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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$522,332,000 for the year ended 31 March 2020.
(2019: approximately HK\$312,732,000)
- The Group recorded gross profit of approximately HK\$116,189,000 and gross profit margin of 22.2% for the year ended 31 March 2020.
(2019: approximately HK\$81,014,000 and gross profit margin of 25.9%)
- Profit for the year ended 31 March 2020 amounted to approximately HK\$72,655,000.
(2019: approximately HK\$45,395,000)

FINAL DIVIDEND

The Board has resolved to recommend the declaration and payment of a final dividend of HK ¢ 3.2 per Share for the Year to the Shareholders whose names appear on the Register of Members on Monday, 5 October 2020, which amount to approximately HK\$25,600,000. Subject to the passing of the relevant resolution at the forthcoming AGM, the Final Dividend is expected to be paid to the Shareholders on or around Tuesday, 27 October 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Accel Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020 (the “**Year**”), together with the comparative figures for the year ended 31 March 2019 (the “**Corresponding Year**”), as follows:

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

	<i>Notes</i>	Year ended 31 March	
		2020	2019
		<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	4	522,332	312,732
Cost of services		(406,143)	(231,718)
Gross profit		116,189	81,014
Other income	5(a)	1,395	2,121
Other gains and losses	5(b)	88	–
Listing expenses		(7,188)	(11,395)
Administrative expenses		(22,097)	(14,850)
Finance costs	6	(132)	(628)
Profit before taxation	7	88,255	56,262
Income tax expense	8	(15,600)	(10,867)
Profit and total comprehensive income for the year		72,655	45,395
		<i>HK ¢</i>	<i>HK ¢</i>
Earnings per share			
– Basic	10	10.52	7.57
– Diluted		10.52	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		3,921	3,154
Right-of-use assets		2,788	2,483
Payments for life insurance		6,808	6,808
Pledged bank balances		49,677	–
		63,194	12,445
Current assets			
Trade and other receivables, deposits and prepayments	11	68,071	35,211
Contract assets		106,041	67,842
Pledged bank balances		20,476	–
Bank balances and cash		109,440	34,850
		304,028	137,903
Current liabilities			
Trade, retention and other payables and accruals	12	48,899	34,126
Contract liabilities		2,218	692
Taxation liabilities		7,816	5,982
Bank loan	13	483	1,459
Lease liabilities		1,583	958
		60,999	43,217
Net current assets		243,029	94,686
Total assets less current liabilities		306,223	107,131
Non-current liabilities			
Lease liabilities		1,205	1,108
Net assets		305,018	106,023
Capital and reserves			
Share capital	14	8,000	–*
Reserves		297,018	106,023
Total equity		305,018	106,023

* Amounts less than HK\$1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Accel Group Holdings Limited (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. In the opinion of the directors of the Company (the “**Directors**”), 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 Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in provision of electrical and mechanical (“**E&M**”) engineering services typically involving supply, installation and maintenance of mechanical ventilation and air-conditioning (“**MVAC**”) systems.

The 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. REORGANISATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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. In the opinion of the Directors, Lightspeed Limited is considered as the immediate 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 or since their respective dates of incorporation to the completion date of the Reorganisation and before and after the Reorganisation, and is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group since 1 April 2018.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 March 2019 include the results, changes in equity and cash flows of the companies comprising the Group that have been prepared as if the current group structure had been in existence throughout the year ended 31 March 2019, or from their respective dates of incorporation, where there is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has early adopted HKFRS 16 *Leases* (“HKFRS 16”) in prior years and the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs that have been issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁵
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. 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 the year.

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 mainly made directly with the customers.

The provision of the Group's E&M engineering services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

The Group's contracts are mainly at fixed-price and payments are made to the Group over the provision of E&M engineering services once such services are performed and certified by architects, surveyors or other representatives appointed by the customers.

The Group may require certain customers to make advance payments during the provision of E&M engineering services, when the Group receives the advance payments before provision of E&M engineering services, this will give rise to contract liabilities, until the revenue recognised on the specific contract exceeds the amount of such advances.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the provision of E&M engineering services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the relevant certification by architects, surveyors or other representatives appointed by the customers.

The contract assets are transferred to trade receivables when the rights become unconditional upon the Group's services certified by architects, surveyors or other representatives appointed by the customers.

The Group's contracts with customers normally require it to perform the obligations (including, amongst others, primarily rectification of defects identified) under the contracts during the defects liability period generally for 12 to 24 months after issuance of practical completion certificates by customers. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately. 5% to 10% of each interim payment from the customers is usually withheld by the customers as retention receivables (as included in the Group's contract assets) in which 50% of the retention receivable is transferred to the trade receivables for collection upon issuance of practical completion certificates, and the remaining 50% of the retention receivable is transferred to the trade receivables for collection upon expiry of the defects liability period set out in the relevant contracts.

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

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Other income		
Rental income in respect of a carpark space	–	22
Insurance compensation for staff injury	297	–
Interest income	912	270
Reversal of over-provision of tax penalty in respect of prior years (<i>Note</i>)	–	1,485
Interest income on payment for life insurance	–	308
Others	186	36
	<u>1,395</u>	<u>2,121</u>
(b) Other gains and losses		
Gain on disposal of property, plant and equipment	130	–
Write-off of property, plant and equipment	(42)	–
	<u>88</u>	<u>–</u>

Note: The Group made provision of possible tax penalty for additional tax assessments of Chit Tat Electrical Engineering Limited (“Chit Tat”), a wholly-owned subsidiary of the Company, in respect of prior years. In April 2019, the Inland Revenue Department confirmed that Chit Tat had no record of non-compliance on profits tax matters since its incorporation and the Group’s tax adviser considered that the payment of the tax penalty became remote, accordingly, such provision of tax penalty was reversed for the year ended 31 March 2019.

6. FINANCE COSTS

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	24	562
Interest on lease liabilities	108	66
	<u>132</u>	<u>628</u>

7. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	609	263
Depreciation of right-of-use assets	1,933	1,823
Auditor's remuneration	1,200	400
Staff costs (including directors' remuneration):		
– Salaries and allowances and discretionary bonus	66,987	58,099
– Retirement benefit scheme contributions	2,281	2,020
Total staff costs	69,268	60,119
Donations	1,500	5

8. INCOME TAX EXPENSE

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	15,600	10,867

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and 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 two years ended 31 March 2020.

9. DIVIDENDS

No interim dividends were paid, declared or proposed for the year ended 31 March 2020 (2019: Nil).

Subsequent to the end of the reporting period, the payment of a final dividend of HK ¢ 3.2 per ordinary share in respect of the year ended 31 March 2020, in an aggregate amount of HK\$25,600,000 has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	Year ended 31 March	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year)	<u>72,655</u>	<u>45,395</u>
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>690,710</u>	<u>600,000</u>

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

During the year ended 31 March 2020, the effect of the over-allotment option in relation to the Share Offer (as defined in note 14) on diluted earnings per share is insignificant.

No diluted earnings per share is presented for the year ended 31 March 2019 as there was no potential ordinary share in issue.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	41,730	29,418
Refundable rental deposits	359	219
Other receivables	358	4
Prepayments for purchase of materials and subcontracting fees	22,046	731
Prepaid expenses	3,415	1,262
Prepaid listing expenses and issue costs	–	203
Deferred issue costs	–	3,340
Utilities and other deposits	163	34
	<u>68,071</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 amounts due from 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 the reporting period.

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	35,935	21,672
31 to 90 days	2,774	7,746
91 to 180 days	1,469	–
Above 180 days	1,552	–
	<u>41,730</u>	<u>29,418</u>

12. TRADE, RETENTION AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	26,485	17,646
Retention payables	14,646	5,821
Accrued issue costs and listing expenses	–	1,750
Accruals	7,768	8,909
	<u>48,899</u>	<u>34,126</u>

The following is an aged analysis of trade payables of the Group based on the invoice date at the end of the reporting period:

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	21,334	17,629
31 to 90 days	5,151	17
	<u>26,485</u>	<u>17,646</u>

The credit period of trade payables granted by the Group's suppliers are usually within 60 days.

13. BANK LOAN

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan, secured	<u>483</u>	<u>1,459</u>

According to the relevant bank facilities letters, the bank borrowings of the Group are payable as follows:

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	136	976
Within a period of more than one year but not exceeding two years	140	136
Within a period of more than two years but not exceeding five years	207	347
Within a period of more than five years	<u>–</u>	<u>–</u>
	<u>483</u>	<u>1,459</u>

The Group's bank loan as at 31 March 2019 and 2020 was lent by a bank under its bank facilities granted to the Group. The bank facilities were secured by personal guarantees given by Mr. Ko and Ms. Cheung in favour of the bank and their certain properties and the Group's carpark space and Insurance Policy.

Notwithstanding the 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 above bank loan was classified as current liabilities as at 31 March 2019 and 2020.

14. 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 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 and 2020 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 31 March 2020		<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)	100	—*
Issue of ordinary shares	(iii)	<u>100</u>	<u>—*</u>
At 31 March 2019		200	—*
Issue of ordinary shares of the Company pursuant to the Share Offer	(iv)	200,000,000	2,000
Capitalisation Issue	(v)	<u>599,999,800</u>	<u>6,000</u>
		<u><u>800,000,000</u></u>	<u><u>8,000</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.

On the same date, the Company further allotted and issued 99 ordinary shares at par, all 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 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.

- (iv) On 18 October 2019, 200,000,000 ordinary shares with 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 (the "**Share Offer**").
- (v) 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 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**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established E&M engineering services provider involving supply, installation and maintenance of MVAC systems in Hong Kong. The Board is of the view that the Group has established 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.

Since the outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) epidemic in January 2020 in the PRC, the contagion of COVID-19 has spread worldwide. Different countries’ authorities have taken national prevention and control measures against the disease. The pandemic caused by the COVID-19 has certain impacts on the business operation and overall economy in different regions and industries in the world.

In response to the epidemic, the Group has suspended a few projects for a short period of time. The Group has gradually resumed operations since March 2020 while the Directors consider that the impact of COVID-19 on the Group’s operations and future prospects would depend on the duration of the epidemic, the implementation of regulatory policies and relevant protective measures that might affect the business environment that the Group is operating at. If the Group’s construction workers are infected, it will significantly affect the progress of the projects. The Group will stay alert on the development and situation of the COVID-19, continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate its business risk. Up to the date of this announcement, the aforesaid assessment is still in progress.

Despite the tense social atmosphere in Hong Kong and the mass outbreak of respiratory disease caused by the COVID-19 that has slowed the global economy, the Group maintained a strong growth and a stable financial position during the Year. Leveraging on its professional project management capabilities and long-term cooperative relationship with customers, the Group managed to obtain a number of large-scale E&M engineering services projects during and after the Year. The Group will actively look for new businesses opportunities and bring better returns to the shareholders of the Company (the “**Shareholders**”).

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange by the Share Offer on 18 October 2019 (the “**Listing Date**”).

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$209,600,000 or 67.0% to approximately HK\$522,332,000 for the Year as compared to approximately HK\$312,732,000 for the Corresponding Year. The increase was primarily attributable to the increase in service provided in relation to our E&M engineering projects which include (i) the construction progress of certain projects on hand including two residential projects in Tuen Mun and a residential project in Tin Shui Wai; and (ii) projects commenced after the Corresponding Year has contributed to the revenue in the Year such as a residential project located in Shum Shui Po and a residential project in Plantation Road.

Cost of services

	For the year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Subcontracting fees	152,071	37.4%	92,248	39.8%
Cost of materials	187,178	46.1%	82,564	35.6%
Direct labour costs	56,002	13.8%	50,424	21.8%
Others	10,892	2.7%	6,482	2.8%
Total	<u>406,143</u>	<u>100.0%</u>	<u>231,718</u>	<u>100.0%</u>

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 increased by approximately HK\$174,425,000 or 75.3% to approximately HK\$406,143,000 for the Year, as compared to approximately HK\$231,718,000 for the Corresponding Year. The increase was primarily attributable to the accelerated project progress of certain projects during the Year. The increase of cost of services was in line with the increase in the Group's revenue.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$35,175,000 or 43.4% from approximately HK\$81,014,000 for the Corresponding Year to approximately HK\$116,189,000 for the Year.

The Group's gross profit margin decreased by 3.7% to 22.2% for the Year as compared with the Corresponding Year of 25.9%. The decrease in the gross profit margin was mainly due to the fact that substantial amount of revenue were recognised from certain new projects commenced in the Year with lower profit margin and the impact of COVID-19 since January 2020.

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\$14,850,000 for the Corresponding Year to approximately HK\$22,097,000 for the Year. The increase in administrative expenses of the Group was mainly due to the increase in staff costs, professional fees and donations.

Income tax expense

The income tax expense increased by approximately HK\$4,733,000 or 43.6% to approximately HK\$15,600,000 for the Year, as compared to approximately HK\$10,867,000 for the Corresponding Year. The increase was in line with the increase in the gross profit and the profit before taxation of the Group.

Profit and total comprehensive income for the year

For the Year and Corresponding Year, the Group's profit and total comprehensive income attributable to equity shareholders of the Company were approximately HK\$72,655,000 and HK\$45,395,000, respectively. The increase in profit and total comprehensive income attributable to equity shareholders of the Company was mainly due to the increase in revenue.

Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments increased by approximately HK\$32,860,000 or 93.3% from approximately HK\$35,211,000 as at 31 March 2019 to approximately HK\$68,071,000 as at 31 March 2020.

Trade receivables increased by approximately HK\$12,312,000 or 41.9% from approximately HK\$29,418,000 as at 31 March 2019 to approximately HK\$41,730,000 as at 31 March 2020. The increase was due to significant amount of revenue certified by the employers at the end of the Year which were in accordance with those projects' construction schedules.

Prepayments for purchase of materials and subcontracting fees increased by approximately HK\$21,315,000 or 2915.9% from approximately HK\$731,000 as at 31 March 2019 to approximately HK\$22,046,000 as at 31 March 2020. The significant increase was mainly due to the prepayment paid to various suppliers for securing the material supply for our projects on hand.

Trade, retention and other payables and accruals

Trade, retention and other payables and accruals increased by approximately HK\$14,773,000 or 43.3% from approximately HK\$34,126,000 as at 31 March 2019 to approximately HK\$48,899,000 as at 31 March 2020.

Trade payables increased by approximately HK\$8,839,000 or 50.1% from approximately HK\$17,646,000 as at 31 March 2019 to approximately HK\$26,485,000 as at 31 March 2020. The increase was mainly due to the purchase of MVAC systems for projects installation at the end of the Year.

Retention payables increased by approximately HK\$8,825,000 or 151.6% from approximately HK\$5,821,000 as at 31 March 2019 to approximately HK\$14,646,000 as at 31 March 2020. The increase was mainly due to the contribution by the subcontractors to our existing projects.

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 E&M engineering services provider. 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.

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 will remain perseverance in its business development and improve our ability to obtain new projects. As a result of the continuous hard work by the management, the Group has obtained 7 projects with a total contract sum of approximately HK\$298,285,000 for the period after the Year and up to the date of this announcement. The Group will continue to make the most of its advantages and actively participate in tendering, in a hope to increase market share and ensuring stable growth of the Group's business. At the same time, the Group will actively look for new businesses opportunities and bring better returns to Shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's working capital was financed by internal resources and the proceeds from issue of ordinary shares of the Company pursuant to the share offer. The current ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 4.98 times as at 31 March 2020 (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, bank borrowings 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 loan and lease liabilities as at the respective year end divided by total equity as at the respective year end) was approximately 1.1% as at 31 March 2020 (31 March 2019: approximately 3.3%).

CAPITAL EXPENDITURE

During the Year, the Group invested approximately HK\$1,418,000 in leasehold improvements, motor vehicles and furniture, fixtures and equipment (2019: HK\$2,701,000 in carpark space and furniture, fixtures and equipment).

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no significant capital commitments (2019: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2020.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2020, the Group was granted bank facilities for obtaining bank loan and giving performance guarantees to its customers. These bank facilities were secured by personal guarantees given by Mr. Ko and Ms. Cheung in favour of the bank and their certain properties and the Group's carpark space, pledged bank balances and the insurance policy. In April 2020, the personal guarantees given by Mr. Ko and Ms. Cheung were released.

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

During the Year, 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 31 March 2020, the Group employed 159 employees (31 March 2019: 146 employees) with total staff costs of approximately HK\$69,268,000 incurred for the Year (Corresponding Year: approximately HK\$60,119,000). 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. Such scheme became effective on 18 October 2019.

COMPETING INTEREST

Since the Listing Date and up to the date of this announcement, 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 net proceeds from the listing of the Shares 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 of the Company dated 27 September 2019. The unutilised net proceeds are expected to be fully utilised according to the intended allocation by the second quarter of 2021. The actual completion time of the use of net proceeds will be determined based on the future business development of the Group. Set out below is the actual use of net proceeds up to 31 March 2020:

Intended application	Estimated proceeds allocation <i>HK\$'000</i>	Utilised net proceeds during the period from the Listing Date to	Unutilised net proceeds as at
		31 March 2020 <i>HK\$'000</i>	31 March 2020 <i>HK\$'000</i>
Purchasing performance bonds	43,120	43,120	–
MVAC procurement costs	59,290	20,803	38,487
Hiring additional staff	11,660	1,007	10,653
General working capital	11,275	5,000	6,275
Total	<u>125,345</u>	<u>69,930</u>	<u>55,415</u>

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK3.2 cents per Share for the Year (the “**Final Dividend**”) to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Monday, 5 October 2020, which amount to approximately HK\$25,600,000 (2019: Nil). Subject to the passing of the relevant resolution at the forthcoming annual general meeting of the Company to be held on Wednesday, 23 September 2020 (the “**AGM**”), the Final Dividend is expected to be paid to the Shareholders on or around Tuesday, 27 October 2020.

CLOSURE OF REGISTER OF MEMBERS

In relation to AGM

The Register of Members will be closed from Friday, 18 September 2020 to Wednesday, 23 September 2020, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the AGM, 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 of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 17 September 2020.

In relation to the proposed Final Dividend

Conditional on the passing of the resolution approving the declaration of the Final Dividend by the Shareholders at the AGM, the Register of Members will be closed from Tuesday, 29 September 2020 to Monday, 5 October 2020, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the Final 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 of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 28 September 2020.

OTHER INFORMATION

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

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 Rules Governing the Listing of Securities on the Stock Exchange (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.

From the Listing Date and up to the date of this announcement, 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 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 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 from the Listing Date and up to 31 March 2020.

Audit Committee review

The audit committee of the Board (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 independent auditor of the Company, Messrs. Deloitte Touche Tohmatsu, and reviewed the accounting principles and policies adopted by the Group, the financial information of the Group and the annual results of the Group for the Year.

Publication of annual results announcement and annual report

This announcement is published on the Company’s website (<http://chittathk.com>) and the Stock Exchange’s website (<https://www.hkexnews.hk>). The annual report for the year ended 31 March 2020 of the Company will be despatched to the Shareholders 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 Year.

By order of the Board
Accel Group Holdings Limited
Ko Lai Hung

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 23 June 2020

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 Angus Chun Kit and the independent non-executive Directors are Mr. Chan Cheong Tat, Ms. Tse Ka Wing and Mr. Ho Chi Shing.