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ACCEL GROUP HOLDINGS LIMITED

高陞集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1283)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$240,009,000 for the six months ended 30 September 2020.
(six months ended 30 September 2019: approximately HK\$261,289,000)
- The Group recorded gross profit of approximately HK\$52,070,000 and gross profit margin of 21.7% for the six months ended 30 September 2020.
(six months ended 30 September 2019: approximately HK\$66,451,000 and gross profit margin of 25.4%)
- Profit attributable to equity shareholders of the Company for the six months ended 30 September 2020 amounted to approximately HK\$38,200,000.
(six months ended 30 September 2019: approximately HK\$42,272,000)

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 2020 (the “**Period**”), together with the comparative figures for corresponding six months ended 30 September 2019 (the “**Corresponding Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	240,009	261,289
Cost of services		<u>(187,939)</u>	<u>(194,838)</u>
Gross profit		52,070	66,451
Other income	4	4,937	309
Other expense		–	(42)
Impairment losses under expected credit loss model		(439)	–
Listing expenses		–	(7,188)
Administrative expenses		(11,000)	(7,598)
Finance costs	5	<u>(82)</u>	<u>(70)</u>
Profit before taxation	6	45,486	51,862
Income tax expense	7	<u>(7,286)</u>	<u>(9,590)</u>
Profit and total comprehensive income for the period		<u>38,200</u>	<u>42,272</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>4.8</u>	<u>7.0</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
	NOTES		
Non-current assets			
Property, plant and equipment		3,778	3,921
Right-of-use assets		5,060	2,788
Payments for life insurance		6,826	6,808
Refundable rental deposits and prepaid expenses	10	1,293	–
Pledged bank balances		38,792	49,677
		<u>55,749</u>	<u>63,194</u>
Current assets			
Trade and other receivables, deposits and prepayments	10	54,031	68,071
Contract assets		132,857	106,041
Pledged bank balances		19,406	20,476
Bank balances and cash		153,369	109,440
		<u>359,663</u>	<u>304,028</u>
Current liabilities			
Trade, retention and other payables and accruals	11	53,721	48,899
Contract liabilities		554	2,218
Taxation liabilities		12,387	7,816
Bank loan	12	415	483
Dividend payable		25,600	–
Lease liabilities		2,979	1,583
		<u>95,656</u>	<u>60,999</u>
Net current assets		<u>264,007</u>	<u>243,029</u>
Total assets less current liabilities		<u>319,756</u>	<u>306,223</u>
Non-current liabilities			
Lease liabilities		2,138	1,205
Net assets		<u>317,618</u>	<u>305,018</u>
Capital and reserves			
Share capital		8,000	8,000
Reserves		309,618	297,018
Total equity		<u>317,618</u>	<u>305,018</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 application of certain 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

Application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”)

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the 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.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

2.2 Accounting policies newly adopted by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

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) are situated in Hong Kong.

4. OTHER INCOME

	Six months ended 30 September 2020 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)
Interest income	646	12
Insurance compensation income	–	297
Government grants (<i>Note</i>)	4,291	–
	<u>4,937</u>	<u>309</u>

Note: During the current interim period, the Group recognised government grants in respect of COVID-19 related subsidies under Employment Support Scheme provided by the Hong Kong Government.

5. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on a bank loan	7	18
Interest on lease liabilities	75	52
	<u>82</u>	<u>70</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	377	237
Depreciation on right-of-use assets	1,410	961
Staff costs (including directors' remuneration)		
– Directors' fees, salaries and allowances and discretionary bonuses	33,037	29,933
– Retirement benefit scheme contributions	1,198	1,124
	<u>34,235</u>	<u>31,057</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– Current tax	<u>7,286</u>	<u>9,590</u>

Hong Kong Profits Tax is calculated at 16.5% (Unaudited) on the estimated assessable profit for the six months ended 30 September 2020 (six months ended 30 September 2019: 16.5% (Unaudited)).

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 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, a wholly-owned subsidiary of the Company, for each of the six months ended 30 September 2019 and 2020.

8. DIVIDENDS

During the current interim period, a final dividend of HK cent 3.2 per ordinary share in respect of the year ended 31 March 2020 was declared to the owner of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK\$25,600,000 (Unaudited) (six months ended 30 September 2019: Nil (Unaudited)).

No dividends were proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

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	
	2020	2019
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period) (<i>HK\$'000</i>)	38,200	42,272
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousand</i>)	800,000	600,000

The weighted average number of the ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 September 2020 has been determined based on 800,000,000 ordinary shares in issue during the period.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 September 2019 has been determined on the assumption that the group reorganisation and the capitalisation issue for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited and the share offer, details of which are set out in the Company's prospectus dated 27 September 2019, have been effective on 1 April 2019.

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 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade receivables	32,046	41,730
Less: Impairment losses under expected credit loss model	(249)	–
	<u>31,797</u>	<u>41,730</u>
Refundable rental deposits	612	359
Other receivables	900	358
Prepayments for purchase of materials and subcontracting fees	16,823	22,046
Prepaid expenses	5,030	3,415
Utility and other deposits	162	163
	<u>55,324</u>	<u>68,071</u>
Less: Amount classified as non-current	(1,293)	–
Current portion	<u><u>54,031</u></u>	<u><u>68,071</u></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 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 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
0 to 30 days	15,932	35,935
31 to 90 days	10,977	2,774
91 to 180 days	3,796	1,469
Above 180 days	1,092	1,552
	<u><u>31,797</u></u>	<u><u>41,730</u></u>

As at 30 September 2020, included in the Group's trade receivables balances are debtors with aggregate gross carrying amount of HK\$1,092,000 (Unaudited) (31 March 2020: HK\$3,021,000 (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, RETENTION AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	27,703	26,485
Retention payables	16,365	14,646
Accruals	9,653	7,768
	<u>53,721</u>	<u>48,899</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 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	26,613	21,334
31 to 90 days	1,090	5,151
	<u>27,703</u>	<u>26,485</u>

12. BANK LOAN

The Group's bank loan was lent by a bank under its bank facilities granted to the Group. The bank facilities are secured by corporate guarantee given by the Company in favour of the bank and the Group's carpark space (31 March 2020: personal guarantees of the ultimate controlling parties in favour of the bank and their certain properties and the Group's carpark space and life insurance policy).

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 loan as at 31 March 2020 and 30 September 2020 were classified as current liabilities on those dates.

The bank loan as at 30 September 2020 bore variable interest rate at 2.0% per annum below the Hong Kong Prime Rate quoted by the bank (Unaudited) (31 March 2020: variable interest rate at 2% per annum below Hong Kong Prime Rate quoted by the bank (Audited)).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established electrical and mechanical (“E&M”) engineering services provider, which principally engages in the supply, installation and maintenance of mechanical ventilation and air-conditioning (“MVAC”) systems in Hong Kong. In light of the Group’s considerable experience in conducting private residential MVAC systems works, the Board is of the view that the Group has acquired a competitive advantage in this area and hence placed more focus on projects in relation to the supply, installation and maintenance of MVAC systems in the private residential sector.

Since the beginning of this year, the outbreak of COVID-19 has brought significant adverse impacts and uncertainties to the global economy. To effectively tackle and mitigate the economic impacts brought by COVID-19, the Group will stay vigilant and continue to make progress while maintaining stability. Leveraging on its professional project management capabilities and the long-term co-operative relationships with its customers, the Group obtained a number of large-scale E&M engineering services projects during the Period, laying a solid foundation for the steady growth of the Group’s business. Meanwhile, the Group was keen to develop its business in relation to innovation and technology, and set up the smart innovation and technology team during the Period to build a strong foundation for the economic development in the post-pandemic era.

FINANCIAL REVIEW

Revenue

During the Period, the Group’s revenue decreased by approximately HK\$21,280,000 or 8.1% to approximately HK\$240,009,000 for the Period as compared to approximately HK\$261,289,000 for the Corresponding Period. The decrease was mainly due to the combined effect of (i) certain significant projects undertaken during the Corresponding Period were substantially completed in the year ended 31 March 2020; and (ii) certain newly awarded projects were in the early stage of project implementation phase.

Cost of Services

	Six months ended 30 September			
	2020		2019	
	HK\$’000	%	HK\$’000	%
	(Unaudited)		(Unaudited)	
Subcontracting fees	65,948	35.1%	70,617	36.2%
Cost of materials	89,866	47.8%	92,377	47.4%
Direct labour costs	27,691	14.7%	26,375	13.5%
Others	4,434	2.4%	5,469	2.9%
Total	187,939	100.0%	194,838	100.0%

The Group's cost of services mainly represented cost of MVAC systems (including air conditioners, ventilation fans and accessories such as pipes and fittings) and subcontracting fees for completing on-site works. The cost of services decreased by approximately HK\$6,899,000 or 3.5% to approximately HK\$187,939,000 for the Period, as compared to approximately HK\$194,838,000 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\$14,381,000 or 21.6% from approximately HK\$66,451,000 for the Corresponding Period to approximately HK\$52,070,000 for the Period.

The Group's gross profit margin decreased from 25.4% for the Corresponding Period to 21.7% for the Period. The decrease of gross profit margin was mainly due to the intensified competition in the industry faced by the Group and the Group has thus adopted a more competitive pricing strategy in securing new projects.

Administrative Expenses

Administrative expenses mainly comprised staff costs, professional fees, office expenses and depreciation expenses. Administrative expenses increased from approximately HK\$7,598,000 for the Corresponding Period to approximately HK\$11,000,000 for the Period. The increase of administrative expenses of the Group was mainly due to (i) the increase in staff costs of approximately HK\$1,862,000 resulting from the increase in headcount for the project team as well as the setting up of our smart innovation and technology team for our smart home project; and (ii) the increase in professional fees of approximately HK\$1,003,000 due to the successful listing of the Group.

Income Tax Expense

The income tax expense decreased by approximately HK\$2,304,000 or 24.0% to approximately HK\$7,286,000 for the Period, as compared to approximately HK\$9,590,000 for the Corresponding Period. The decrease was in line with the decrease in the gross profit and the profit before taxation of the Group.

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\$38,200,000 and HK\$42,272,000, respectively. The decrease in profit and total comprehensive income attributable to equity shareholders of the Company was mainly due to the decrease 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 decreased by approximately HK\$14,040,000 or 20.6% from approximately HK\$68,071,000 as at 31 March 2020 to approximately HK\$54,031,000 as at 30 September 2020.

Trade receivables (net of impairment losses) decreased by approximately HK\$9,933,000 or 23.8% from approximately HK\$41,730,000 as at 31 March 2020 to approximately HK\$31,797,000 as at 30 September 2020. Such decrease was due to the amount of revenue certified by the customers before the end of the Period based on the projects' construction schedules being fully settled.

Prepayments for purchase of materials and subcontracting fees decreased by approximately HK\$5,223,000 or 23.7% from approximately HK\$22,046,000 as at 31 March 2020 to approximately HK\$16,823,000 as at 30 September 2020. The decrease was mainly due to the utilisation of the prepayments 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\$4,822,000 or 9.9% from approximately HK\$48,899,000 as at 31 March 2020 to approximately HK\$53,721,000 as at 30 September 2020.

Trade payables increased by approximately HK\$1,218,000 or 4.6% from approximately HK\$26,485,000 as at 31 March 2020 to approximately HK\$27,703,000 as at 30 September 2020. The increase was mainly due to the purchase of MVAC systems for projects engaged near the end of the Period.

Retention payables increased by approximately HK\$1,719,000 or 11.7% from approximately HK\$14,646,000 as at 31 March 2020 to approximately HK\$16,365,000 as at 30 September 2020. The increase was mainly due to the contribution by the subcontractors to our existing projects.

FUTURE PROSPECTS

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 expand its business to pursue long-term growth and generate stable returns for the shareholders of the Company.

As a result of the Group's continuous effort, eight new projects (with a total contract sum amounting to approximately HK\$320,000,000) were awarded during the Period. As at the date of this announcement, various tender documents and quotations submitted in the first half of this financial year were still under active negotiations. In addition, the Group anticipates that it will be able to secure a sufficient number of new projects through tendering in the remainder of this financial year and beyond. As such, the Group remains cautiously optimistic towards the business prospects for the remainder of this financial year and for the next few years.

In the field of innovation and technology, the Group will actively promote the implementation of the framework agreement regarding the establishment of "Joint Research and Development Laboratory" with local universities, and implement various research 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 generating greater business opportunities for the Group's future operations.

As mentioned in the 2020 Policy Address, the Hong Kong Government will continue to invest in infrastructure and make efforts to reinvent the construction industry. The Group will seize the business opportunities in the post-pandemic economy. Building on its 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.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, 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 3.76 times as at 30 September 2020 (31 March 2020: approximately 4.98 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 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 both short-term and long-term liquidity requirements.

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 period/year end divided by total equity as at the respective period/year end) was approximately 1.7% as at 30 September 2020 (31 March 2020: approximately 1.1%).

CAPITAL EXPENDITURE

During the Period, the Group invested approximately HK\$234,000 (Corresponding Period: HK\$429,000) in leasehold improvements and furniture, fixtures and equipment.

CAPITAL COMMITMENTS

As at 30 September 2020, the Group had no significant capital commitments (31 March 2020: nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2020 (31 March 2020: nil).

SUBSEQUENT EVENT

No significant event affecting the Group has occurred since the end of the Period.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2020, certain motor vehicles, refundable rental deposits, the carpark space and pledged bank balances of the Group were pledged for the lease liabilities and the bank facilities (31 March 2020: secured by certain motor vehicles, refundable rental deposits, personal guarantees given by Mr. Ko Lai Hung ("Mr. Ko") and Ms. Cheung Mei Lan, the executive Directors and the controlling shareholders of the Company, in favour of the bank and their certain properties and the Group's carpark space, pledged bank balances and the insurance policy).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, the Group did not make any material acquisitions or disposals of its 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 2020, the Group employed 167 employees (30 September 2019: 158 employees) with total staff costs of approximately HK\$34,235,000 incurred for the Period (Corresponding Period: approximately HK\$31,057,000). 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 the 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 2020, there was no share option granted under the scheme.

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 net proceeds from the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (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 30 September 2020:

Intended application	Utilised net proceeds during the period from the Listing			Utilised net proceeds up to	Unutilised net proceeds as at
	Estimated proceeds allocation	Date to 31 March 2020	Net proceeds utilised during the Period	30 September 2020	30 September 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchasing performance					
bonds	43,120	43,120	–	43,120	–
MVAC procurement costs	59,290	20,803	38,487	59,290	–
Hiring additional staff	11,660	1,007	3,076	4,083	7,577
General working capital	11,275	5,000	6,275	11,275	–
Total	<u>125,345</u>	<u>69,930</u>	<u>47,838</u>	<u>117,768</u>	<u>7,577</u>

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.

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 has maintained a sufficient 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.

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 Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) except for the following deviation:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer 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.

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 the unaudited interim financial results of the Group for the Period, 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 2020 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, 26 November 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.