



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 Report



2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ko Lai Hung
(*Chairman and Chief Executive Officer*)
Ms. Cheung Mei Lan

Non-executive Director

Mr. Ko Angus Chun Kit

Independent Non-executive Directors

Mr. Chan Cheong Tat
Ms. Tse Ka Wing
Mr. Ho Chi Shing

AUDIT COMMITTEE

Ms. Tse Ka Wing (*Chairperson*)
Mr. Chan Cheong Tat
Mr. Ko Angus Chun Kit

REMUNERATION COMMITTEE

Mr. Ho Chi Shing (*Chairperson*)
Mr. Chan Cheong Tat
Mr. Ko Lai Hung

NOMINATION COMMITTEE

Mr. Chan Cheong Tat (*Chairperson*)
Mr. Ho Chi Shing
Mr. Ko Lai Hung

AUTHORISED REPRESENTATIVES

Mr. Ko Lai Hung
Mr. Chan Tak Sun Sammy

COMPLIANCE OFFICER

Mr. Chan Tak Sun Sammy

COMPANY SECRETARY

Mr. Chan Tak Sun Sammy

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor
One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

REGISTERED OFFICE*

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit Nos. 709-711, 7/F
The Octagon
No. 6 Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS*

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE

1283

COMPANY'S WEBSITE

<http://www.chittathk.com>

INVESTOR RELATIONS

Email: Accel@financialpr.hk

* Change of address effective on 16 December 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Accel Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, 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 (the “**Board**”) of directors (the “**Directors**”) of the Company 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 six months ended 30 September 2020 (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 corresponding six months ended 30 September 2019 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Services

	Six months ended 30 September			
	2020		2019	
	HK\$'000 (Unaudited)	%	HK\$'000 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT

Bank Loan

As at 30 September 2020, the Group had a bank loan of approximately HK\$415,000 (31 March 2020: approximately HK\$483,000).

According to the relevant banking facilities letter, the bank loan of the Group is payable as follows:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Within one year	138	136
Within a period of more than one year but not exceeding two years	143	140
Within a period of more than two years but not exceeding five years	134	207
Within a period of more than five years	–	–
	415	483

The Group's bank loan was lent by a bank under the 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 Mr. Ko Lai Hung ("**Mr. Ko**") and Ms. Cheung Mei Lan ("**Ms. Cheung**"), both being 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 and life insurance policy).

Notwithstanding the provisions stated in the relevant bank facilities, the bank facilities granted by the bank may be modified, cancelled or suspended, at any time by such bank without any prior notice at its sole discretion (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 was 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 (31 March 2020: variable interest rate at 2.0% per annum below Hong Kong Prime Rate quoted by the bank). The bank loan was denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

During the Period, the Group's working capital was financed by internal resources and the bank loan. 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).

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 and Ms. Cheung, 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Future Plans for Significant Investments and Capital Assets

As at 30 September 2020, save as disclosed herein, the Group did not have any other plans for significant investments or capital assets.

Foreign Exchange Risk Management

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

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

SUBSEQUENT EVENT

Save as disclosed herein, no significant event affecting the Group has occurred since the end of the Period.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CORPORATE RECOGNITION

The Group has received the Asia’s Most Prominent Engineering (E&M) Company Award 2020 after the reporting period, recognising the Group’s outstanding performances in the E&M industry. The Company has also been recognised as one of “Forbes Asia’s 200 Best Under A Billion” in 2020 and has been selected as a constituent stock of the MSCI Hong Kong Micro Cap Index which will be effective as of the market close of 30 November 2020. The Group will continue to improve our service quality and adhere to the required quality, safety and environmental standards in order to deliver excellent E&M services and assuring workplace safety for all staff members.

COMPETING INTEREST

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

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 “**Prospectus**”). The unutilised net proceeds are expected to be fully utilised according to the intended allocation by the second quarter of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Estimated proceeds allocation <i>HK\$'000</i>	Utilised net proceeds during the period from the Listing	Net proceeds utilised during the Period <i>HK\$'000</i>	Utilised net proceeds up to 30 September 2020 <i>HK\$'000</i>	Unutilised net proceeds as at 30 September 2020 <i>HK\$'000</i>
		Date to 31 March 2020 <i>HK\$'000</i>			
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	125,345	69,930	47,838	117,768	7,577

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

As at 30 September 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules" and the "Model Code", respectively), were as follows:

(i) Long position in the shares of the Company (the "Shares")

Name of Directors	Capacity	Nature of interests	Number of Shares held	Percentage of shareholding
Mr. Ko (Note)	Interest in controlled corporation	Corporate interest	600,000,000	75%
Ms. Cheung (Note)	Interest of spouse	Family interest	600,000,000	75%

Note: The 600,000,000 Shares are held by Lightspeed Limited ("Lightspeed"), which is beneficially owned as to 70% by Mr. Ko and 30% by Ms. Cheung. Under the SFO, Mr. Ko is deemed to be interested in the Shares held by Lightspeed and Ms. Cheung, spouse of Mr. Ko, is deemed to be interested in the Shares deemed to be held by Mr. Ko.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Long position in the ordinary shares of an associated corporation

Name of Directors	Name of associated corporation	Capacity	Nature of interests	Number of shares held	Percentage of shareholding
Mr. Ko (Note)	Lightspeed	Beneficial owner and interest of spouse	Personal interest and family interest	200	100%
Ms. Cheung (Note)	Lightspeed	Beneficial owner and interest of spouse	Personal interest and family interest	200	100%

Note: Lightspeed is the holding company of the Company and is an associated corporation within the meaning of Part XV of the SFO. Lightspeed is beneficially owned as to 70% by Mr. Ko and 30% by Ms. Cheung, spouse of Mr. Ko, respectively.

Save as disclosed above, as at 30 September 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Substantial shareholders' interests and short positions in Shares and underlying Shares

So far as our Directors are aware, as at 30 September 2020, the following corporation which/person (other than a Director or the chief executive of the Company) who had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares, which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares

Name of shareholder	Capacity	Nature of interests	Number of Shares held	Percentage of shareholding
Lightspeed (Note)	Beneficial owner	Personal interest	600,000,000	75%

Note: Lightspeed is beneficially owned as to 70% by Mr. Ko and 30% by Ms. Cheung, spouse of Mr. Ko, respectively.

Save as disclosed above, as at 30 September 2020, the Company had not been notified by any other corporation which/person (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (the “**Share Option Scheme**”) on 18 September 2019 for the purpose of providing an incentive or reward to the eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries. The Share Option Scheme became effective on the Listing Date. The Board is entitled at any time and from time to time grant options pursuant to the Share Option Scheme to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive directors, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisers, business partner or service providers who, in the sole opinion of our Board has contributed or will contribute to the Company and/or any of its subsidiaries. The Directors were authorised to grant options to subscribe for Shares and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not, in aggregate, exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (as defined in the Prospectus), and the Share Option Scheme limit is 80,000,000 Shares.

Unless otherwise approved by the shareholders of the Company in general meeting, the total number of Shares issued and to be issued upon the exercise of all options granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) shall not (i) exceed 0.1% of the Shares in issue; and (ii) having an aggregate value in excess of HK\$5,000,000, within any 12-month period up to and including the date of grant.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Board may, at its discretion, determine the minimum period for which the option has to be held before it can be exercised, and the period during which an option may be exercised. However, no options shall be exercised ten years after they have been granted. The subscription price of a Share in respect of a particular option shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a Share.

No share options have been granted under the Share Option Scheme since its adoption. No share options were granted, exercised or cancelled or lapsed under the Share Option Scheme during the Period nor remained outstanding as at 30 September 2020.

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 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Company has adopted the Model Code 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 Hong Kong Institute of Certified Public Accountants.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ACCEL GROUP HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Accel Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 22 to 42, which comprise the condensed consolidated statement of financial position as of 30 September 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 November 2020

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
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
NOTES			
Revenue	3	240,009	261,289
Cost of services		(187,939)	(194,838)
Gross profit		52,070	66,451
Other income	4	4,937	309
Other expense		-	(42)
Impairment losses under expected credit loss model	13	(439)	-
Listing expenses		-	(7,188)
Administrative expenses		(11,000)	(7,598)
Finance costs	5	(82)	(70)
Profit before taxation	6	45,486	51,862
Income tax expense	7	(7,286)	(9,590)
Profit and total comprehensive income for the period		38,200	42,272
		HK cents	HK cents
Earnings per share			
Basic	9	4.8	7.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
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	1,293	–
Pledged bank balances	38,792	49,677
	55,749	63,194
Current assets		
Trade and other receivables, deposits and prepayments	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
	359,663	304,028
Current liabilities		
Trade, retention and other payables and accruals	53,721	48,899
Contract liabilities	554	2,218
Taxation liabilities	12,387	7,816
Bank loan	415	483
Dividend payable	25,600	–
Lease liabilities	2,979	1,583
	95,656	60,999
Net current assets	264,007	243,029
Total assets less current liabilities	319,756	306,223

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
NOTE		
Non-current liabilities		
Lease liabilities	2,138	1,205
Net assets	317,618	305,018
Capital and reserves		
Share capital	8,000	8,000
Reserves	309,618	297,018
Total equity	317,618	305,018

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2020 (Audited)	8,000	195,606	(72,580)	173,992	305,018
Profit and total comprehensive income for the period	–	–	–	38,200	38,200
Final dividend declared	–	–	–	(25,600)	(25,600)
At 30 September 2020 (Unaudited)	8,000	195,606	(72,580)	186,592	317,618
At 1 April 2019 (Audited)	–*	77,266	(72,580)	101,337	106,023
Profit and total comprehensive income for the period	–	–	–	42,272	42,272
At 30 September 2019 (Unaudited)	–*	77,266	(72,580)	143,609	148,295

* Amounts less than HK\$1,000.

Note: The other reserve arose from: (i) deemed distribution arising from the imputed interest income on non-current interest-free advances to Mr. Ko Lai Hung (“**Mr. Ko**”), an ultimate controlling party of the Company, amounting to HK\$10,190,000 in prior years; (ii) issuance of ordinary shares of the Company for the group reorganisation (the “**Reorganisation**” which was undergone and completed by the Group on 30 November 2018 for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited and the Share Offer (as defined in note 16) amounting to HK\$72,266,000; and (iii) deemed contribution arising from the waiver of an amount due to Mr. Ko amounting to HK\$9,876,000 for the year ended 31 March 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Operating activities		
Profit before taxation	45,486	51,862
Adjustments for:		
Finance costs	82	70
Depreciation of property, plant and equipment	377	237
Depreciation of right-of-use assets	1,410	961
Impairment losses under expected credit loss model	439	–
Interest income	(646)	(12)
Operating cash flows before movements in working capital	47,148	53,118
Decrease (increase) in trade and other receivables, deposits and prepayments	12,498	(34,833)
Increase in contract assets	(23,817)	(35,781)
Decrease in contract liabilities	(4,853)	(166)
Increase in trade, retention and other payables and accruals	4,822	15,940
Cash generated from (used in) operations	35,798	(1,722)
Hong Kong Profits Tax paid	(2,715)	(1,743)
Net cash from (used in) operating activities	33,083	(3,465)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Investing activities		
Interest received	628	12
Purchases of property, plant and equipment	(234)	(387)
Withdrawals of pledged bank balances	19,543	–
Placement of pledged bank balances	(7,588)	–
Net cash from (used in) investing activities	12,349	(375)
Financing activities		
New trust receipts loans raised	–	7,800
Interest paid	(82)	(70)
Issue costs paid	–	(209)
Repayment of bank loans	(68)	(910)
Repayments of lease liabilities	(1,353)	(714)
Net cash (used in) from financing activities	(1,503)	5,897
Net increase in cash and cash equivalents	43,929	2,057
Cash and cash equivalents at the beginning of period	109,440	34,850
Cash and cash equivalents at the end of period	153,369	36,907

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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

4. OTHER INCOME

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

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

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (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
Total staff costs	34,235	31,057

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (Unaudited)	2019 (Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period) (HK\$'000)	38,200	42,272
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	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 Reorganisation and the Capitalisation Issue (defined in note 16) 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. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the six months ended 30 September 2020, the Group entered into rental agreements for the use of office premise and warehouse for two years and a motor vehicle under hire purchase for four years. On lease commencement, the Group recognised HK\$3,682,000 (Unaudited) (six months ended 30 September 2019: HK\$1,601,000 (Unaudited)) of right-of-use assets and lease liabilities, which is a non-cash transaction.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. 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)	–
	31,797	41,730
Refundable rental deposits (<i>Note</i>)	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
	55,324	68,071
Less: Amount classified as non-current	(1,293)	–
Current portion	54,031	68,071

Note: Included in the refundable rental deposits as at 30 September 2020 were amounts of HK\$109,000 (Unaudited) (31 March 2020: Nil (Audited)) and HK\$58,000 (Unaudited) (31 March 2020: Nil (Audited)) paid to Shing Chak Development Limited and Milan Development Limited which are wholly owned by Mr. Ko and his wife, Ms. Cheung Mei Lan (“**Ms. Cheung**”) (the executive directors of the Company and collectively referred to as the Company’s ultimate controlling parties), respectively. The other refundable rental deposits as at 30 September 2020 were paid to independent landlords.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

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
	31,797	41,730

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.

Details of the impairment assessment are set out in note 13.

12. CONTRACT ASSETS

Contract assets represent the Group's rights to considerations from customers for the provision of E&M engineering services, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money (i.e. retention receivables) to secure the due performance of the contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CONTRACT ASSETS (Continued)

The increase in contract assets from HK\$106,041,000 (net of impairment losses under expected credit loss model: Nil) as at 31 March 2020 (Audited) to HK\$133,047,000 (net of impairment losses under expected credit loss model of HK\$190,000) as at 30 September 2020 (Unaudited) was primarily because: (i) an increase in retention receivables as a result of an increase in number of ongoing and completed contracts under the defects liability period over the past years; and (ii) an increase in the size of contract works that the relevant services were completed but yet been certified by architects, surveyors or other representatives appointed by customers at the end of the reporting period.

The Group's contracts with customers normally require it to perform the obligation (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. 5% to 10% of each interim payment from the customers is usually withheld by the customers as retention receivables in which 50% of the retention receivable is released upon issuance of practical completion certificates, and the remaining 50% of the retention receivable is released upon expiry of the defects liability period set out in the relevant contracts. The gross amount of retention receivables included in contract assets are to be settled at the end of the reporting period as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Within one year	21,520	26,833
After one year	39,762	28,858
	61,282	55,691

Included in the gross amount of the carrying amounts of contract assets of the Group were contract assets (including retention receivables) aggregating to a gross amount of HK\$5,920,000 as at 31 September 2020 (Unaudited) (31 March 2020: HK\$9,109,000 (Audited)) which are related to the same contract of contract liabilities and are accounted for and presented on a net basis on the condensed consolidated statement of financial position.

Details of the impairment assessment are set out in note 13.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of:		
– Trade receivables	249	–
– Contract assets	190	–
	439	–

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

No expected credit loss ("ECL") was made for financial assets and contract assets subject to ECL as at 31 March 2020 because the Group assessed that the ECL on those balances is insignificant.

14. TRADE, RETENTION AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2020	At 31 March 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	27,703	26,485
Retention payables	16,365	14,646
Accruals	9,653	7,768
	53,721	48,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE, RETENTION AND OTHER PAYABLES AND ACCRUALS *(Continued)*

Included in the Group's trade and retention payables as at 30 September 2020 are amounts due to related parties amounting to HK\$3,261,000 (Unaudited) (31 March 2020: HK\$3,121,000 (Audited)), in aggregate, which are trade nature, unsecured, interest-free and repayable according to the relevant agreements.

The credit period of trade payables granted by the Group's suppliers are normally within 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 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
0 to 30 days	26,613	21,334
31 to 90 days	1,090	5,151
	27,703	26,485

15. 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 (31 March 2020: variable interest rate at 2% per annum below Hong Kong Prime Rate quoted by the bank).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE CAPITAL

	<i>NOTES</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised ordinary shares with par value of HK\$0.01 each:			
At 1 April 2019		38,000,000	380
Increase in authorised share capital under the Reorganisation	<i>(i)</i>	9,962,000,000	99,620
At 30 September 2019, 1 April 2020 and 30 September 2020		10,000,000,000	100,000
Ordinary shares, issued and fully paid:			
At 1 April 2019 and 30 September 2019		200	—*
Issue of ordinary shares of the Company pursuant to the Share Offer	<i>(ii)</i>	200,000,000	2,000
Capitalisation Issue	<i>(iii)</i>	599,999,800	6,000
At 31 March 2020, 1 April 2020 and 30 September 2020		800,000,000	8,000

Notes:

- (i) On 18 September 2019, pursuant to the written resolution of the then 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.
- (ii) 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**").
- (iii) 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**").

* Amounts less than HK\$1,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. PERFORMANCE GUARANTEES

As at 30 September 2020, performance bonds of HK\$57,442,000 (Unaudited) (31 March 2020: HK\$49,972,000 (Audited)) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the E&M engineering services.

As at 30 September 2020, the performance bonds were issued under the banking facilities granted by a bank to the Group and such bank facilities are secured by the Group's pledged bank balances and corporate guarantee given by the Company in favour of the bank.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the reporting period:

(a) The Group had the following transactions with related parties

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Subcontracting charges paid to Shun Tat Air Conditioning Engineering Company, a company controlled by a grandson of the uncle of Mr. Ko	4,117	1,734
Subcontracting charges and information technology maintenance service fees paid to Yuk Shing Advertising & Decoration Engineering Co., a company controlled by a brother of Mr. Ko	567	592
Purchases of construction materials from Mibuka Denki Electrical Controls Limited, a company controlled by Mr. Ko	79	140
Purchases of construction materials from Chit Shing Air Conditioning Trading Limited, a company controlled by a grandson of the uncle of Mr. Ko	8,716	8,047
Amount paid to Shing Chak Development Limited, a company wholly owned by Mr. Ko, in respect of:		
– Interest expenses on lease liabilities	15	2
– Lease liabilities	259	157
Amount paid to Milan Development Limited, a company wholly owned by Ms. Cheung, in respect of:		
– Interest expenses on lease liabilities	8	1
– Lease liabilities	138	84

The above transactions were conducted in accordance with the terms of the relevant agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTIES TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,007	3,162
Post-employment benefits	36	36
	3,043	3,198

- (c) The staff costs of the Group included those of employees who are a nephew and a niece of Mr. Ko and brothers, a brother-in-law, a nephew and nieces of Ms. Cheung amounting to HK\$1,494,000 (Unaudited) (six months ended 30 September 2019: HK\$1,552,000 (Unaudited)), in aggregate.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.