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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 2022

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$547,315,000 for the year ended 31 March 2022. (2021: approximately HK\$508,904,000)
- The Group recorded gross profit of approximately HK\$107,514,000 and gross profit margin of 19.6% for the year ended 31 March 2022. (2021: gross profit of approximately HK\$102,602,000 and gross profit margin of 20.2%)
- Profit for the year ended 31 March 2022 amounted to approximately HK\$67,980,000. (2021: approximately HK\$73,303,000)

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK cents 2.1 per Share for the Year. (2021: HK cents 4.1 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 2022 (the “**Year**”), together with the comparative figures for the year ended 31 March 2021 (the “**Corresponding Year**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	Year ended 31 March	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	547,315	508,904
Cost of services		<u>(439,801)</u>	<u>(406,302)</u>
Gross profit		107,514	102,602
Other income	4	517	11,369
Impairment losses under expected credit loss model, net of reversal		–	(2,199)
Administrative expenses		(26,013)	(25,135)
Finance costs	5	<u>(309)</u>	<u>(175)</u>
Profit before taxation	6	81,709	86,462
Income tax expense	7	<u>(13,729)</u>	<u>(13,159)</u>
Profit and total comprehensive income for the year		<u>67,980</u>	<u>73,303</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		68,181	73,303
Non-controlling interests		<u>(201)</u>	<u>–</u>
		<u>67,980</u>	<u>73,303</u>
Earnings per share	9		
– Basic (<i>HK Cents</i>)		<u>8.52</u>	<u>9.16</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,294	3,572
Right-of-use assets		3,271	4,105
Payments for life insurance		6,951	6,879
Pledged bank balances		–	15,186
Deferred tax assets		363	363
		<u>13,879</u>	<u>30,105</u>
Current assets			
Trade and other receivables, deposits and prepayments	10	78,131	61,236
Contract assets		166,392	146,592
Tax recoverable		438	–
Pledged bank balances		41,807	42,256
Bank balances and cash		143,265	186,418
		<u>430,033</u>	<u>436,502</u>
Current liabilities			
Trade and retention payables and accruals	11	43,939	90,683
Contract liabilities		10,445	2,227
Taxation payable		267	1,697
Bank loans	12	14,541	15,022
Lease liabilities		2,543	2,847
		<u>71,735</u>	<u>112,476</u>
Net current assets		<u>358,298</u>	<u>324,026</u>
Total assets less current liabilities		<u>372,177</u>	<u>354,131</u>
Non-current liabilities			
Lease liabilities		<u>1,065</u>	<u>1,410</u>
Net assets		<u>371,112</u>	<u>352,721</u>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Capital and reserves			
Share capital	13	8,000	8,000
Reserves		363,302	344,721
		<hr/>	<hr/>
Equity attributable to owners of the Company		371,302	352,721
Non-controlling interests		(190)	–
		<hr/>	<hr/>
Total equity		371,112	352,721
		<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 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 or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* (“**HKFRS 7**”).

At 1 April 2021, the Group has bank loans amounting to HK\$14,675,000, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. Additional disclosures as required by HKFRS 7 are set out in note 31.

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	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

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

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 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$3,271,000 and HK\$3,608,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

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

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the 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 (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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 is not expected to have significant impact on the Group's financial position and performance.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	224	830
Government grants (<i>Note i</i>)	–	10,339
Interest income on payments for life insurance	72	71
Gain on disposal of property, plant and equipment, net	99	–
Others (<i>Note ii</i>)	122	129
	<u>517</u>	<u>11,369</u>

Notes:

- i. During the year ended 31 March 2021, the Group recognised government grants of HK\$10,339,000 in respect of Coronavirus disease 19 related subsidies, of which HK\$10,289,000 and HK\$50,000 related to Employment Support Scheme and one-off subsidy for Transport Trades, respectively, provided by the Hong Kong Government.
- ii. Included in the others for the year was a profit of HK\$106,000 (2021: HK\$24,000) from the sales of disinfection spray equipment and accessories. The relevant revenue recognised, based on a point in time, was HK\$423,000 (2021: HK\$115,000) for the year.

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans	159	33
Interest on lease liabilities	150	142
	<u>309</u>	<u>175</u>

6. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	767	772
Depreciation of right-of-use assets	4,073	3,293
Auditor's remuneration	750	800
Staff costs (including the remuneration of the directors of the Company):		
– Salaries and allowances and discretionary bonus	77,668	73,282
– Retirement benefit scheme contributions	2,674	2,457
Total staff costs	<u>80,342</u>	<u>75,739</u>
Donations	<u>255</u>	<u>60</u>

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	13,591	13,522
– Underprovision in previous years	138	–
Deferred tax	–	(363)
	<u>13,729</u>	<u>13,159</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
– 2021 final dividend: HK4.1 cents per share (2021: 2020 final dividend: HK3.2 cents per share)	32,800	25,600
– 2022 interim dividend: HK2.1 cents per share (2021: 2021 interim dividend: Nil)	16,800	–
	<u>49,600</u>	<u>25,600</u>

Subsequent to the end of the reporting period, a final dividend of HK2.1 cents per ordinary share in respect of the year ended 31 March 2022, in an aggregate amount of HK\$16,800,000 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share (profit for the year)	<u>68,181</u>	<u>73,303</u>
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>800,000</u>	<u>800,000</u>

No diluted earnings per share is presented for the year ended 31 March 2022 and 2021 as there was no potential ordinary share in issue.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	60,427	51,347
Less: Allowance for credit losses	<u>(631)</u>	<u>(631)</u>
	59,796	50,716
Refundable rental deposits	639	677
Other receivables	3,636	528
Prepayments for purchase of materials and subcontracting fees	11,448	6,637
Prepaid expenses	2,461	2,471
Utilities and other deposits	<u>151</u>	<u>207</u>
	<u>78,131</u>	<u>61,236</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 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	19,998	33,684
31 to 90 days	34,829	12,842
91 to 180 days	922	–
Above 180 days	4,678	4,821
	<u>60,427</u>	<u>51,347</u>
Less: Allowance of credit losses	(631)	(631)
	59,796	50,716

11. TRADE AND RETENTION PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	23,103	69,914
Retention payables	12,229	12,564
Accruals	8,607	8,205
	<u>43,939</u>	<u>90,683</u>

Included in the Group's trade and retention payables as at 31 March 2022 are amounts due to related parties amounting to HK\$1,747,000 (2021: HK\$3,728,000), in aggregate, which are trade nature, unsecured, interest-free and repayable according to the relevant agreements.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	21,905	65,285
31 to 90 days	1,198	4,629
	<u>23,103</u>	<u>69,914</u>

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

12. BANK LOANS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans, secured and guaranteed	206	347
Bank loans, unsecured and guaranteed	14,335	14,675
	14,541	15,022

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 2020, 31 March 2021 and 31 March 2022	10,000,000,000	100,000
Ordinary shares, issued and fully paid: As at 1 April 2020, 31 March 2021 and 31 March 2022	800,000,000	8,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established electrical and mechanical (“E&M”) engineering services provider. The Group’s major business involves the supply, installation and maintenance of mechanical ventilation and air-conditioning (“MVAC”) systems, drainage systems, water supply, swimming pool and fountain systems, electrical and control systems as well as smart electrical control systems in buildings. The Group has been engaged by reputable property developers and construction companies in Hong Kong to complete several iconic projects. The Group will continue to strive to provide excellent E&M engineering services to the Group’s customers.

Looking back at the Year, the local and global economies have continued to slow down because of the recurrence of the COVID-19 pandemic and geopolitical tensions. The inflation and the impact of the COVID-19 pandemic have posed enormous challenges to local productivity. The Group has adopted a positive and pragmatic attitude towards relevant risks, sought collaborative solutions, strengthened the management of project quality, and enhanced the ability of controlling the costs and budgets.

Excluding the one-off Employment Support Scheme subsidy from the government, the Group has maintained a steady business growth 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 the Kai Tak Development. The Group will maintain the advantage of the Group in sustainable development and enhance our ability to acquire new projects to lay a solid foundation for our business development.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately HK\$38,411,000 or 7.5% from approximately HK\$508,904,000 for the Corresponding Year to approximately HK\$547,315,000 for the Year. The increase was mainly contributed by the ongoing residential projects located in Kai Tak and Tai Po and a commercial project located in Wong Chuk Hang. Also, certain newly awarded residential projects located in the Kai Tak Development commenced in early 2022 contributed to the increase in revenue for the Year.

Cost of services

The Group’s cost of services mainly represented (i) cost of materials including MVAC systems such as air conditioners and ventilation fans and accessories such as pipes and fittings; and (ii) subcontracting fees for completing on-site works. The cost of services increased by approximately HK\$33,499,000 or 8.2% from approximately HK\$406,302,000 for the Corresponding Year to approximately HK\$439,801,000 for the Year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$4,912,000 or 4.8% from approximately HK\$102,602,000 for the Corresponding Year to approximately HK\$107,514,000 for the Year.

The Group's gross profit margin slightly decreased by 0.6% to 19.6% for the Year as compared with the Corresponding Year of 20.2%. 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.

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 HK\$878,000 or 3.5% from approximately HK\$25,135,000 for the Corresponding Year to approximately HK\$26,013,000 for the Year. The increase in administrative expenses of the Group was mainly due to the increase in office expenses incurred to improve the working environment and depreciation expenses of certain newly acquired assets. The Group believes it can increase its productivity to grasp the opportunities in the post-pandemic era.

Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments increased by approximately HK\$16,895,000 or 27.6% from approximately HK\$61,236,000 as at 31 March 2021 to approximately HK\$78,131,000 as at 31 March 2022.

Trade receivables (net of allowance of credit losses) increased by approximately HK\$9,080,000 or 17.9% from approximately HK\$50,716,000 as at 31 March 2021 to approximately HK\$59,796,000 as at 31 March 2022. The increase was due to significant amount of revenue certified by the customers at the end of the Year in accordance with the relevant projects' construction schedules.

Prepayments for purchase of materials and subcontracting fees increased by approximately HK\$4,811,000 or 72.5% from approximately HK\$6,637,000 as at 31 March 2021 to approximately HK\$11,448,000 as at 31 March 2022. The significant increase was mainly due to the prepayment paid to various suppliers for securing the material supply for the Group's projects on hand.

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 transfer of E&M engineering services to customers for which the Group has received advance payments from the customers.

Contract assets increased by approximately HK\$19,800,000 or 13.5% from approximately HK\$146,592,000 as at 31 March 2021 to approximately HK\$166,392,000 as at 31 March 2022. 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\$8,218,000 or 369.0% from approximately HK\$2,227,000 as at 31 March 2021 to approximately HK\$10,445,000 as at 31 March 2022. 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 bank balances and cash

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 bank balances and cash decreased by approximately HK\$58,788,000 or 24.1% from approximately HK\$243,860,000 as at 31 March 2021 to approximately HK\$185,072,000 as at 31 March 2022. The decrease was mainly due to the payment of interim dividend during the Year and the changes in working capital for the newly awarded projects.

The pledged bank balances and bank balances and cash 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 decreased by approximately HK\$46,744,000 or 51.5% from approximately HK\$90,683,000 as at 31 March 2021 to approximately HK\$43,939,000 as at 31 March 2022.

Trade payables decreased by approximately HK\$46,811,000 or 67.0% from approximately HK\$69,914,000 as at 31 March 2021 to approximately HK\$23,103,000 as at 31 March 2022. The decrease was mainly due to the fifth wave of COVID-19 outbreak in Hong Kong which caused delays of certain projects progress near the end of the Year.

Retention payables decreased by approximately HK\$335,000 or 2.7% from approximately HK\$12,564,000 as at 31 March 2021 to approximately HK\$12,229,000 as at 31 March 2022. The decrease was mainly due to the release of retention monies to the Group's sub-contractors for projects completed during the Year.

Bank loans

Bank loans decreased by approximately HK\$481,000 or 3.2% from approximately HK\$15,022,000 as at 31 March 2021 to approximately HK\$14,541,000 as at 31 March 2022. There is no seasonality on the Group's bank loans and the balances were denominated in HKD.

According to the relevant bank facilities letters, details of the bank loans of the Group as at 31 March 2022 are as follows:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	14,479	14,815
Within a period of more than one year but not exceeding two years	62	145
Within a period of more than two years but not exceeding five years	<u>–</u>	<u>62</u>
	<u>14,541</u>	<u>15,022</u>

The Group's bank loans as at 31 March 2022 and 2021 were lent by a bank under its bank facilities granted to the Group.

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 2022 and 2021.

Included in the bank loans as at 31 March 2022 was a bank loan of HK\$206,000 (2021: HK\$347,000), which bore variable interest rate at 2% per annum below Hong Kong Prime Rate quoted by the relevant bank (2021: variable interest rate at 2% per annum below Hong Kong Prime Rate quoted by the relevant bank). The remaining bank loan as at 31 March 2022 bore variable interest rate at 1.5% per annum above one-month Hong Kong Inter-bank Offered Rate (“**HIBOR**”) (2021: variable interest rate at 1.5% per annum above one-month HIBOR).

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. As a result of the continuous hard work by the management, the Group has obtained 16 projects with a total contract sum of approximately HK\$709,357,000 for the Year. The Group's projects on hand yet to recognise reached a new record high of over HK\$1,000,000,000 as at 31 March 2022. 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 actively look for new businesses opportunities and bring better returns to the shareholders of the Company (the "Shareholders").

As announced in the Chief Executive's 2021 Policy Address (the "2021 Policy Address"), the Hong Kong Government will continue to invest in infrastructure and develop the "Twin Cities, Three Circles" layout led by Northern Metropolis in the New Territories. The Group will seize the business opportunities in the post-pandemic economy, 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 established "Accel – The Education University of Hong Kong Joint Laboratory of Metaverse and Human-computer Interaction" to implement various research product designs and make contribution to the realization of new informatized and intellectualized forms of community with artificial intelligence, to enhance the quality result of education and provide a more convenient way of learning, and to fully support the government in promoting and developing the scientific research sector in Hong Kong, thereby generating brand new business opportunities for the Group's future operations.

In terms of 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 Chinese government has already stipulated the targets in reaching carbon peak in 2030 and carbon neutrality in 2060 in the 14th Five-Year Plan. It was also announced in the 2021 Policy Address that Hong Kong would strive to achieve carbon neutrality by 2050 and would update the "Hong Kong's Climate Action Plan". 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 GBA 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, loan facilities from banks and the net proceeds from the issuance of 200,000,000 shares of the Company (the "Shares") at a price of HK\$0.73 per Share by way of public offer and placing in 2019 (the "Share Offer"). The current ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 5.99 times as at 31 March 2022 (31 March 2021: approximately 3.88 times). The Group generally financed its daily operations from cash flows generated internally and external borrowings. The Group strives 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 borrowings 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 4.9% as at 31 March 2022 (31 March 2021: approximately 5.5%).

CAPITAL EXPENDITURE

During the Year, the Group incurred cash outflows of approximately HK\$489,000 in leasehold improvements and furniture, fixtures and equipment (Corresponding Year: HK\$423,000 in leasehold improvements, motor vehicles and furniture, fixtures and equipment).

CAPITAL COMMITMENT

As at 31 March 2022, 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\$353,000 (31 March 2021: Nil).

CONTINGENT LIABILITIES

As at 31 March 2022, performance bonds of HK\$67,542,000 (2021: HK\$83,587,000) 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 2022 were HK\$41,807,000 (2021: HK\$57,442,000), 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 2022 were issued under the bank facilities granted by another bank to the Group and such bank facilities were secured by the Group's carpark space and corporate guarantee given by the Company in favour of the bank.

Save as disclosed herein, the Group had no material contingent liabilities as at 31 March 2022 (31 March 2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 18 June 2022, Ascend Group Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a directly wholly owned subsidiary of the Company, as purchaser entered into a provisional sale and purchase agreement with Yip Ping Hau as vendor for the acquisition of the entire issued share capital of Best Investment Development Limited (a company incorporated in Hong Kong with limited liability and is wholly owned by Yip Ping Hau, an Independent Third Party of the Group) at the consideration of HK\$61,828,000. For details, please refer to the announcement of the Company dated 18 June 2022.

Save as disclosed, there was no material subsequent event after 31 March 2022 up to the date of this announcement which requires disclosure.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2022, 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 2021: 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

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

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2022, 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 2022, the Group employed 184 employees (31 March 2021: 162 employees) with total staff costs (including direct labour costs) of approximately HK\$80,342,000 incurred for the Year (Corresponding Year: approximately HK\$75,739,000). 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.

CORPORATE RECOGNITION

Other than the "Forbes Asia's 200 Best Under A Billion" awarded and being selected as a constituent stock of the MSCI Hong Kong Micro Cap Index in the year of 2021, the Group has been further awarded the "Listed Enterprises of the Year 2021" by Bloomberg Businessweek and "The Top 100 Hong Kong Listed Companies Awards" as recognitions of the Group's operating performance and development potential.

In the area of corporate social responsibility, the Group has received the Outstanding Social Caring Organisation Award from the Social Enterprise Research Academy in 2021. The Group has also received the Corporate Environmental Leadership Award from the Federation of Hong Kong Industries and has been appointed as a founding member of GBA Carbon Neutrality Association 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.

USE OF PROCEEDS

The net proceeds from the Share Offer were approximately HK\$125,345,000. The net proceeds have been fully utilised during the Year in the manner disclosed in the prospectus of the Company dated 27 September 2019. Set out below is the actual use of net proceeds up to 31 March 2022:

Intended application	Estimated proceeds allocation <i>HK\$'000</i>	Utilised net proceeds during the period from the Listing Date to 31 March 2021 <i>HK\$'000</i>	Net proceeds utilised during the Year <i>HK\$'000</i>	Utilised net proceeds up to 31 March 2022 <i>HK\$'000</i>
Purchasing performance bonds	43,120	43,120	–	43,120
MVAC procurement costs	59,290	59,290	–	59,290
Hiring additional staff	11,660	8,721	2,939	11,660
General working capital	11,275	11,275	–	11,275
Total	125,345	122,406	2,939	125,345

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK cents 2.1 per Share (2021: HK cents 4.1 per Share) for the Year (the “**Final Dividend**”) to the Shareholders whose names appear on the Register of Members on Wednesday, 21 September 2022, which amount to approximately HK\$16,800,000 (2021: HK\$32,800,000). Subject to the passing of the relevant resolution at the forthcoming AGM to be held on Thursday, 8 September 2022 (the “**2022 AGM**”), the Final Dividend is expected to be paid to the Shareholders on or around Thursday, 13 October 2022.

CLOSURE OF REGISTER OF MEMBERS

In relation to 2022 AGM

The Register of Members will be closed from Monday, 5 September 2022 to Thursday, 8 September 2022, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for attending and voting at the 2022 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (if the transfer will be lodged before 15 August 2022), or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) no later than 4:30 p.m. on Friday, 2 September 2022.

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 2022 AGM, the Register of Members will be closed from Monday, 19 September 2022 to Wednesday, 21 September 2022, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (if the transfer will be lodged before 15 August 2022), or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) no later than 4:30 p.m. on Friday, 16 September 2022.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 2022 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 2022 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 2022

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.