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ACCEL GROUP HOLDINGS LIMITED

高陸集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1283)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$213,790,000 for the six months ended 30 September 2022.
(six months ended 30 September 2021: approximately HK\$280,928,000)
- The Group recorded gross profit of approximately HK\$45,356,000 and gross profit margin of 21.2% for the six months ended 30 September 2022.
(six months ended 30 September 2021: gross profit of approximately HK\$56,488,000 and gross profit margin of 20.1%)
- Profit attributable to equity shareholders of the Company for the six months ended 30 September 2022 amounted to approximately HK\$30,953,000.
(six months ended 30 September 2021: approximately HK\$35,125,000)
- The Board has resolved to declare an interim dividend of HK1.6 cents per Share for the six months ended 30 September 2022.
(six months ended 30 September 2021: HK2.1 cents per Share)

The board (the “**Board**”) of directors (the “**Directors**”) of Accel Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (the “**Period**”), together with the comparative figures for the corresponding six months ended 30 September 2021 (the “**Corresponding Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
	<i>NOTES</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	213,790	280,928
Cost of services		<u>(168,434)</u>	<u>(224,440)</u>
Gross profit		45,356	56,488
Other income and other gain	4	6,402	239
Impairment losses under expected credit loss model, net of reversal		(1,295)	(1,943)
Administrative expenses		(14,410)	(12,282)
Finance costs	5	<u>(259)</u>	<u>(178)</u>
Profit before taxation	6	35,794	42,324
Income tax expense	7	<u>(4,880)</u>	<u>(7,199)</u>
Profit and total comprehensive income for the period		<u>30,914</u>	<u>35,125</u>
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		30,953	35,125
Non-controlling interests		<u>(39)</u>	<u>–</u>
		<u>30,914</u>	<u>35,125</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>3.9</u>	<u>4.4</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		At 30 September 2022	At 31 March 2022
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		59,089	3,294
Right-of-use assets		9,831	3,271
Investment property		5,783	–
Payments for life insurance		6,987	6,951
Deferred tax assets		363	363
		82,053	13,879
Current assets			
Trade and other receivables, deposits and prepayments	10	78,791	78,131
Contract assets		179,188	166,392
Tax recoverable		–	438
Pledged bank balances		39,270	41,807
Bank balances and cash		94,428	143,265
		391,677	430,033
Current liabilities			
Trade and retention payables and accruals	11	43,918	43,939
Contract liabilities		9,631	10,445
Taxation liabilities		4,709	267
Bank loans	12	20,345	14,541
Lease liabilities		4,697	2,543
		83,300	71,735
Net current assets		308,377	358,298
Total assets less current liabilities		390,430	372,177

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	<u>5,204</u>	<u>1,065</u>
Net assets	<u>385,226</u>	<u>371,112</u>
Capital and reserves		
Share capital	8,000	8,000
Reserves	<u>377,455</u>	<u>363,302</u>
Equity attributable to owners of the Company	385,455	371,302
Non-controlling interests	<u>(229)</u>	<u>(190)</u>
Total equity	<u>385,226</u>	<u>371,112</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Accel Group Holdings Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the application of the following accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual consolidated financial statements for year ended 31 March 2022.

Asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment property

Investment property is a property held to earn rentals and/or for capital appreciation including investment property under redevelopment for such purposes.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leases

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue of the Group arose from provision of electrical and mechanical (“E&M”) engineering services typically rendered in Hong Kong under long-term contracts and were recognised over time during both periods.

The Group provides E&M engineering services to customers which are mainly landlords, construction companies and contractors in Hong Kong private sector. All the Group’s provision of E&M engineering services is made directly with the customers.

The executive directors of the Company, being the chief operating decision maker, regularly review revenue recognised and costs incurred for the provision of E&M engineering services and, therefore, consider the Group has only one single reporting and operating segment under HKFRS 8 *Operating Segments*.

All the Group’s revenue was earned from customers located in Hong Kong and all its non-current assets (other than financial instruments and deferred tax assets) are situated in Hong Kong.

4. OTHER INCOME AND OTHER GAIN

	Six months ended 30 September	
	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
<u>Other income</u>		
Interest income	238	140
Government grants (<i>Note</i>)	5,617	–
Rental income	152	–
Others	345	99
	<hr/>	<hr/>
	6,352	239
<u>Other gain</u>		
Gain on disposal of property, plant and equipment, net	50	–
	<hr/>	<hr/>
	6,402	239
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Note: During the period ended 30 September 2022, the Group recognised government grants of HK\$5,617,000 (six months ended 30 September 2021: nil) related to Employment Support Scheme provided by the Hong Kong government.

5. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Interest on bank loans	170	104
Interest on lease liabilities	89	74
	<hr/>	<hr/>
	259	178
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6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	563	392
Depreciation of right-of-use assets	1,965	1,901
Depreciation of investment property	18	–
Staff costs (including directors' remuneration)		
– Directors' fees, salaries and allowances and discretionary bonuses	35,983	37,404
– Retirement benefit scheme contributions	1,332	1,315
	<u>37,315</u>	<u>38,719</u>
Total staff costs	<u>37,315</u>	<u>38,719</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– Current tax	4,880	7,520
– Deferred tax	–	(321)
	<u>4,880</u>	<u>7,199</u>

Hong Kong Profits Tax is calculated at 16.5% (Unaudited) on the estimated assessable profit for the six months ended 30 September 2022 (six months ended 30 September 2021: 16.5% (Unaudited)), except for Chit Tat Electrical Engineering Limited, a wholly-owned subsidiary of the Company, which is a qualify corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25%, and assessable profits above HK\$2 million are taxed at 16.5%.

8. DIVIDENDS

During the current interim period, a final dividend of HK2.1 cents (six months ended 30 September 2021: HK4.1 cents) per ordinary share in respect of the year ended 31 March 2022 was declared and paid (six months ended 30 September 2021: payable) to the owners of the Company. The aggregate amount of the final dividend declared and recognised as distribution during the current interim period amounted to HK\$16,800,000 (Unaudited) (six months ended 30 September 2021: HK\$32,800,000 (Unaudited)).

Subsequent to the end of the current interim period, the board of directors of the Company has declared an interim dividend of HK1.6 cents (six months ended 30 September 2021: HK2.1 cents) per ordinary share amounting to HK\$12,800,000 (six months ended 30 September 2021: HK\$16,800,000) in aggregate for the six months ended 30 September 2022.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	30,953	35,125
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousand</i>)	800,000	800,000

No diluted earnings per share is presented for both periods as there was no potential dilutive share in issue.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At	At
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	60,380	60,427
Less: Allowance for credit losses	(631)	(631)
	59,749	59,796
Other receivables	6,630	3,636
Less: Allowance for credit loss	(1,295)	–
	5,335	3,636
Refundable rental deposits (<i>Note</i>)	992	639
Prepayments for purchase of materials and subcontracting fees	10,081	11,448
Prepaid expenses	2,279	2,461
Utility and other deposits	355	151
	78,791	78,131

Note: Included in the refundable rental deposits as at 30 September 2022 were amounts of HK\$45,000 (Unaudited) (31 March 2022: HK\$45,000 (Audited)), HK\$20,000 (Unaudited) (31 March 2022: HK\$20,000 (Audited)), HK\$116,000 (Unaudited) (31 March 2022: HK\$109,000 (Audited)) and HK\$62,000 (Unaudited) (31 March 2022: HK\$58,000 (Audited)) paid to Dr. Ko Lai Hung (“**Dr. Ko**”), Ms. Cheung Mei Lam (“**Ms. Cheung**”, who is the wife of Dr. Ko), Shing Chak Development Limited (wholly-owned by Dr. Ko) and Milan Development Limited (wholly-owned by Ms. Cheung), respectively. The other refundable rental deposits as at 30 September 2022 and 31 March 2022 were paid to independent landlords.

Trade receivables represent amounts receivable for work certified after deduction of retention money.

Before accepting any new customer, the Group assesses the potential customer’s credit quality and defines credit limits for customers. Recoverability of the existing customers is reviewed by the directors of the Company regularly.

The Group allows generally a credit period of 7 to 90 days to its customers.

The following is an aged analysis of trade receivables of the Group, after netting of impairment losses under expected credit loss model, presented based on dates of work certified by architects, surveyors or other representatives appointed by the customers that approximate to the invoice date at the end of each reporting period.

	At 30 September 2022 <i>HK\$’000</i> (Unaudited)	At 31 March 2022 <i>HK\$’000</i> (Audited)
0 to 30 days	32,675	19,998
31 to 90 days	13,166	34,829
91 to 180 days	9,567	922
Above 180 days	4,972	4,678
	60,380	60,427
Less: Allowance for credit loss	(631)	(631)
	59,749	59,796

As at 30 September 2022, included in the Group’s trade receivables balances are debtors with aggregate gross carrying amount of HK\$14,539,000 (Unaudited) (31 March 2022: HK\$5,600,000 (Audited)) which are past due 90 days or more as at the reporting date and is not considered as in default because these customers are in the process of internal settlement procedures that the management of the Group has acknowledged and approved the extended credit period.

11. TRADE AND RETENTION PAYABLES AND ACCRUALS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	21,944	23,103
Retention payables	12,973	12,229
Accruals	9,001	8,607
	<u>43,918</u>	<u>43,939</u>

Included in the Group's trade and retention payables as at 30 September 2022 are amounts due to related parties amounting to HK\$2,893,000 (Unaudited) (31 March 2022: HK\$1,747,000 (Audited)), in aggregate, which are trade nature, unsecured, interest-free and repayable according to the relevant agreements.

The credit period of trade payables granted by the Group's suppliers are normally within 30 days. The following is an aged analysis of trade payables of the Group, based on the invoice date at the end of each reporting period:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	20,594	21,905
31 to 90 days	393	1,198
91 to 180 days	27	–
181 to 365 days	930	–
	<u>21,944</u>	<u>23,103</u>

12. BANK LOANS

The Group's bank loans were lent by a bank under its bank facilities granted to the Group. The bank facilities were secured by corporate guarantee given by the Company in favour of the bank and the Group's car park space.

Notwithstanding any provisions stated in the aforesaid bank facilities, the bank may at any time without prior notice, modify, cancel or suspend the banking facilities, at the sole discretion of such bank; including, without limitation, cancelling any unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the Group's bank loans as at 30 September 2022 and 31 March 2022 were classified as current liabilities on those dates.

As at 30 September 2022, bank loans of HK\$10,134,000 (Unaudited) (31 March 2022: HK\$206,000 (Audited)) bore variable interest rates from 2.0% to 2.5% per annum (31 March 2022: 2.0% per annum) below Hong Kong Prime Rate. The remaining bank loan at 30 September 2022 bore variable interest rate at 1.5% per annum (31 March 2022: 1.5% per annum) above one-month Hong Kong Inter-bank Offered Rate. The bank loans were denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Accel Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is an established electrical and mechanical (“**E&M**”) engineering services provider. The Group’s major business involves the supply, installation and maintenance of mechanical ventilation and air-conditioning (“**MVAC**”) systems, drainage systems, water supply, swimming pool and fountain systems, electrical and control systems as well as smart electrical control systems in buildings. The Group has been engaged by reputable property developers and construction companies in Hong Kong to complete several iconic projects. The Group will continue to strive to provide excellent E&M engineering services to its customers. Meanwhile, the Group is also actively involved in scientific researches by supporting universities to develop advanced technological applications and integrating the results of those scientific researches into the day-to-day life. The Group has devoted itself to the field of innovation and technology by establishing “Accel – The Education University of Hong Kong Joint Laboratory of Metaverse and Human-computer Interaction”. The Group believes its investments in local researches can help to promote and develop the scientific research sector in Hong Kong.

Although the recurrence of the fifth wave of the COVID-19 pandemic posed uncertainties and challenges to the Group during Period, the Group managed to overcome the situation by expanding its business base. The Group strives to increase its market share by prudently capturing changes in the macroeconomic environment; adjusting its operating strategies in a timely manner and maintaining a competitive pricing strategy. The Group’s contract amount has maintained steady at about HK\$1 billion, which shows customers’ recognition of its ability and project management. The Group will continue to develop its business and enhance its ability to participate in new projects.

FINANCIAL REVIEW

Revenue

During the Period, the Group’s revenue decreased by approximately HK\$67,138,000 or 23.9% to approximately HK\$213,790,000 for the Period as compared to approximately HK\$280,928,000 for the Corresponding Period. The decrease was mainly because certain newly awarded projects were in the early stage of their project implementation phase.

Cost of Services

	Six months ended 30 September			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Subcontracting fees	48,842	29.0%	91,486	40.8%
Cost of materials	78,238	46.5%	94,348	42.0%
Direct labour costs	30,191	17.9%	32,355	14.4%
Others	11,163	6.6%	6,251	2.8%
Total	168,434	100.0%	224,440	100.0%

The Group's cost of services mainly represented (i) cost of materials including MVAC systems such as air conditioners and ventilation fans, and accessories such as pipes and fittings; and (ii) subcontracting fees for completing on-site works. The cost of services decreased by approximately HK\$56,006,000 or 25.0% to approximately HK\$168,434,000 for the Period, as compared to approximately HK\$224,440,000 for the Corresponding Period. The decrease of cost of services was in line with the decrease of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$11,132,000 or 19.7% to approximately HK\$45,356,000 for the Period from approximately HK\$56,488,000 for the Corresponding Period.

The Group's gross profit margin increased to 21.2% for the Period from 20.1% for the Corresponding Period. The increase in the gross profit margins was mainly due to the realisation of the revenue generated from the projects completed with higher margin brought from previous years within the Period.

Administrative Expenses

Administrative expenses mainly comprised staff costs, professional fees, office expenses, depreciation expenses and other expenses. Administrative expenses increased by approximately HK\$2,128,000 or 17.3% to approximately HK\$14,410,000 for the Period from approximately HK\$12,282,000 for the Corresponding Period. The increase of administrative expenses of the Group was mainly due to the increase in the number of research projects with local universities in blockchain and Metaverse.

Income Tax Expense

The income tax expense decreased by approximately HK\$2,319,000 or 32.2% to approximately HK\$4,880,000 for the Period from approximately HK\$7,199,000 for the Corresponding Period. The decrease was mainly due to the decrease in the taxable profit for the Period.

Profit and Total Comprehensive Income Attributable to Owners of the Company

The Group's profit and total comprehensive income attributable to owners of the Company were approximately HK\$30,953,000 for the Period and HK\$35,125,000 for the Corresponding Period. The decrease in profit and total comprehensive income attributable to owners of the Company was mainly due to the decrease in revenue and the increase of administrative expenses for the Period.

Interim Dividend

The board of directors (the “**Director(s)**”) of the Company (the “**Board**”) has resolved to declare an interim dividend (the “**Interim Dividend**”) of HK1.6 cents per share of the Company (the “**Share**”) for the Period (Corresponding Period: HK2.1 cents), amounting to approximately HK\$12,800,000 (Corresponding Period: HK\$16,800,000). The Interim Dividend is payable to the shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) at the close of business on Friday, 16 December 2022. The Interim Dividend will be paid on or around Wednesday, 11 January 2023.

Closure of Register of Members

The Register of Members will be closed from Wednesday, 14 December 2022 to Friday, 16 December 2022, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the Interim Dividend, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 13 December 2022.

Property, plant and equipment

Property, plant and equipment increased by approximately HK\$55,795,000 or 1,693.8% to approximately HK\$59,089,000 as at 30 September 2022 from approximately HK\$3,294,000 as at 31 March 2022. The increase of the property, plant and equipment is mainly due to the acquisition of an indirect wholly-owned subsidiary with certain properties at TML Tower. For details, please refer to the section heading “Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures” of this announcement.

Trade and Other Receivables, Deposits and Prepayments

Trade and other receivables, deposits and prepayments increased by approximately HK\$660,000 or 0.8% to approximately HK\$78,791,000 as at 30 September 2022 from approximately HK\$78,131,000 as at 31 March 2022.

Trade receivables (net of allowance for credit losses) slightly decreased by approximately HK\$47,000 to approximately HK\$59,749,000 as at 30 September 2022 from approximately HK\$59,796,000 as at 31 March 2022. No material changes of trade receivables were noted for the Period.

Other Receivables

Other receivables increased by approximately HK\$1,699,000 or 46.7% to approximately HK\$5,335,000 as at 30 September 2022 from approximately HK\$3,636,000 as at 31 March 2022 due to the government grants receivable in respect of COVID-19 related subsidies under the Employment Support Scheme provided by the Hong Kong Government during the Period.

Pledged Bank Balances and Bank Balances and Cash

The Group's pledged bank balances were to secure the grant of performance bonds to the Group by a bank. The pledged bank balances and bank balances and cash decreased by approximately HK\$51,374,000 or 27.8% to approximately HK\$133,698,000 as at 30 September 2022 from approximately HK\$185,072,000 as at 31 March 2022 due to the full settlement of acquiring a property holding company and the payment of final dividend of 31 March 2022.

The pledged bank balances and bank balances and cash were denominated in Hong Kong dollars and were mainly generated from the Group's daily operations. With the strong financial position, the Group is able to provide sufficient financial resources for its current commitments, working capital requirements and further expansion of the Group's business, as and when required.

Trade and Retention Payables and Accruals

Trade and retention payables and accruals slightly decreased by approximately HK\$21,000 to approximately HK\$43,918,000 as at 30 September 2022 from approximately HK\$43,939,000 as at 31 March 2022.

Trade payables decreased by approximately HK\$1,159,000 or 5.0% to approximately HK\$21,944,000 as at 30 September 2022 from approximately HK\$23,103,000 as at 31 March 2022. The decrease was mainly due to the settlement before the end of the Period for various purchase of MVAC systems.

Retention payables increased by approximately HK\$744,000 or 6.1% to approximately HK\$12,973,000 as at 30 September 2022 from approximately HK\$12,229,000 as at 31 March 2022. The increase was mainly due to the contribution by the subcontractors to the Group's existing projects.

FUTURE PROSPECTS

Looking forward, the Group will further expand its service capabilities and capture business opportunities to reinforce its position in the E&M engineering industry. The Group will provide customers with more comprehensive E&M engineering services, increase its market share with a prudent financial management strategy, and actively explore possibilities for development and commit to expanding its business fields to pursue long-term growth and generate stable returns for the shareholders of the Company. As a result of the Group's continuous effort, 11 new projects (with a total contract sum amounting to approximately HK\$153,027,000) were awarded during the Period. In addition, the Group anticipates that it will be able to secure a sufficient number of new projects through submission of tenders in the remainder of this financial year and beyond. As such, the Group remains optimistic towards the business development prospects for the next few years.

As mentioned in the Policy Address 2022, the Hong Kong Government has promoted the land for private housing by enhancing the land supply for no less than 72,000 residential units in the coming five years in order to fulfill the long-term housing strategy. The Government is setting up the Northern Metropolis Development Strategy and targeting to put the proposal forward in late 2023 as well as the redevelopment of three urban squatter areas located in East Kowloon. The policy will bring great business opportunities for the construction industry. The Group will seize the business opportunities in the post-pandemic development. Building on the Group's foundation in providing quality E&M engineering services, the Group will strive to develop new businesses through adopting multiple perspectives and multi-channel thinking. The Group will venture into new businesses of innovation and technology, smart technology, energy conservation and environmental protection, and look for opportunities to participate in property development projects. In addition, based on business development needs, the Group will identify prospective business partners and joint venture opportunities for different business segments to broaden the Group's business scope and drive cross-border development, thereby generating greater returns for the shareholders of the Company.

In the field of innovation and technology, the Group has joined with the Education University of Hong Kong by establishing the "Accel – The Education University of Hong Kong Joint Laboratory of Metaverse and Human-computer Interaction" in order to promote the use of technology in the area of education. The Group has further engaged with certain local universities in product designs as well as the application of technologies in areas such as improvement of air quality, smart technology, energy conservation and environmental protection, thereby contributing to the development of Hong Kong as an international centre for innovation and research and generating greater business opportunities for the Group's future operations.

In terms of environmental protection and energy conservation, reducing carbon emissions and energy consumption has become a global issue. The Chinese government has already stipulated the targets in reaching carbon peak in 2030 and carbon neutrality in 2060 in the 14th Five-Year Plan. It was also announced in the 2022 Policy Address that Hong Kong would strive to achieve carbon neutrality by 2050 and accelerate the incorporation of district cooling system in northern district area to reduce energy consumption. As a key player in the industry of the installation of E&M systems, the Group carries the responsibility to protect the ecosystem, and to ensure environmental protection while promoting growth and development of the society. The Group endeavours to incorporate energy saving technologies and renewable energy into E&M systems and enhance energy efficiency in buildings to meet the government's low carbon transformation targets to reduce carbon emissions, thereby making buildings more environmentally-friendly and more comfortable. The Group will actively look for partners to promote its plans for energy conservation and emissions reduction in Hong Kong, and strive to attain carbon peak and carbon neutrality targets and lay the foundation for the Group's intelligent E&M business through utilising innovative technologies and the concept of intelligent energy.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

During the Period, the Group's working capital was financed by internal resources and bank loans. The quick ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 4.70 times as at 30 September 2022 (31 March 2022: approximately 5.99 times). The Group generally financed its daily operations from cash flows generated internally.

Financial Policies

The Group is exposed to liquidity risk in respect of the settlement of its trade and retention payables, bank loans and lease liabilities. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet both short-term and long-term liquidity requirements.

Bank Loans

The Group's bank loans as at 30 September 2022 and 31 March 2022 were lent by a bank under its bank facilities granted to the Group. The bank facilities were secured by the Group's car park space and corporate guarantee given by the Company (31 March 2022: the Group's car park space and corporate guarantee given by the Company).

According to the relevant banking facilities letter, the bank loans of the Group are payable as follows:

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Within one year	20,345	14,479
Within a period of more than one year but not exceeding two years	—	62
	<u>20,345</u>	<u>14,541</u>

Notwithstanding the provisions stated in the aforesaid bank facilities, the bank may at any time without prior notice, modify, cancel or suspend the bank facilities, at the sole discretion of such bank, including, without limitation, cancelling any unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the above bank loans were classified as current liabilities as at 30 September 2022 and 31 March 2022.

As at 30 September 2022, bank loans of HK\$10,134,000 (31 March 2022: HK\$206,000) bore variable interest rates from 2.0% to 2.5% per annum (31 March 2022: 2.0% per annum) below Hong Kong Prime Rate. The remaining bank loan at 30 September 2022 bore variable interest rate at 1.5% per annum (31 March 2022: 1.5% per annum) above one-month Hong Kong Inter-bank Offered Rate. The bank loans were denominated in Hong Kong dollars.

Gearing Ratio

The Group's gearing ratio, which is calculated based on the total interest-bearing liabilities divided by the total equity (defined as the sum of bank loans and lease liabilities as at the respective period/year end divided by total equity as at the respective period/year end) was approximately 7.9% as at 30 September 2022 (31 March 2022: approximately 4.9%).

Capital Expenditure

During the Period, the Group acquired property, plant and equipment and investment property of HK\$56,358,000 and HK\$5,801,000 respectively, of which property, plant and equipment and investment property of HK\$56,027,000 and HK\$5,801,000 respectively were acquired through the Acquisition. Details of which are set out in the section heading of "Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures" of this announcement.

Capital Commitments

As at 30 September 2022, the capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statement is HK\$885,000 (31 March 2022: HK\$353,000).

Contingent Liabilities

As at 30 September 2022, performance bonds of HK\$81,896,000 (31 March 2022: HK\$67,542,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers.

Included in the performance bonds as at 30 September 2022 were HK\$39,159,000 (31 March 2022: HK\$39,159,000), which were issued under the bank facilities granted by a bank to the Group and such bank facilities were secured by the Group's pledged bank balances and corporate guarantee given by the Company in favour of the bank. The remaining performance bonds as at 30 September 2022 were issued under the bank facilities granted by another bank to the Group and such bank facilities were secured by the Group's car park space and corporate guarantee given by the Company in favour of the bank.

Save as disclosed herein, the Group had no material contingent liabilities as at 30 September 2022 (31 March 2022: Nil).

Charges on the Group's Assets

As at 30 September 2022, certain motor vehicles, refundable rental deposits, the car park space and pledged bank balances of the Group were pledged for the lease liabilities and the bank facilities (31 March 2022: certain motor vehicles, refundable rental deposits, the car park space and pledged bank balances of the Group were pledged for the lease liabilities and the bank facilities).

Significant Investments

Save as disclosed herein, the Group did not have any significant investments during the Period.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 18 June 2022, Ascend Group Holdings Limited (being a direct wholly-owned subsidiary of the Company) (the "**Purchaser**") entered into the provisional sale and purchase agreement with Yip Ping Hau (the "**Vendor**"), pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, the entire issued share capital of Best Investment Development Limited (the "**Target Company**") and the rights to all sums owing by the Target Company at the consideration of HK\$61,828,000 (the "**Acquisition**"). The Target Company holds certain properties at TML Tower in Tsuen Wan.

Upon completion, the Target Company became an indirect wholly-owned subsidiary of the Company and the operating result of the Target Company since the completion of the Acquisition is consolidated in the financial statements of the Group. The completion of the Acquisition took place on 31 August 2022.

Details of the Acquisition are set out in the announcements of the Company dated 18 June 2022 and 29 June 2022.

During the Period, save as disclosed herein, the Group did not make any material acquisitions or disposals of its subsidiaries, associates and joint ventures.

Future Plans for Significant Investments and Capital Assets

As at 30 September 2022, save as disclosed herein, the Group did not have any other plans for significant investments or capital assets.

Foreign Exchange Risk Management

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars. The Group is not significantly exposed to foreign currency risk arising from monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered to be insignificant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

SUBSEQUENT EVENT

Save as disclosed herein, no significant event affecting the Group has occurred since the end of the Period and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed 182 employees (30 September 2021: 177 employees) with total staff costs (including direct labour costs) of approximately HK\$37,315,000 incurred for the Period (Corresponding Period: approximately HK\$38,719,000). In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The Group offers competitive salaries and benefits to its employees (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to its employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salary increments, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance and market situation.

The Company has adopted a share option scheme on 18 September 2019 for the purpose of providing incentives or rewards to eligible participants for their contributions or potential contributions to the Group. Such scheme became effective on 18 October 2019 (the “**Listing Date**”). As at 30 September 2022, there was no share option granted under the scheme.

CORPORATE RECOGNITION

The Group has been awarded the “Quality Sub-Contractors Award” presented by Hong Kong Professional Building Inspection Academy, recognising the Group’s outstanding performances. Also, the Group has been awarded the “EcoPartner” and “EcoPioneer” of Corporate Environmental Leadership Awards by Federation of Hong Kong Industries, recognising the Group’s contribution in environmental aspect. The Group will strive to maintain service quality and adhere to the required quality, safety and environmental standards in order to deliver excellent E&M services and assure workplace safety for all staff members.

COMPETING INTEREST

During the Period, none of the Directors or the controlling shareholders of the Company or their close associates was interested in any business which competed or might compete, either directly or indirectly, with the business of the Group nor had or might have with the Group any conflicts of interest.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float for the Shares as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Board has been adamant in upholding high standards of corporate governance to maximise operational efficiency, corporate values and shareholder returns. The Company has adopted sound governance and disclosure practices and continued to upgrade its internal control system, strengthen its risk control management and reinforce its corporate governance structure.

During the Period, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules with the exception of code provision C.2.1, which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Ko Lai Hung (“**Dr. Ko**”) is the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”). He has been managing the Group’s business and supervising the overall operations of the Group since 2000. The Board considers that vesting the roles of the Chairman and the CEO in Dr. Ko is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board has a total of six Directors and three of them are INEDs who are qualified professionals and/or experienced individuals. As all major decisions are made in consultation with all the Board members who meet on a regular basis to review the operations of the Group, and shall be approved by majority approval of the Board, with the three INEDs on the Board scrutinising important decisions and offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and consider splitting the roles of the Chairman and the CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiry of all Directors, they confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

REVIEW OF INTERIM FINANCIAL RESULTS

The condensed consolidated financial statements for the Period have been reviewed by the Company’s independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA.

The audit committee of the Board has discussed with the management of the Group and reviewed this interim results announcement, including the accounting principles and standards adopted by the Group in conjunction with the Group’s independent auditor.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the Company's website (<http://www.chittathk.com>) and the Stock Exchange's website (<https://www.hkexnews.hk>). The 2022 interim report of the Company will be despatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and other professional parties for their support throughout the Period.

By order of the Board
Accel Group Holdings Limited
Ko Lai Hung
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 November 2022

As at the date of this announcement, the executive Directors are Dr. Ko Lai Hung and Ms. Cheung Mei Lan; the non-executive Director is Mr. Ko Angus Chun Kit and the independent non-executive Directors are Mr. Chan Cheong Tat, Ms. Tse Ka Wing and Mr. Ho Chi Shing.