregunter Global conditionally agreed to purchase and Mr. NGAI conditionally agreed to sell the entire issued share capital of Gain Capital Corporation Limited ("**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**"). As at the date of this announcement, Gain Capital and its subsidiaries are not engaged in any business and is currently constructing factory, office and related premises on a land in the PRC. The construction of the factory, office and related premises is expected to be completed on or before 31 December 2022.

The GC Acquisition constituted a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange. The GC Acquisition and the transactions contemplated thereunder were approved by independent Shareholders on 29 April 2022 and was completed on 5 May 2022. For further details of the GC Acquisition, please refer to the announcements of the Company dated 18 February, 29 April 2022 and 5 May 2022, and the circular of the Company dated 31 March 2022.

The Board believes the acquisition of Gain Capital could expand the Group's business to upstream manufacturing and is in line with the Group's vertical integration strategy to maximise the 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.

SUBSEQUENT FRAMEWORK AGREEMENTS WITH LANON DEVELOPMENT

On 18 February 2022, the Company (for and on behalf of itself and any of its subsidiaries) and Lanon Development Limited ("**Lanon Development**", a connected company controlled by a close associate of Mr. NGAI) entered into a framework subcontracting agreement and a framework contracting agreement (collectively, the "**Framework Agreements**", as amended and supplemented by the supplemental subcontracting agreement and the supplemental contracting agreement, respectively, on 20 May 2022), pursuant to which members of the Group and Lanon Development could engage the counterparty from time to time in respect of the provision of contracting services as specified in the respective agreements for the period up to 31 March 2025.

Each of the Framework Agreements constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Framework Agreements and the respective transactions contemplated thereunder were approved by the independent Shareholders on 9 June 2022. For further details of the Framework Agreements, please refer to the announcements of the Company dated 18 February 2022, 20 May 2022 and 9 June 2022, and the circular of the Company dated 24 May 2022.

The Board believes that the entering into the Framework Agreements could (i) expand and diversify the Group's capabilities as a main contractor or sub-contractor and (ii) further broaden its customer-base which could be reached by cooperating to one another with Lanon Development, either as the subcontractor or as the contractor under the Framework Agreements.

EMPLOYEES AND REMUNERATION POLICY

As of 31 March 2022, the Group employed 352 full-time employees (31 March 2021: 330) in Hong Kong. The Group remunerates its employees based on their performance and work experience and with reference to the prevailing market conditions. On top of the regular remuneration, discretionary bonus and share options may be granted to senior management and staff members by reference to the Group's performance, specific project's performance as well as the individual employee's performance. Staff benefits include mandatory provident fund, medical insurance, incentive travel (suspended in the year under COVID-19 pandemic), subsidies for education and training programmes, etc..

At the AGM 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 the Shares for the benefit of the Company and its shareholders as a whole. The Scheme provides the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants of the Scheme. From the date of adoption of the Scheme and up to 31 March 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.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company complied with the code provisions as set out in the “Corporate Governance Code” contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2022.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct regarding the Directors’ securities transactions. Following specific enquiry made by the Company, the Directors have confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 March 2022.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by EY on this announcement.

AUDIT COMMITTEE'S REVIEW

At the date of approval of this announcement, the Audit Committee comprises five independent non-executive Directors of the Company, including 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 possesses the appropriate accounting qualifications and experiences in financial matters. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The annual results announcement is published on the websites of HKExnews at <http://www.hkexnews.hk> and the Company at <http://www.ableeng.com.hk>. The Company's 2021/2022 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and be available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members of the Group for their hard work and dedication and all Shareholders for their support.

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

Hong Kong, 24 June 2022

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

Executive Directors

Mr. NGAI Chun Hung
Mr. CHEUNG Ho Yuen
Mr. LAU Chi Fai Daniel
Mr. YAU Kwok Fai

Independent Non-executive Directors

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