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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 2019

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$261,289,000 for the six months ended 30 September 2019.
(six months ended 30 September 2018: approximately HK\$149,883,000)
- The Group recorded gross profit of approximately HK\$66,451,000 and gross profit margin of 25.4% for the six months ended 30 September 2019.
(six months ended 30 September 2018: approximately HK\$38,252,000 and gross profit margin of 25.5%)
- Profit attributable to equity shareholders of the Company for the six months ended 30 September 2019 amounted to approximately HK\$42,272,000.
(six months ended 30 September 2018: approximately HK\$24,381,000)

The board (the “**Board**”) of directors (the “**Directors**”) of Accel Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019 (the “**Period**”), together with the comparative figures for corresponding six months ended 30 September 2018 (the “**Corresponding Period**”), as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	3	261,289	149,883
Cost of services		<u>(194,838)</u>	<u>111,631</u>
Gross profit		66,451	38,252
Other income	4	309	101
Other expense		(42)	—
Listing expenses		(7,188)	(2,134)
Administrative expenses		(7,598)	(6,483)
Finance costs	5	<u>(70)</u>	<u>(244)</u>
Profit before taxation	6	51,862	29,492
Income tax expense	7	<u>(9,590)</u>	<u>(5,111)</u>
Profit and total comprehensive income for the period		<u>42,272</u>	<u>24,381</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>7.0</u>	<u>4.1</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		3,304	3,154
Right-of-use assets		3,123	2,483
Payments for life insurance		6,808	6,808
		<u>13,235</u>	<u>12,445</u>
Current assets			
Trade and other receivables, deposits and prepayments	10	71,600	35,211
Contract assets		103,623	67,842
Bank balances and cash		36,907	34,850
		<u>212,130</u>	<u>137,903</u>
Current liabilities			
Trade and retention payables and accruals	11	51,413	34,126
Contract liabilities		526	692
Tax payable		13,829	5,982
Bank loans	12	549	1,459
Trust receipts loans	12	7,800	—
Lease liabilities		1,478	958
		<u>75,595</u>	<u>43,217</u>
Net current assets		<u>136,535</u>	<u>94,686</u>
Total assets less current liabilities		<u>149,770</u>	<u>107,131</u>
Non-current liability			
Lease liabilities		<u>1,475</u>	<u>1,108</u>
Net assets		<u>148,295</u>	<u>106,023</u>
Capital and reserves			
Share capital	13	—*	—*
Reserves		148,295	106,023
Total equity		<u>148,295</u>	<u>106,023</u>

* Amounts less than HK\$1,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 General Information

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 20 September 2018, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 October 2019 (the “**Listing Date**”). The addresses of the registered office and the principal place of business of the Company are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit Nos. 709-711, 7/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, respectively. In the opinion of the directors of the Company, the ultimate controlling parties are Mr. Ko Lai Hung (“**Mr. Ko**”) and Ms. Cheung Mei Lan (“**Ms. Cheung**”, who is the wife of Mr. Ko). Mr. Ko and Ms. Cheung are collectively referred to as the “**Spouse**”.

The Company is an investment holding company. The Group is principally engaged in provision of electrical and mechanical (“**E&M**”) engineering services typically involving supply, installation and maintenance of (i) mechanical ventilation and air-conditioning (“**MVAC**”) systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems.

1.2 Reorganisation and basis of preparation and presentation

Prior to the listing of the Company’s shares on the Stock Exchange, the Group underwent a reorganisation (the “**Reorganisation**”) which was completed on 30 November 2018. The details of the Reorganisation are set out in the prospectus of the Company dated 27 September 2019 (the “**Prospectus**”). In the opinion of the Directors, Lightspeed Limited is considered as the immediate and ultimate holding company of the Group after the completion of the Reorganisation on 30 November 2018.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation has been under the common control of the Spouse for the period from 1 April 2018 to the completion date of the Reorganisation and before and after the Reorganisation, and is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements have been prepared as if the Company had always been the holding company of the Group since 1 April 2018.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 September 2018 include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the six months ended 30 September 2018, or from their respective dates of incorporation or acquisition, where there is a shorter period.

The condensed consolidated financial statements 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 (the “**Listing Rules**”).

The condensed consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group’s consolidated financial statements for each of the three years ended 31 March 2019 underlying the preparation of historical financial information included in the accountants’ report presented in the Prospectus.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The application of the new and amendments to HKFRSs in the current 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 E&M engineering services typically rendered in Hong Kong under long-term contracts and were recognised over time during both periods.

The customers of the Group 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. Contracts with the Group’s customers are mainly fixed-price contracts.

The Company’s executive Directors, 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) are situated in Hong Kong.

4. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	12	72
Rental income in respect of a carpark space	—	14
Insurance compensation income	297	—
Others	—	15
	<u>309</u>	<u>101</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	18	202
Interest on lease liabilities	52	42
	<u>70</u>	<u>244</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	237	191
Depreciation on right-of-use assets	961	940
Staff costs (including directors' remuneration)		
— Salaries and allowances and discretionary bonus	28,400	25,718
— Retirement benefit scheme contributions	1,124	947
Total staff costs	<u>29,524</u>	<u>26,665</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— Current tax	<u>9,590</u>	<u>5,111</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 September 2019 (six months ended 30 September 2018: 16.5% (unaudited)).

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime was applicable to Chit Tat Electrical Engineering Limited (“Chit Tat”), a wholly-owned subsidiary of the Company, for each of the six months ended 30 September 2018 and 2019.

8. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil (unaudited)).

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	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period) (HK\$'000)	<u>42,272</u>	<u>24,381</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousand</i>)	<u>600,000</u>	<u>600,000</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for both periods have been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 14(ii)) have been effective on 1 April 2018.

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

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade receivables	59,016	29,418
Rental deposits	329	219
Other receivables	4	4
Prepayments for purchase of materials and subcontracting fee	5,464	731
Prepaid expenses	1,744	1,262
Prepaid listing expenses and issue costs	—	203
Deferred issue costs	4,896	3,340
Utility and other deposits	147	34
	<u>71,600</u>	<u>35,211</u>

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 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 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 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
0 to 30 days	50,061	21,672
31 to 90 days	7,512	7,746
Over 90 days	1,443	—
	<u>59,016</u>	<u>29,418</u>

11. TRADE AND RETENTION PAYABLES AND ACCRUALS

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade payables	25,809	17,646
Retention payables	9,474	5,821
Accrued issue costs and listing expenses	8,905	1,750
Accruals	7,225	8,909
	<u>51,413</u>	<u>34,126</u>

The credit period of trade payables granted by the Group's suppliers are normally within 60 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 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
0 to 30 days	21,817	17,629
31 to 90 days	3,992	17
	<u>25,809</u>	<u>17,646</u>

12. BANK LOANS AND TRUST RECEIPTS LOANS

The Group's bank loans and trust receipts loans were lent by two banks under their bank facilities granted to the Group. The bank facilities are secured by personal guarantees of Mr. Ko and Ms. Cheung in favour of the banks and their certain properties and the Group's carpark space and life insurance policy.

Notwithstanding the provisions stated in the relevant bank facilities, the bank facilities granted by a bank are repayable on demand by the bank which has the overriding right at any time to require immediate payment of all principal, interest, fees and other amounts outstanding under the bank facilities letter or any part thereof and/or to require cash collateralisation of all or any sum actually or contingently owing to it under the bank facilities; and the bank facilities granted by another bank may be modified, cancelled or suspended, at any time unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the Group's bank loans and trust receipts loans as at 31 March 2019 and 30 September 2019 were classified as current liabilities on those dates.

The bank loans and trust receipts loans as at 30 September 2019 bore variable interest rate at 1.0%–2.0% per annum below the Hong Kong Prime Rate quoted by the relevant banks (31 March 2019: variable interest rate at 1.5%–3.1% per annum below Hong Kong Prime Rate quoted by the relevant banks).

13. SHARE CAPITAL

The Group

The share capital as at 1 April 2018 represented the share capital of Chit Tat.

On 27 September 2018, as part of the Reorganisation, Ascend Group Holdings Limited (“Ascend”), a wholly-owned subsidiary of the Company, acquired 3,500,000 and 1,500,000 ordinary shares, representing the entire share capital of Chit Tat, from Mr. Ko and Ms. Cheung, respectively, in consideration of Ascend allotting and issuing 70 and 30 ordinary shares in Ascend credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

The share capital as at 31 March 2019 represented the share capital of the Company.

The Company

	<i>Notes</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised ordinary shares with par value of HK\$0.01 each:			
At 20 September 2018 (date of incorporation) and 31 March 2019	(i)	38,000,000	380
Increase in authorised share capital under the Reorganisation	(ii)	<u>9,962,000,000</u>	<u>99,620</u>
At 30 September 2019		<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>
Ordinary shares, issued and fully paid:			
At 20 September 2018 (date of incorporation)	(i)	1	—*
Issue of ordinary shares	(iii)	<u>199</u>	<u>—*</u>
At 31 March 2019 and 30 September 2019		<u><u>200</u></u>	<u><u>—*</u></u>

* Amounts less than HK\$1,000.

Notes:

- (i) On 20 September 2018, the Company was incorporated with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On the date of incorporation, one share was allotted and issued, at par and credited as fully paid.
- (ii) On 18 September 2019, pursuant to the written resolution of the sole shareholder of the Company, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of the Company of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of the Company of HK\$0.01 each by the creation of an additional 9,962,000,000 new ordinary shares of par value of HK\$0.01 each.
- (iii) On 20 September 2018, the Company allotted and issued 99 ordinary shares at par, all credited as fully paid.

On 29 November 2018, Mr. Ko and Ms. Cheung (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Ko and Ms. Cheung agreed to transfer 140 and 60 ordinary shares of Ascend to the Company, in consideration of the Company allotting and issuing 70 and 30 ordinary shares of the Company, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (i) On 18 October 2019, 200,000,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.73 per share by way of public offer and placing of the Company's ordinary shares. On the same date, the Company's ordinary shares were listed on the Main Board of the Stock Exchange.
- (ii) On 18 October 2019, the Company effected the capitalisation of an amount of HK\$5,999,998 standing to the credit of the share premium account of the Company as a result of the Share Offer (as defined in the Prospectus) and to appropriate such amount as to capital to pay up in full, at par, 599,999,800 ordinary shares of the Company of HK\$0.01 each for allotment and issue to the shareholders of the Company on 18 October 2019, each ranking pari passu in all respects with the then existing issued ordinary shares of the Company (the "**Capitalisation Issue**").
- (iii) On 18 October 2019, the previously adopted share option scheme became effective and the details and terms of the share option scheme are set out in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established E&M engineering services provider involving supply, installation and maintenance of (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems in Hong Kong. In particular, the Directors are of the view that the Group has established presence and experience in private residential MVAC systems works with a competitive advantage, hence the Group places more focus on projects in relation to the supply, installation and maintenance of MVAC systems especially in private residential sector. The Group has completed certain number of projects include property development projects under well-known property developers where the property developers directly selected us as the nominated subcontractor. The Directors believe this further illustrates our reputation in the E&M engineering industry.

FINANCIAL REVIEW

Revenue

By type of services:

	Six months ended 30 September			
	2019		2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
MVAC systems	230,954	88.4%	135,790	90.6%
Electrical systems	23,063	8.8%	12,363	8.2%
Swimming pool, fountain and plumbing and drainage systems	7,272	2.8%	1,730	1.2%
Total	<u>261,289</u>	<u>100.0%</u>	<u>149,883</u>	<u>100.0%</u>

During the Period, the Group's revenue increased by approximately HK\$111,406,000 or 74.3% to approximately HK\$261,289,000 for the Period as compared to approximately HK\$149,883,000 for the six months ended 30 September 2018. The increase was primarily attributable to the increase in service provided in relation to the installation of the MVAC systems as well as the electrical systems.

For the MVAC systems, the revenue increased by approximately HK\$95,164,000 or 70.1% to approximately HK\$230,954,000 for the Period as compared to approximately HK\$135,790,000 for the Corresponding Period. The increment was mainly contributed by the enhanced construction progress of certain projects on hand including two residential projects in Tuen Mun and a residential project in Tin Shui Wai. Furthermore, certain projects commenced after the Corresponding Period contributing to the revenue in the Period such as a residential project located in Shum Shui Po and a residential project in Plantation Road.

For the electrical systems, the revenue increased by approximately HK\$10,700,000 or 86.5% to approximately HK\$23,063,000 for the Period as compared to approximately HK\$12,363,000 for the Corresponding Period. The revenue was mainly contributed by the residential project located in Shum Shui Po and the increment was mainly due to the enhanced project progress of such project.

Cost of services

	Six months ended 30 September			
	2019		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Unaudited)	
Subcontracting fees	70,617	36.2%	43,094	38.6%
Cost of materials	92,377	47.4%	40,764	36.5%
Direct labour costs	26,375	13.5%	24,109	21.6%
Others	5,469	2.9%	3,664	3.3%
Total	<u>194,838</u>	<u>100.0%</u>	<u>111,631</u>	<u>100.0%</u>

The Group's cost of services mainly represented cost of MVAC systems including air conditioners and ventilation fans and accessories such as pipes and fittings, and subcontracting charges for completing on-site works. The cost of services increased by approximately HK\$83,207,000 or 74.5% to approximately HK\$194,838,000 for the Period, as compared to approximately HK\$111,631,000 for the Corresponding Period. The increase was primarily attributable to the enhanced project progress of certain projects during the Period. The increase of cost of services was in line with the increase of the Group's revenue.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$28,199,000 or 73.7% from approximately HK\$38,252,000 for the Corresponding Period to approximately HK\$66,451,000 for the Period.

The Group's gross profit margin maintained at about 25.4% for the Period as compared with the Corresponding Period of 25.5%.

Administrative expenses

Administrative expenses mainly comprised staff costs, travelling and transportation, rental and building management fee, professional fee, office expenses, depreciation expenses and others. Administrative expenses increased from approximately HK\$6,483,000 for the Corresponding Period to approximately HK\$7,598,000 for the Period. The increase of administrative expenses of the Group was mainly due to the increase in donation.

Income tax expense

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 September 2019 (six months ended 30 September 2018: 16.5% (unaudited)).

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime was applicable to Chit Tat for each of the six months ended 30 September 2018 and 2019.

Profit and total comprehensive income attributable to equity shareholders of the Company

For the Period and Corresponding Period, the Group's profit and total comprehensive income attributable to equity shareholders of the Company were approximately HK\$42,272,000 and HK\$24,381,000, respectively. The increase in profit and total comprehensive income attributable to equity shareholders of the Company was mainly due to the increase in revenue.

Interim dividend

The Board has resolved not to declare an interim dividend for the Period (Corresponding Period: nil).

Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments increased by approximately HK\$36,389,000 or 103.3% from approximately HK\$35,211,000 as at 31 March 2019 to approximately HK\$71,600,000 as at 30 September 2019.

Trade receivables increased by approximately HK\$29,598,000 or 100.6% from approximately HK\$29,418,000 as at 31 March 2019 to approximately HK\$59,016,000 as at 30 September 2019. The increase was due to significant amount of revenue certified by the employers at the end of the Period which were in accordance with those projects' construction schedules.

Prepayments for purchase of materials and subcontracting fee increased by approximately HK\$4,733,000 or 647.5% from approximately HK\$731,000 as at 31 March 2019 to approximately HK\$5,464,000 as at 30 September 2019. The increase was mainly due to the prepayment paid to various suppliers for securing the material supply for our projects on hand.

Trade and retention payables and accruals

Trade and retention payables and accruals increased by approximately HK\$17,287,000 or 50.7% from approximately HK\$34,126,000 as at 31 March 2019 to approximately HK\$51,413,000 as at 30 September 2019.

Trade payables increased by approximately HK\$8,163,000 or 46.3% from approximately HK\$17,646,000 as at 31 March 2019 to approximately HK\$25,809,000 as at 30 September 2019. The increase was mainly due to the purchase of MVAC systems for projects installation near the current interim period end.

Retention payables increased by approximately HK\$3,653,000 or 62.8% from approximately HK\$5,821,000 as at 31 March 2019 to approximately HK\$9,474,000 as at 30 September 2019. The increase was mainly due to the contribution by the subcontractors to our existing projects.

Accrued issue costs and listing expenses increased by approximately HK\$7,155,000 or 408.9% from approximately HK\$1,750,000 as at 31 March 2019 to approximately HK\$8,905,000 as at 30 September 2019. The amount increased mainly represented the substantial work performed by the professional parties for the listing process.

FUTURE PROSPECTS

Looking forward, the Group will further expand the service capabilities to capture business opportunities with the aim of being a preferred choice of first-tier E&M engineering subcontractor for property developments in Hong Kong. The Group will provide customers with comprehensive E&M engineering services to enhance the market position with a prudent financial management strategy, pursuing a long-term healthy business growth and stable return to the shareholders of the Company.

In order to expand the professional talent pool for the tendered prospective projects, the Group will continue to strengthen its human resources and focus on the training of talents to build a team with outstanding members and will employ additional staff especially in project management; engineering and safety sector. The Directors are of the view that the additional staff in project management, engineering and safety sector will provide the Group with better control over the design, management and safety of our projects.

The Group remains perseverance in its business development and its ability to obtain new projects. As a result of the endure hard work by the management, three new projects of total contract sum amounting to approximately HK\$82.2 million were awarded to the Group during the Period. In addition, the Group will continue to enhance its budget

management, upgrade its ability in plan execution and budget control in order to further improve its management standard and secure stable and sustainable development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2019, the Group's working capital was financed by internal resources. The quick ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 2.81 times as at 30 September 2019 (31 March 2019: approximately 3.19 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 settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

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, trust receipts loans and lease liabilities as at the respective period/year end divided by total equity as at the respective period/year end) was approximately 7.6% as at 30 September 2019 (31 March 2019: approximately 3.3%).

CAPITAL EXPENDITURE

During the six months ended 30 September 2019, the Group invested approximately HK\$429,000 in leasehold improvements and furniture, fixtures and equipment.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group had capital commitments of approximately HK\$719,000 in relation to acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2019.

SUBSEQUENT EVENT

Save as disclosed in note 14 to the condensed consolidated financial statements, there is no material subsequent event undertaken by the Company or by the Group after 30 September 2019 and up to the date of this announcement.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2019, the Group was granted bank facilities for obtaining bank loans and trust receipts loans and giving performance guarantees to its customers. Apart from the carpark space and the life insurance policy of the Group, these bank facilities are also secured by personal guarantees of Mr. Ko and Ms. Cheung and their certain properties at nil consideration.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries, associates and joint ventures.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed 158 employees (31 March 2019: 146 employees) with total staff costs of approximately HK\$29,524,000 incurred for the Period (Corresponding Period: approximately HK\$26,665,000). 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 salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment, 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.

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.

USE OF PROCEEDS

The shares of the Company have been listed on the Main Board of the Stock Exchange since the Listing Date which is after the Period. The net proceeds from the listing of the shares of the Company on the Stock Exchange were approximately HK\$125,345,000. The Directors intend to deploy the proceeds according to the manner set out in the Prospectus. Set out below is the actual use of net proceeds up to the date of this announcement.

Intended application	Estimated proceeds allocation	Utilised net proceeds up to 28 November 2019	Unutilised net proceeds up to 28 November 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchasing performance bonds	43,120	20,000	23,120
MVAC procurement costs	59,290	20,000	39,290
Hiring additional staff	11,660	—	11,660
General working capital	11,275	—	11,275
Total	<u>125,345</u>	<u>40,000</u>	<u>85,345</u>

OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

As the shares of the Company were only listed on the Stock Exchange on the Listing Date, the Company did not redeem any of its shares, nor did the Company or any of its subsidiaries purchase or sell any of such shares during the period from the Listing Date and up to the date of this announcement.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules during the period from the Listing Date and up to the date of this announcement.

Compliance with the Corporate Governance Code of the Listing Rules

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

The code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) were not applicable to the Company for the Period as the shares of the Company were initially listed on the Stock Exchange on the Listing Date.

From the Listing Date and up to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code with the exception of code provision A.2.1, which requires the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. 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 Mr. 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 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 (the “Model Code”)

The Model Code was not applicable to the Company during the Period as the shares of the Company were only listed on the Stock Exchange on the Listing Date. 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 from the Listing Date and up to the date of this announcement.

Audit Committee and review of interim financial results

The audit committee of the Company (the “**Audit Committee**”) is responsible for assisting the Board in safeguarding the Group’s assets by providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the Period, including the accounting principles and standards adopted by the Group, and discussed financial related matters. The interim financial results for the Period are unaudited but have been reviewed by the Audit Committee.

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.

Publication of interim results announcement and interim report

This announcement is published on the Company's website (<http://chittathk.com>) and the Stock Exchange's website (<https://www.hkexnews.hk>). The 2019 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 2019

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