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ACCEL GROUP HOLDINGS LIMITED

高陸集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1283)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$538,492,000 for the year ended 31 March 2023 (2022: approximately HK\$547,315,000).
- The Group recorded gross profit of approximately HK\$94,936,000 and gross profit margin of 17.6% for the year ended 31 March 2023 (2022: gross profit of approximately HK\$107,514,000 and gross profit margin of 19.6%).
- Profit for the year ended 31 March 2023 amounted to approximately HK\$55,899,000 (2022: approximately HK\$67,980,000).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.6 cents per Share for the Year (2022: HK2.1 cents per Share).

The board (the “**Board**”) of directors (the “**Directors**”) of Accel Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023 (the “**Year**”), together with the comparative figures for the year ended 31 March 2022 (the “**Corresponding Year**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	538,492	547,315
Cost of services		<u>(443,556)</u>	<u>(439,801)</u>
Gross profit		94,936	107,514
Other income, gains and losses, net	4	7,494	517
Impairment losses under expected credit loss model, net of reversal		(1,422)	–
Administrative expenses		(34,102)	(26,013)
Finance costs	5	<u>(929)</u>	<u>(309)</u>
Profit before taxation	6	65,977	81,709
Income tax expense	7	<u>(10,078)</u>	<u>(13,729)</u>
Profit and total comprehensive income for the year		<u>55,899</u>	<u>67,980</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		56,477	68,181
Non-controlling interests		<u>(578)</u>	<u>(201)</u>
		<u>55,899</u>	<u>67,980</u>
Earnings per share	9		
– Basic (<i>HK cents</i>)		<u>7.06</u>	<u>8.52</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		60,868	3,294
Right-of-use assets		12,698	3,271
Investment property		5,673	–
Payments for life insurance		7,024	6,951
Deferred tax assets		363	363
Financial assets at fair value through profit or loss		5,000	–
Deposits and prepayments	10	924	–
		92,550	13,879
Current assets			
Trade and other receivables, deposits and prepayments	10	123,108	78,131
Contract assets		258,488	166,392
Tax recoverable		3,496	438
Pledged bank balances		12,500	41,807
Cash and cash equivalents		61,859	143,265
		459,451	430,033
Current liabilities			
Trade and retention payables and accruals	11	77,266	43,939
Contract liabilities		16,332	10,445
Tax payable		566	267
Bank loans	12	47,550	14,541
Lease liabilities		4,598	2,543
		146,312	71,735
Net current assets		313,139	358,298
Total assets less current liabilities		405,689	372,177
Non-current liabilities			
Lease liabilities		8,277	1,065
Net assets		397,412	371,112

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Capital and reserves			
Share capital	13	8,000	8,000
Reserves		390,179	363,302
		<hr/>	<hr/>
Equity attributable to owners of the Company		398,179	371,302
Non-controlling interests		(767)	(190)
		<hr/>	<hr/>
Total equity		397,412	371,112
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

Accel Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company in the Cayman Islands with limited liability under the Companies Act (as revised) of the Cayman Islands on 20 September 2018, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 October 2019. The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit No. 6, 27th Floor, “909 Cheung Sha Wan Road”, No. 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong, respectively. In the opinion of the directors of the Company, the ultimate controlling parties are Dr. Ko Lai Hung (“**Dr. Ko**”) and Ms. Cheung Mei Lan (“**Ms. Cheung**”, who is the wife of Dr. Ko). The immediate and ultimate holding company of the Company is Lightspeed Limited, a company incorporated in the British Virgin Islands (“**BVI**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in provision of electrical and mechanical (“**E&M**”) engineering services typically involving supply, installation and maintenance of mechanical ventilation and air-conditioning systems.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments in the current year has had no impact on the Group's financial position and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$12,698,000 and HK\$12,875,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

Revenue of the Group arose from provision of E&M engineering services typically rendered in Hong Kong under long-term contracts and were recognised over time during the year.

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

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

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

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

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

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

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

4. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income	936	224
Government grants (<i>Note</i>)	5,624	–
Interest income on payments for life insurance	73	72
Gain on disposal of property, plant and equipment, net	50	99
Rental income from investment property	246	–
Gain on early termination of lease	15	–
Others	550	122
	<u>7,494</u>	<u>517</u>

Note: During the year ended 31 March 2023, the Group recognised Coronavirus disease 19 related subsidies under Employment Support Scheme provided by the Hong Kong Government of HK\$5,624,000 (2022: nil).

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank loans	636	159
Interest on lease liabilities	291	150
Others	2	–
	<u>929</u>	<u>309</u>

6. PROFIT BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,329	767
Depreciation of investment property	128	–
Depreciation of right-of-use assets	5,292	4,073
Allowance for impairment losses:		
– Contract assets	127	–
– Other receivables	1,295	–
Auditor's remuneration	750	750
Gross rental income from investment property	(246)	–
Less: direct operating expenses incurred for investment property that generated rental income during the year	133	–
	<u>(113)</u>	<u>–</u>
Staff costs (including the remuneration of the directors of the Company):		
– Salaries and allowances and discretionary bonus	82,316	77,668
– Retirement benefit scheme contributions	2,730	2,674
	<u>85,046</u>	<u>80,342</u>
Total staff costs		
	<u>1,609</u>	<u>255</u>

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	10,107	13,591
– (Over) underprovision in previous years	(29)	138
	<u>10,078</u>	<u>13,729</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to Chit Tat Electrical Engineering Limited (“**Chit Tat**”, a wholly-owned subsidiary) for current and prior year. Accordingly, the Hong Kong Profits Tax of Chit Tat is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for current and prior year.

8. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
– 2022 final dividend: HK2.1 cents per share (2022: 2021 final dividend: HK4.1 cents per share)	16,800	32,800
– 2023 interim dividend: HK1.6 cents per share (2022: 2022 interim dividend: HK2.1 cents per share)	12,800	16,800
	29,600	49,600

Subsequent to the end of the reporting period, a final dividend of HK1.6 cents per ordinary share in respect of the year ended 31 March 2023, in an aggregate amount of HK\$12,800,000 has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share (profit for the year)	56,477	68,181
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	800,000	800,000

No diluted earnings per share is presented for the years ended 31 March 2023 and 2022 as there was no potential ordinary share in issue.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	105,326	60,427
Less: Allowance for credit losses	<u>(631)</u>	<u>(631)</u>
	104,695	59,796
Other receivables	3,800	3,636
Less: Allowance for credit losses	<u>(1,295)</u>	<u>–</u>
	2,505	3,636
Refundable rental deposits	966	639
Prepayments for purchase of materials and subcontracting fees	12,181	11,448
Prepaid expenses	2,965	2,461
Utilities and other deposits	<u>720</u>	<u>151</u>
	<u>124,032</u>	<u>78,131</u>
Analysed as:		
Current assets	123,108	78,131
Non-current assets	<u>924</u>	<u>–</u>
	<u>124,032</u>	<u>78,131</u>

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

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

The Group allows generally a credit period of 7 to 90 days (2022: 7 to 90 days) to its customers.

The following is an aged analysis of trade receivables of the Group presented based on dates of work certified by architects, surveyors or other representatives appointed by the customers, that approximate to the invoice date at the end of the reporting period.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	35,751	19,998
31 to 90 days	55,925	34,829
91 to 180 days	7,272	922
Above 180 days	<u>6,378</u>	<u>4,678</u>
	105,326	60,427
Less: Allowance of credit losses	<u>(631)</u>	<u>(631)</u>
	<u>104,695</u>	<u>59,796</u>

11. TRADE AND RETENTION PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	52,924	23,103
Retention payables	13,205	12,229
Accruals	11,137	8,607
	<u>77,266</u>	<u>43,939</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	45,242	21,905
31 to 90 days	7,682	1,198
	<u>52,924</u>	<u>23,103</u>

The credit period of trade payables granted by the Group's suppliers are usually within 30 days (2022: 30 days).

12. BANK LOANS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loans, secured and guaranteed	47,550	206
Bank loans, unsecured and guaranteed	–	14,335
	<u>47,550</u>	<u>14,541</u>

13. SHARE CAPITAL

Details of share capital of the Company are as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares with par value of HK\$0.01 each: As at 1 April 2021, 31 March 2022 and 31 March 2023	<u>10,000,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid: As at 1 April 2021, 31 March 2022 and 31 March 2023	<u>800,000,000</u>	<u>8,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the local and global economies have shown little sign of recovery due to the continued impact of the COVID-19 pandemic both locally and world-wide. Coupling with inflation, enormous challenges have been posed to local productivity. In response, the Group has adopted a pragmatic and positive attitude towards risks, sought solutions and strengthened the quality of project management, and enhanced the ability to control costs within budgets.

The Group has maintained steady business development during the Year. The Group was granted a number of large-scale E&M projects during the Year, including several large-scale E&M installation projects in public sector and a chiller replacement project for a commercial building. The Group will maintain the advantage of the Group in sustainable development and enhance the Group's ability to acquire new projects in difference sectors to lay a solid foundation for the Group's business development.

Other than the E&M engineering services, the Group has also engaged in the development of scientific research by making donations to certain local universities during the Year in order to develop the technological application in the metaverse; blockchain technology as well as the smart building system. The Group will continue to invest in the scientific research sector in order to generate brand-new business opportunities.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$8,823,000 or 1.6% from approximately HK\$547,315,000 for the Corresponding Year to approximately HK\$538,492,000 for the Year. The slight decrease was mainly due to the completion of certain sizeable projects in the Year and certain newly awarded contracts were in the preliminary stage which does not generate too much revenue.

Cost of services

The Group's cost of services mainly represented (i) cost of materials including mechanical ventilation and air-conditioning ("MVAC") systems such as air conditioners and ventilation fans and accessories such as pipes and fittings; and (ii) subcontracting fees for completing on-site works. The cost of services increased by approximately HK\$3,755,000 or 0.9% from approximately HK\$439,801,000 for the Corresponding Year to approximately HK\$443,556,000 for the Year.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$12,578,000 or 11.7% from approximately HK\$107,514,000 for the Corresponding Year to approximately HK\$94,936,000 for the Year.

The Group's gross profit margin decreased by 2% to 17.6% for the Year as compared with the Corresponding Year of 19.6%. The decrease in the gross profit margin was mainly due to the fact that a substantial amount of revenue of the Year were recognised from certain new projects commenced during the Year with a lower profit margin compared to the projects commenced in the Corresponding Year.

Administrative expenses

Administrative expenses mainly comprised staff costs, travelling and transportation expenses, rental and building management fees, professional fees, office expenses, depreciation expenses and other expenses. Administrative expenses increased by approximately HK\$8,089,000 or 31.1% from approximately HK\$26,013,000 for the Corresponding Year to approximately HK\$34,102,000 for the Year. The increase in administrative expenses of the Group was mainly due to the increase in office expenses and depreciation of the properties acquired during the Year. The Group believes it can improve the working environment and increase the productivity of its staff.

Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments increased by approximately HK\$45,901,000 or 58.7% from approximately HK\$78,131,000 as at 31 March 2022 to approximately HK\$124,032,000 as at 31 March 2023.

Trade receivables (net of allowance of credit losses) increased by approximately HK\$44,899,000 or 75.1% from approximately HK\$59,796,000 as at 31 March 2022 to approximately HK\$104,695,000 as at 31 March 2023. The increase was due to significant amount of revenue was certified by the Group's customers in accordance with the construction schedules at the end of the Year, especially revenue from the MVAC installation projects located in Kai Tak.

Prepayments for purchase of materials and subcontracting fees increased by approximately HK\$733,000 or 6.4% from approximately HK\$11,448,000 as at 31 March 2022 to approximately HK\$12,181,000 as at 31 March 2023. The slight increase was mainly due to the prepayment paid to various suppliers for securing the material supply for the Group's projects on hand.

Property, plant and equipment

Property, plant and equipment increased by approximately HK\$57,574,000 or 1,747.8% to approximately HK\$60,868,000 as at 31 March 2023 from approximately HK\$3,294,000 as at 31 March 2022. The increase of the property, plant and equipment is mainly due to the acquisition of an indirect wholly-owned subsidiary with certain properties located at TML Tower in Tsuen Wan.

For details, please refer to the section heading "Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures" of this announcement.

Contract assets and liabilities

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 completes the relevant services under such contracts but not 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. Contract liabilities represent the Group's obligation to provide E&M engineering services to customers for which the Group has received advance payments from the customers.

Contract assets increased by approximately HK\$92,096,000 or 55.3% from approximately HK\$166,392,000 as at 31 March 2022 to approximately HK\$258,488,000 as at 31 March 2023. The increase in contract assets was mainly due to: (i) the increase in retention receivables as a result of increase in number of ongoing and completed contracts under the defects liability period during the Year; and (ii) increase in the size of contract works that the relevant services were completed but has not yet been certified by architects, surveyors or other representatives appointed by the customers at the end of the reporting period.

Contract liabilities increased by approximately HK\$5,887,000 or 56.4% from approximately HK\$10,445,000 as at 31 March 2022 to approximately HK\$16,332,000 as at 31 March 2023. The increase in contract liabilities was mainly due to advances received from customers for certain new projects which were at their initial stage at the end of the reporting period.

Pledged bank balances and cash and cash equivalents

The Group's pledged bank balances were to secure the grant of performance bonds to the Group by a bank. The pledged bank balances and cash and cash equivalents decreased by approximately HK\$110,713,000 or 59.8% from approximately HK\$185,072,000 as at 31 March 2022 to approximately HK\$74,359,000 as at 31 March 2023. The decrease was mainly due to the settlement of the acquisition of an indirect wholly-owned subsidiary with certain properties at TML Tower in Tsuen Wan during the Year. Details are provided in "Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures" section in this announcement. Also, the payment of interim dividend during the Year and the changes in working capital for the newly awarded projects resulted in a decrease of the pledged bank balances and cash and cash equivalents.

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

Trade and retention payables and accruals

Trade and retention payables and accruals increased by approximately HK\$33,327,000 or 75.8% from approximately HK\$43,939,000 as at 31 March 2022 to approximately HK\$77,266,000 as at 31 March 2023.

Trade payables increased by approximately HK\$29,821,000 or 129.1% from approximately HK\$23,103,000 as at 31 March 2022 to approximately HK\$52,924,000 as at 31 March 2023. The increase was mainly due to the enhanced project progress for several residential projects located in Kai Tak as at 31 March 2023 which more materials were used before year-end.

Retention payables increased by approximately HK\$976,000 or 8.0% from approximately HK\$12,229,000 as at 31 March 2022 to approximately HK\$13,205,000 as at 31 March 2023. The increase in the retention payable is mainly due to the enhanced project progress by the Group's sub-contractors for the installation of the MVAC systems in Kai Tak.

Bank loans

Bank loans increased by approximately HK\$33,009,000 or 227.0% from approximately HK\$14,541,000 as at 31 March 2022 to approximately HK\$47,550,000 as at 31 March 2023. The significant increase in the bank loans mainly due to the acquire of a mortgage loan from the bank to partially settle the acquisition of an indirect subsidiary with certain properties at TML Tower in Tsuen Wan as mentioned above. There is no seasonality on the Group's bank loans and the balances were denominated in HKD.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured and guaranteed	47,550	206
Bank loans, unsecured and guaranteed	–	14,335
	47,550	14,541

According to the relevant bank facilities letters, details of the bank loans of the Group in accordance with the scheduled repayment dates as at 31 March 2023 are as follows:

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	24,538	14,479
Within a period of more than one year but not exceeding two years	1,394	62
Within a period of more than two years but not exceeding five years	5,978	–
Over five years	15,640	–
	47,550	14,541

The Group's bank loans as at 31 March 2023 were lent by a bank under its bank facilities granted to the Group. The bank facilities were guaranteed by the corporate guarantee given by the Company (2022 guaranteed by the corporate guarantee given by the Company). In addition, the secured bank loans were secured by the Group's three carpark spaces and an office premise (2022: a carpark space).

Notwithstanding the provisions stated in the aforesaid bank facilities, the bank may at any time without prior notice, modify, cancel or suspend the banking facilities, at the sole discretion of such bank; including, without limitation, cancelling any unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the above bank loans were classified as current liabilities as at 31 March 2023 and 2022.

Included in the bank loans as at 31 March 2023 was bank loans of HK\$46,967,000 (2022: HK\$206,000), which bore variable interest rate from 2.5% to 2.85% per annum below Hong Kong Prime Rate quoted by the relevant bank (2022: variable interest rate at 2% per annum below Hong Kong Prime Rate quoted by the relevant bank). The remaining bank loans as at 31 March 2023 of HK\$583,000 (2022: HK\$14,335,000) bore variable interest rate at 1.5% per annum above one-month Hong Kong Inter-bank Offered Rate (“**HIBOR**”) (2022: variable interest rate at 1.5% per annum above one-month HIBOR).

FUTURE PROSPECTS

Expanding the Group's service capabilities and capture business opportunities to reinforce the Group's position in the E&M engineering industry remains. The Group will provide customers with more comprehensive E&M engineering services, increase its market share with a prudent financial management strategy. The Group's projects on hand yet to recognise revenue remains around HK\$1,000,000,000 as at 31 March 2023. Going forward, the Group will continue to make the most of its advantages and actively participate in tendering and ensuring stable growth of the Group's business. At the same time, the Group will expand the Group's presence in E&M projects in commercial buildings, and continue to actively look for new business opportunities and bring better returns to the Shareholders.

As announced in the 2022 Policy Address, the Hong Kong Government will continue to invest in infrastructure and make available sufficient land for private housing development. The Group will seize the business opportunities, by building on its foundation in providing quality E&M engineering services, and venture into new areas of innovation and technology, smart technology, energy conservation and environmental protection while expanding its diversified business in the construction area. 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.

In the field of innovation and technology, the Group has cooperated with The Hong Kong Polytechnic University, The Hong Kong University of Science and Technology and The Education University of Hong Kong to implement various research product designs and make contribution to the realisation in the metaverse, blockchain technology and smart building systems. The Group fully supports the government policy in promoting and developing the scientific research sector in Hong Kong, thereby generating brand new business opportunities for the Group's future operations.

Environmental protection and energy conservation, reducing carbon emissions and energy consumption as well as facing the impacts of climate change has become a global issue. The Central Government of the PRC has already stipulated the targets in reaching carbon peak in 2030 and carbon neutrality in 2060 in the 14th Five-Year Plan. The Hong Kong Government has announced the Hong Kong's Climate Action Plan 2050 with certain decarbonisation targets to be achieved. As a key player in the industry of the installation of E&M systems, the Group carries the responsibility to protect the ecosystem, and to ensure environmental protection while promoting growth and development of the society. The Group has been appointed as a founding member of the Greater Bay Area Carbon Neutrality Association, devoting our effort to promote the carbon neutral business in the Greater Bay Area. The Group endeavours to incorporate energy saving technologies and renewable energy into E&M systems to achieve low-carbon transformation and develop green economy. The Group will actively look for partners to promote plans for energy conservation and emissions reduction in Hong Kong, striving to attain carbon peak and carbon neutrality targets, and lay the foundation for the Group's intelligent E&M business through utilising innovative technologies and the concept of intelligent energy.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's working capital was financed by internal resources and loan facilities from banks. The current ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 3.14 times as at 31 March 2023 (31 March 2022: approximately 5.99 times). The Group generally financed its daily operations from cash flows generated internally and external borrowings. The Group strikes to maintain a healthy financial position to support the business growth by balancing the source of financing.

FINANCIAL POLICIES

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

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total interest-bearing liabilities divided by the total equity (defined as the sum of bank loans and lease liabilities as at the respective year end divided by total equity as at the respective year end) was approximately 15.2% as at 31 March 2023 (31 March 2022: approximately 4.9%).

CAPITAL EXPENDITURE

During the Year, the Group incurred cash outflows of approximately HK\$3,876,000 in leasehold improvements and furniture, fixtures and equipment (2022: HK\$489,000 in leasehold improvements and furniture, fixtures and equipment).

CAPITAL COMMITMENT

As at 31 March 2023, the capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements is HK\$12,353,000 (31 March 2022: HK\$353,000).

CONTINGENT LIABILITIES

As at 31 March 2023, performance bonds of HK\$79,942,000 (2022: HK\$67,542,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers.

Included in the performance bonds as at 31 March 2023 were HK\$12,323,000 (2022: HK\$39,159,000), which were issued under the bank facilities granted by a bank to the Group and such bank facilities were secured by the Group's pledged bank balances and corporate guarantee given by the Company in favour of the bank. The remaining performance bonds as at 31 March 2023 were issued under the bank facilities granted by banks to the Group and such bank facilities were secured by the Group's two carpark spaces, an office premise and corporate guarantee (2022: corporate guarantees) given by the Company in favour of the banks.

Save as disclosed herein, the Group had no material contingent liabilities as at 31 March 2023 (31 March 2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event after 31 March 2023 up to the date of this announcement which requires disclosure.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2023, a property, certain motor vehicles, refundable rental deposits, three carpark spaces and pledged bank balances of the Group were pledged for the lease liabilities and the bank facilities (31 March 2022: secured by certain motor vehicles, refundable rental deposits, the carpark space and pledged bank balances).

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

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

Upon completion, the Target Company became an indirect wholly-owned subsidiary of the Company and the operating result of the Target Company since the completion of the Acquisition is consolidated in the financial statements of the Group. The completion of the Acquisition took place on 31 August 2022. Details of the Acquisition are set out in the announcements of the Company dated 18 June 2022 and 29 June 2022.

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

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2023, 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 HKD. 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.

CREDIT RISK EXPOSURE

The Group's major customers include reputable property developers and main contractors. During the Year, the Group has closely monitored and strengthened its collection measures, and has adopted prudent credit policies to mitigate credit risk exposure. The Group was not exposed to any significant credit risk during the Year. The Group's management reviews the recoverability of trade receivables and closely monitors the financial position of the customers from time to time with a view of keeping the Group's credit risk exposure at a reasonably low level.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed 178 employees (31 March 2022: 184 employees) with total staff costs (including direct labour costs) of approximately HK\$85,046,000 incurred for the Year (Corresponding Year: approximately HK\$80,342,000). In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance and market situation.

The Company has adopted a share option scheme on 18 September 2019 for the purpose of providing incentives or rewards to eligible participants for their contributions or potential contributions to the Group. Such scheme became effective on 18 October 2019.

On 20 January 2023, it is proposed that a share award scheme (the "**Share Award Scheme**") be adopted to among other things, recognise the contributions of any eligible participant(s) selected by the remuneration committee of the Board. The adoption of the Share Award Scheme is subject to the Shareholder's approval at the forthcoming annual general meeting ("**2023 AGM**"). For details of the Share Award Scheme, please refer to the announcement of the Company dated 20 January 2023.

CORPORATE RECOGNITION

In the area of corporate social responsibility, the Group is being recognised as Hong Kong Green Organisation from the Environmental Campaign Committee. The Group has also received the Excellence in ESG Corporate Award from Top 100 Hong Kong Listed Companies Research Centre in recognition of the Group's performance in the field of energy conservation and environmental protection. The Group will continue to improve its service quality, adhere to the required safety and environmental standards, and take the Group's corporate social responsibilities commitment to the next level in order to deliver excellent E&M services to the Group's customers.

COMPETING INTEREST

During the Year, none of the Directors or the Controlling Shareholders 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.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.6 cents per Share (2022: HK2.1 cents per Share) for the Year (the “**Final Dividend**”) to the Shareholders whose names appear on the register of members on 20 September 2023, which amount to approximately HK\$12,800,000 (2022: HK\$16,800,000). Subject to the passing of the relevant resolution at the forthcoming 2023 AGM, the Final Dividend is expected to be paid to the Shareholders on or around 13 October 2023.

CLOSURE OF REGISTER OF MEMBERS

In relation to 2023 AGM

The register of members will be closed from 5 September 2023 to 8 September 2023, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for attending and voting at the 2023 AGM, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong no later than 4:30 p.m. on 4 September 2023.

In relation to the proposed Final Dividend

Conditional on the passing of the resolution approving the declaration of the Final Dividend by the Shareholders at the 2023 AGM, the register of members will be closed from 18 September 2023 to 20 September 2023, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the Final Dividend, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong no later than 4:30 p.m. on 15 September 2023.

OTHER INFORMATION

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained a sufficient public float as required under the Listing Rules throughout the Year and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 Year.

AUDIT COMMITTEE REVIEW

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

The Audit Committee has discussed with the management of the Group and independent auditor of the Company, Messrs. Deloitte Touche Tohmatsu, and reviewed the accounting principles and policies adopted by the Group, the financial information of the Group and the annual results of the Group for the Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company’s website (<http://chittathk.com>) and the Stock Exchange’s website (<https://www.hkexnews.hk>). The annual report of the Company for the year ended 31 March 2023 will be despatched to the Shareholders and will be available on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 28 June 2023

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