



**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**

**2019**  
**INTERIM REPORT**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. KO Lai Hung  
*(Chairman and Chief Executive Officer)*

Ms. CHEUNG Mei Lan

#### Non-executive Director

Mr. KO Chun Kit Angus

#### Independent Non-executive Directors

Mr. CHAN Cheong Tat

Ms. TSE Ka Wing

Mr. HO Chi Shing

#### AUDIT COMMITTEE

Ms. TSE Ka Wing *(Chairperson)*

Mr. CHAN Cheong Tat

Mr. KO Chun Kit Angus

#### REMUNERATION COMMITTEE

Mr. HO Chi Shing *(Chairperson)*

Mr. CHAN Cheong Tat

Mr. KO Lai Hung

#### NOMINATION COMMITTEE

Mr. CHAN Cheong Tat *(Chairperson)*

Mr. HO Chi Shing

Mr. KO Lai Hung

#### AUTHORISED REPRESENTATIVES

Mr. KO Lai Hung

Mr. CHAN Tak Sun Sammy

#### COMPLIANCE OFFICER

Mr. CHAN Tak Sun Sammy

#### COMPANY SECRETARY

Mr. CHAN Tak Sun Sammy

#### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

#### INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

35<sup>th</sup> Floor

One Pacific Place

88 Queensway

Hong Kong

#### COMPLIANCE ADVISER

Ample Capital Limited

Unit A, 14<sup>th</sup> Floor

Two Chinachem Plaza

135 Des Voeux Road Central

Central

Hong Kong

#### REGISTERED OFFICE

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit Nos. 709-711, 7/F

The Octagon

No. 6 Sha Tsui Road

Tsuen Wan

New Territories

Hong Kong

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

#### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54

Hopewell Centre

183 Queen's Road East, Hong Kong

#### STOCK CODE

1283

#### COMPANY'S WEBSITE

<http://www.chittathk.com>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Accel Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is an established electrical and mechanical (“**E&M**”) engineering services provider, involving supply, installation and maintenance of (i) mechanical ventilation and air-conditioning (“**MVAC**”) systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems in Hong Kong. In particular, the board (the “**Board**”) of directors of the Company (the “**Directors**”) are of the view that the Group has established presence and experience in private residential MVAC systems works with a competitive advantage, hence the Group places more focus on projects in relation to the supply, installation and maintenance of MVAC systems especially in private residential sector. The Group has completed certain number of projects include property development projects under well-known property developers where the property developers directly selected us as the nominated subcontractor. The Directors believe this further illustrates our reputation in the E&M engineering industry.

### FINANCIAL REVIEW

#### Revenue

By type of services:

	Six months ended 30 September			
	2019		2018	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
MVAC systems	230,954	88.4%	135,790	90.6%
Electrical systems	23,063	8.8%	12,363	8.2%
Swimming pool, fountain and plumbing and drainage systems	7,272	2.8%	1,730	1.2%
Total	261,289	100.0%	149,883	100.0%

During the six months ended 30 September 2019 (the “**Period**”), the Group’s revenue increased by approximately HK\$111,406,000 or 74.3% to approximately HK\$261,289,000 for the Period as compared to approximately HK\$149,883,000 for the six months ended 30 September 2018 (the “**Corresponding Period**”). The increase was primarily attributable to the increase in service provided in relation to the installation of the MVAC systems as well as the electrical systems.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the MVAC systems, the revenue increased by approximately HK\$95,164,000 or 70.1% to approximately HK\$230,954,000 for the Period as compared to approximately HK\$135,790,000 for the Corresponding Period. The increment was mainly contributed by the enhanced construction progress of certain projects on hand including two residential projects in Tuen Mun and a residential project in Tin Shui Wai. Furthermore, certain projects commenced after the Corresponding Period contributing to the revenue in the Period such as a residential project located in Shum Shui Po and a residential project in Plantation Road.

For the electrical systems, the revenue increased by approximately HK\$10,700,000 or 86.5% to approximately HK\$23,063,000 for the Period as compared to approximately HK\$12,363,000 for the Corresponding Period. The revenue was mainly contributed by the residential project located in Shum Shui Po and the increment was mainly due to the enhanced project progress of such project.

### Cost of services

	Six months ended 30 September			
	2019		2018	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Subcontracting fees	<b>70,617</b>	<b>36.2%</b>	43,094	38.6%
Cost of materials	<b>92,377</b>	<b>47.4%</b>	40,764	36.5%
Direct labour costs	<b>26,375</b>	<b>13.5%</b>	24,109	21.6%
Others	<b>5,469</b>	<b>2.9%</b>	3,664	3.3%
Total	<b>194,838</b>	<b>100.0%</b>	111,631	100.0%

The Group's cost of services mainly represented cost of MVAC systems including air conditioners and ventilation fans and accessories such as pipes and fittings, and subcontracting charges for completing on-site works. The cost of services increased by approximately HK\$83,207,000 or 74.5% to approximately HK\$194,838,000 for the Period, as compared to approximately HK\$111,631,000 for the Corresponding Period. The increase was primarily attributable to the enhanced project progress of certain projects during the Period. The increase of cost of services was in line with the increase of the Group's revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$28,199,000 or 73.7% from approximately HK\$38,252,000 for the Corresponding Period to approximately HK\$66,451,000 for the Period.

The Group's gross profit margin maintained at about 25.4% for the Period as compared with the Corresponding Period of 25.5%.

### Administrative expenses

Administrative expenses mainly comprised staff costs, travelling and transportation, rental and building management fee, professional fee, office expenses, depreciation expenses and others. Administrative expenses increased from approximately HK\$6,483,000 for the Corresponding Period to approximately HK\$7,598,000 for the Period. The increase of administrative expenses of the Group was mainly due to the increase in donation.

### Income tax expense

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Period (Corresponding Period: 16.5% (unaudited)).

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime was applicable to Chit Tat Electrical Engineering Limited, a wholly-owned subsidiary of the Company, for each of the six months ended 30 September 2018 and 2019.

### Profit and total comprehensive income attributable to equity shareholders of the Company

For the Period and Corresponding Period, the Group's profit and total comprehensive income attributable to equity shareholders of the Company were approximately HK\$42,272,000 and HK\$24,381,000, respectively. The increase in profit and total comprehensive income attributable to equity shareholders of the Company was mainly due to the increase in revenue.

### Interim dividend

The Board has resolved not to declare an interim dividend for the Period (Corresponding Period: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments increased by approximately HK\$36,389,000 or 103.3% from approximately HK\$35,211,000 as at 31 March 2019 to approximately HK\$71,600,000 as at 30 September 2019.

Trade receivables increased by approximately HK\$29,598,000 or 100.6% from approximately HK\$29,418,000 as at 31 March 2019 to approximately HK\$59,016,000 as at 30 September 2019. The increase was due to significant amount of revenue certified by the employers at the end of the Period which were in accordance with those projects' construction schedules.

Prepayments for purchase of materials and subcontracting fee increased by approximately HK\$4,733,000 or 647.5% from approximately HK\$731,000 as at 31 March 2019 to approximately HK\$5,464,000 as at 30 September 2019. The increase was mainly due to the prepayment paid to various suppliers for securing the material supply for our projects on hand.

### Trade and retention payables and accruals

Trade and retention payables and accruals increased by approximately HK\$17,287,000 or 50.7% from approximately HK\$34,126,000 as at 31 March 2019 to approximately HK\$51,413,000 as at 30 September 2019.

Trade payables increased by approximately HK\$8,163,000 or 46.3% from approximately HK\$17,646,000 as at 31 March 2019 to approximately HK\$25,809,000 as at 30 September 2019. The increase was mainly due to the purchase of MVAC systems for projects installation near the current interim period end.

Retention payables increased by approximately HK\$3,653,000 or 62.8% from approximately HK\$5,821,000 as at 31 March 2019 to approximately HK\$9,474,000 as at 30 September 2019. The increase was mainly due to the contribution by the subcontractors to our existing projects.

Accrued issue costs and listing expenses increased by approximately HK\$7,155,000 or 408.9% from approximately HK\$1,750,000 as at 31 March 2019 to approximately HK\$8,905,000 as at 30 September 2019. The amount increased mainly represented the substantial work performed by the professional parties for the listing process.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BANK LOANS AND TRUST RECEIPTS LOANS

As at 30 September 2019, the Group had bank loans of approximately HK\$549,000 (31 March 2019: approximately HK\$1,459,000) and trust receipts loans of approximately HK\$7,800,000 (31 March 2019: nil).

The Group's bank loans and trust receipts loans were lent by two banks under their bank facilities granted to the Group. The bank facilities are secured by personal guarantees of Mr. Ko Lai Hung ("**Mr. Ko**") and Ms. Cheung Mei Lan ("**Ms. Cheung**"), both being the executive Directors, in favour of the banks and their certain properties and the Group's carpark space and life insurance policy.

Notwithstanding the provisions stated in the relevant bank facilities, the bank facilities granted by a bank are repayable on demand by the bank which has the overriding right at any time to require immediate payment of all principal, interest, fees and other amounts outstanding under the bank facilities letter or any part thereof and/or to require cash collateralisation of all or any sum actually or contingently owing to it under the bank facilities; and the bank facilities granted by another bank may be modified, cancelled or suspended, at any time unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the Group's bank loans and trust receipts loans as at 31 March 2019 and 30 September 2019 were classified as current liabilities on those dates.

The bank loans and trust receipts loans as at 30 September 2019 bore variable interest rate at 1.0%–2.0% per annum below the Hong Kong Prime Rate quoted by the relevant banks (31 March 2019: variable interest rate at 1.5%–3.1% per annum below Hong Kong Prime Rate quoted by the relevant banks).

### FUTURE PROSPECTS

Looking forward, the Group will further expand the service capabilities to capture business opportunities with the aim of being a preferred choice of first-tier E&M engineering subcontractor for property developments in Hong Kong. The Group will provide customers with comprehensive E&M engineering services to enhance the market position with a prudent financial management strategy, pursuing a long-term healthy business growth and stable return to the shareholders of the Company.

In order to expand the professional talent pool for the tendered prospective projects, the Group will continue to strengthen its human resources and focus on the training of talents to build a team with outstanding members and will employ additional staff especially in project management; engineering and safety sector. The Directors are of the view that the additional staff in project management, engineering and safety sector will provide the Group with better control over the design, management and safety of our projects.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group remains perseverance in its business development and its ability to obtain new projects. As a result of the endure hard work by the management, three new projects of total contract sum amounting to approximately HK\$82.2 million were awarded to the Group during the Period. In addition, the Group will continue to enhance its budget management, upgrade its ability in plan execution and budget control in order to further improve its management standard and secure stable and sustainable development of the Group.

### LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group's working capital was financed by internal resources. The quick ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 2.81 times as at 30 September 2019 (31 March 2019: approximately 3.19 times). The Group generally financed its daily operations from cash flows generated internally.

### FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

### GEARING RATIO

The Group's gearing ratio, which is calculated based on the total interest-bearing liabilities divided by the total equity (defined as the sum of bank loans, trust receipts loans and lease liabilities as at the respective period/year end divided by total equity as at the respective period/year end) was approximately 7.6% as at 30 September 2019 (31 March 2019: approximately 3.3%).

### CAPITAL EXPENDITURE

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

### CAPITAL COMMITMENTS

As at 30 September 2019, the Group had capital commitments of approximately HK\$719,000 in relation to acquisition of property, plant and equipment.

### CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUBSEQUENT EVENT

Save as disclosed in note 21 to the condensed consolidated financial statements, there is no material subsequent event undertaken by the Company or by the Group after 30 September 2019 and up to the date of this report.

### CHARGES ON THE GROUP'S ASSETS

As at 30 September 2019, the Group was granted bank facilities for obtaining bank loans and trust receipts loans and giving performance guarantees to its customers. Apart from the carpark space and the life insurance policy of the Group, these bank facilities are also secured by personal guarantees of Mr. Ko and Ms. Cheung and their certain properties at nil consideration.

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

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

### FOREIGN EXCHANGE RISK MANAGEMENT

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

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

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed 158 employees (31 March 2019: 146 employees) with total staff costs of approximately HK\$29,524,000 incurred for the Period (Corresponding Period: approximately HK\$26,665,000). 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### COMPETING INTEREST

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

### USE OF PROCEEDS

The shares of the Company (the “**Shares**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since the Listing Date which is after the Period. The net proceeds from the listing of the Shares on the Stock Exchange were approximately HK\$125,345,000. The Directors intend to deploy the proceeds according to the manner set out in the prospectus of the Company dated 27 September 2019 (the “**Prospectus**”). The completion time of the use of net proceeds will be determined based on the future business development of the Company. Set out below is the actual use of net proceeds up to the date of this report.

<b>Intended application</b>	<b>Estimated proceeds allocation</b> <i>HK\$'000</i>	<b>Utilised net proceeds up to 28 November 2019</b> <i>HK\$'000</i>	<b>Unutilised net proceeds up to 28 November 2019</b> <i>HK\$'000</i>
Purchasing performance bonds	43,120	20,000	23,120
MVAC procurement costs	59,290	20,000	39,290
Hiring additional staff	11,660	–	11,660
General working capital	11,275	–	11,275
<b>Total</b>	<b>125,345</b>	<b>40,000</b>	<b>85,345</b>

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

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

Since the Shares were initially listed on the Stock Exchange on the Listing Date, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO") as at 30 September 2019.

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

#### (i) Long position in the Shares

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

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

## OTHER INFORMATION

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

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

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

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

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

Since the Shares were initially listed on the Stock Exchange on the Listing Date, the Company was not required to keep any register under Part XV of the SFO as at 30 September 2019.

So far as our Directors are aware, as at the date of this report, the following corporation (other than a Director or the chief executive of the Company) had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares which were required

## OTHER INFORMATION

to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

### Long position in the Shares

Name of shareholder	Capacity	Nature of interests	Number of Shares held	Percentage of shareholding
Lightspeed ( <i>note</i> )	Beneficial owner	Personal interest	600,000,000	75%

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

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

### SHARE OPTION SCHEME

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

## OTHER INFORMATION

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

The Board may, at its discretion, determine the minimum period for which the option has to be held before it can be exercised, and the period during which an option may be exercised. However, no options shall be exercised ten years after they have been granted. The subscription price of a Share in respect of a particular option shall be not less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a Share.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this report, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As the Shares were only listed on the Stock Exchange on the Listing Date, the Company did not redeem any of its Shares, nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the period from the Listing Date and up to the date of this report.

## OTHER INFORMATION

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the period from the Listing Date and up to the date of this report.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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

The code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) were not applicable to the Company for the Period as the Shares were initially listed on the Stock Exchange on the Listing Date.

From the Listing Date and up to the date of this report, the Company has complied with the applicable code provisions of the CG Code with the exception of code provision A.2.1, which requires the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Ko is the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”). He has been managing the Group’s business and supervising the overall operations of the Group since 2000. The Board considers that vesting the roles of the Chairman and the CEO in Mr. Ko is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the Chairman and the CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.



## OTHER INFORMATION

### MODEL CODE

The Model Code was not applicable to the Company during the Period as the Shares were only listed on the Stock Exchange on the Listing Date. The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors, they confirmed that they had complied with the required standard set out in the Model Code throughout the period from the Listing Date and up to the date of this report.

### AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

The audit committee of the Company (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 reviewed the unaudited interim financial results of the Group for the Period, including the accounting principles and standards adopted by the Group, and discussed financial related matters. The interim financial report for the Period is unaudited but has been reviewed by the Audit Committee.

The condensed consolidated financial statements for the Period have been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

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

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 28 November 2019

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

TO THE BOARD OF DIRECTORS OF ACCEL GROUP HOLDINGS LIMITED

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Accel Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 19 to 40, which comprise the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

## **REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **CONCLUSION**

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

### **OTHER MATTER**

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the six-month period ended 30 September 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 November 2019

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		<b>Six months ended 30 September</b>	
		<b>2019</b>	2018
<i>NOTES</i>		<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	3	<b>261,289</b>	149,883
Cost of services		<b>(194,838)</b>	(111,631)
<b>Gross profit</b>		<b>66,451</b>	38,252
Other income	4	<b>309</b>	101
Other expense		<b>(42)</b>	–
Listing expenses		<b>(7,188)</b>	(2,134)
Administrative expenses		<b>(7,598)</b>	(6,483)
Finance costs	5	<b>(70)</b>	(244)
<b>Profit before taxation</b>	6	<b>51,862</b>	29,492
Income tax expense	7	<b>(9,590)</b>	(5,111)
<b>Profit and total comprehensive income for the period</b>		<b>42,272</b>	24,381
		<b>HK cents</b>	<i>HK cents</i>
<b>Earnings per share</b>			
Basic	9	<b>7.0</b>	4.1

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 September 2019

	<i>NOTES</i>	<b>At 30 September 2019 HK\$'000 (Unaudited)</b>	<b>At 31 March 2019 HK\$'000 (Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,304</b>	3,154
Right-of-use assets	10	<b>3,123</b>	2,483
Payments for life insurance		<b>6,808</b>	6,808
		<b>13,235</b>	12,445
<b>Current assets</b>			
Trade and other receivables, deposits and prepayments	11	<b>71,600</b>	35,211
Contract assets	12	<b>103,623</b>	67,842
Bank balances and cash		<b>36,907</b>	34,850
		<b>212,130</b>	137,903
<b>Current liabilities</b>			
Trade and retention payables and accruals	14	<b>51,413</b>	34,126
Contract liabilities		<b>526</b>	692
Tax payable		<b>13,829</b>	5,982
Bank loans	15	<b>549</b>	1,459
Trust receipts loans	15	<b>7,800</b>	–
Lease liabilities		<b>1,478</b>	958
		<b>75,595</b>	43,217
<b>Net current assets</b>		<b>136,535</b>	94,686
<b>Total assets less current liabilities</b>		<b>149,770</b>	107,131
<b>Non-current liability</b>			
Lease liabilities		<b>1,475</b>	1,108
<b>Net assets</b>		<b>148,295</b>	106,023
<b>Capital and reserves</b>			
Share capital	16	–*	–*
Reserves		<b>148,295</b>	106,023
<b>Total equity</b>		<b>148,295</b>	106,023

\* Amounts less than HK\$1,000.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2019

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Other reserve</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
At 1 April 2019 (audited)	–*	<b>77,266</b>	<b>(72,580)</b>	<b>101,337</b>	<b>106,023</b>
Profit and total comprehensive income for the period	–	–	–	<b>42,272</b>	<b>42,272</b>
At 30 September 2019 (unaudited)	–*	<b>77,266</b>	<b>(72,580)</b>	<b>143,609</b>	<b>148,295</b>
At 1 April 2018 (audited)	5,000	–	(10,190)	55,942	50,752
Issue of ordinary shares of the Company for the Reorganisation as defined in note 1	(5,000)	77,266	(72,266)	–	–
Profit and total comprehensive income for the period	–	–	–	24,381	24,381
At 30 September 2018 (unaudited)	–*	77,266	(82,456)	80,323	75,133

\* Amounts less than HK\$1,000.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Operating activities</b>		
Profit before taxation	<b>51,862</b>	29,492
Adjustments for:		
Finance costs	<b>70</b>	244
Depreciation of plant and equipment	<b>237</b>	191
Depreciation of right-of-use assets	<b>961</b>	940
Interest income	<b>(12)</b>	(72)
Operating cash flows before movements in working capital	<b>53,118</b>	30,795
Increase in trade and other receivables, deposits and prepayments	<b>(34,833)</b>	(9,650)
(Increase) decrease in contract assets	<b>(35,781)</b>	1,227
Decrease in contract liabilities	<b>(166)</b>	(12,796)
Increase in trade and retention payables and accruals	<b>15,940</b>	3,041
Cash (used in) from operations	<b>(1,722)</b>	12,617
Hong Kong Profits Tax paid	<b>(1,743)</b>	(13,109)
<b>Net cash used in operating activities</b>	<b>(3,465)</b>	(492)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 September 2019

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Investing activities</b>		
Interest received	12	72
Purchases of property, plant and equipment	(387)	(2,810)
Withdrawals of fixed bank deposits with original maturity more than three months	-	953
Placements of fixed bank deposits with original maturity more than three months	-	(5,018)
<b>Net cash used in investing activities</b>	<b>(375)</b>	<b>(6,803)</b>
<b>Financing activities</b>		
New bank loans raised	-	10,690
New trust receipts loans raised	7,800	-
Interest paid	(70)	(244)
Issue costs paid	(209)	(711)
Repayments of bank loans	(910)	(4,351)
Repayments of lease liabilities	(714)	(1,005)
<b>Net cash from financing activities</b>	<b>5,897</b>	<b>4,379</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,057</b>	<b>(2,916)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>34,850</b>	<b>42,124</b>
<b>Cash and cash equivalents at the end of period</b>	<b>36,907</b>	<b>39,208</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1.1 General Information

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 20 September 2018, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 October 2019. The address of the registered office and the principal place of business of the Company are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit Nos. 709–711, 7/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, respectively. In the opinion of the directors of the Company (the “**Directors**”), the ultimate controlling parties are Mr. Ko Lai Hung (“**Mr. Ko**”) and Ms. Cheung Mei Lan (“**Ms. Cheung**”, who is the wife of Mr. Ko). Mr. Ko and Ms. Cheung are collectively referred to as the “**Spouse**”.

The Company is an investment holding company. The Group is principally engaged in provision of electrical and mechanical (“**E&M**”) engineering services typically involving supply, installation and maintenance of (i) mechanical ventilation and air-conditioning (“**MVAC**”) systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems.

#### 1.2 Reorganisation and basis of preparation and presentation

Prior to the listing of the Company’s shares on the Stock Exchange, the Group underwent a reorganisation (the “**Reorganisation**”) which was completed on 30 November 2018. The details of the Reorganisation are set out in the prospectus of the Company dated 27 September 2019 (the “**Prospectus**”). In the opinion of the Directors, Lightspeed Limited is considered as the immediate and ultimate holding company of the Group after the completion of the Reorganisation on 30 November 2018.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation has been under the common control of the Spouse for the period from 1 April 2018 to the completion date of the Reorganisation and before and after the Reorganisation, and is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements have been prepared as if the Company had always been the holding company of the Group since 1 April 2018.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 1.2 Reorganisation and basis of preparation and presentation *(Continued)*

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 September 2018 include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the six months ended 30 September 2018, or from their respective dates of incorporation or acquisition, where there is a shorter period.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed 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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group’s consolidated financial statements for each of the three years ended 31 March 2019 underlying the preparation of historical financial information included in the accountants’ report presented in the Prospectus.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 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 both periods.

The customers of the Group 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. Contracts with the Group's customers are mainly fixed-price contracts.

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. OTHER INCOME

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
Bank interest income	<b>12</b>	72
Rental income in respect of a carpark space	–	14
Insurance compensation income	<b>297</b>	–
Others	–	15
	<b>309</b>	101

### 5. FINANCE COSTS

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
Interest on bank borrowings	<b>18</b>	202
Interest on lease liabilities	<b>52</b>	42
	<b>70</b>	244

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
Depreciation on property, plant and equipment	<b>237</b>	191
Depreciation on right-of-use assets	<b>961</b>	940
Staff costs (including directors' remuneration)		
– Salaries and allowances and discretionary bonuses	<b>28,400</b>	25,718
– Retirement benefit scheme contributions	<b>1,124</b>	947
Total staff costs	<b>29,524</b>	26,665

### 7. INCOME TAX EXPENSE

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (Unaudited)</b>	2018 HK\$'000 (Unaudited)
<b>Hong Kong Profits Tax</b>		
– Current tax	<b>9,590</b>	5,111

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 September 2019 (six months ended 30 September 2018: 16.5% (unaudited)).

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime was applicable to Chit Tat Electrical Engineering Limited (“Chit Tat”), a wholly-owned subsidiary of the Company, for each of the six months ended 30 September 2018 and 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 8. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil (unaudited)).

### 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2019 (Unaudited)</b>	2018 (Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period) (HK\$'000)	<b>42,272</b>	24,381
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	<b>600,000</b>	600,000

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for both periods have been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 21(ii)) have been effective on 1 April 2018.

No diluted earnings per share is presented as there were no potential dilutive shares in issue for both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the six months ended 30 September 2019, the Group entered into rental agreements for the use of office premise and warehouse for two years. On lease commencement, the Group recognised HK\$1,601,000 of right-of-use assets and lease liabilities, which is a non-cash transaction.

### 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Trade receivables	59,016	29,418
Rental deposits ( <i>Note</i> )	329	219
Other receivables	4	4
Prepayments for purchase of materials and subcontracting fee	5,464	731
Prepaid expenses	1,744	1,262
Prepaid listing expenses and issue costs	–	203
Deferred issue costs	4,896	3,340
Utility and other deposits	147	34
	<b>71,600</b>	<b>35,211</b>

*Note:* Included in the rental, utility and other deposits as at 30 September 2019 were rental deposits of nil (31 March 2019: HK\$106,000 (audited)) and nil (31 March 2019: HK\$57,000 (audited)) paid to Shing Chak Development Limited and Milan Development Limited which are wholly owned by Mr. Ko and Ms. Cheung, respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

*(Continued)*

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customers. Recoverability of the existing customers is reviewed by the Directors 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 each reporting period.

	<b>At 30 September 2019 HK\$'000 (Unaudited)</b>	At 31 March 2019 HK\$'000 (Audited)
0 to 30 days	<b>50,061</b>	21,672
31 to 90 days	<b>7,512</b>	7,746
Over 90 days	<b>1,443</b>	–
	<b>59,016</b>	29,418

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

### 12. CONTRACT ASSETS

Contract assets represent the Group's rights to considerations from customers for the provision of E&M engineering services, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. CONTRACT ASSETS (Continued)

The increase in contract assets for the six months ended 30 September 2019 was primarily because: (i) an increase in retention receivables as a result of an increase in number of ongoing and completed contracts under the defects liability period over the past years; and (ii) an increase in the size of contract works that the relevant services were completed but yet been certified by architects, surveyors or other representatives appointed by customers at the end of the reporting period.

The Group's contracts with customers normally require it to perform the obligation (including, amongst others, primarily rectification of defects identified) under the contracts during the defects liability period generally for 12 to 24 months after issuance of practical completion certificates by customers. 5% to 10% of each interim payment from the customers is usually withheld by the customers as retention receivables in which 50% of the retention receivable is released upon issuance of practical completion certificates, and the remaining 50% of the retention receivable is released upon expiry of the defects liability period set out in the relevant contracts. The retention receivables are to be settled at the end of the reporting period as follows:

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Within one year	9,377	9,268
After one year	45,421	28,488
	<b>54,798</b>	<b>37,756</b>

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

### 13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2019 underlying the preparation of historical financial information included in the accountants' report presented in the Prospectus.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL *(Continued)*

No ECL was made for financial assets and other items subject to ECL as at 31 March 2019 and 30 September 2019 because the Group assessed that the ECL on those balances is insignificant.

### 14. TRADE AND RETENTION PAYABLES AND ACCRUALS

	<b>At 30 September 2019 HK\$'000 (Unaudited)</b>	At 31 March 2019 HK\$'000 (Audited)
Trade payables	<b>25,809</b>	17,646
Retention payables	<b>9,474</b>	5,821
Accrued issue costs and listing expenses	<b>8,905</b>	1,750
Accruals	<b>7,225</b>	8,909
	<b>51,413</b>	34,126

The credit period of trade payables granted by the Group's suppliers are normally within 60 days. The following is an aged analysis of trade payables of the Group, based on the invoice date at the end of each reporting period:

	<b>At 30 September 2019 HK\$'000 (Unaudited)</b>	At 31 March 2019 HK\$'000 (Audited)
0 to 30 days	<b>21,817</b>	17,629
31 to 90 days	<b>3,992</b>	17
	<b>25,809</b>	17,646

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. BANK LOANS AND TRUST RECEIPTS LOANS

The Group's bank loans and trust receipts loans were lent by two banks under their bank facilities granted to the Group. The bank facilities are secured by personal guarantees of Mr. Ko and Ms. Cheung in favour of the banks and their certain properties and the Group's carpark space and life insurance policy.

Notwithstanding the provisions stated in the relevant bank facilities, the bank facilities granted by a bank are repayable on demand by the bank which has the overriding right at any time to require immediate payment of all principal, interest, fees and other amounts outstanding under the bank facilities letter or any part thereof and/or to require cash collateralisation of all or any sum actually or contingently owing to it under the bank facilities; and the bank facilities granted by another bank may be modified, cancelled or suspended, at any time unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the Group's bank loans and trust receipts loans as at 31 March 2019 and 30 September 2019 were classified as current liabilities on those dates.

The bank loans and trust receipts loans as at 30 September 2019 bore variable interest rate at 1.0%-2.0% per annum below the Hong Kong Prime Rate quoted by the relevant banks (31 March 2019: variable interest rate at 1.5%-3.1% per annum below Hong Kong Prime Rate quoted by the relevant banks).

### 16. SHARE CAPITAL

#### The Group

The share capital as at 1 April 2018 represented the share capital of Chit Tat.

On 27 September 2018, as part of the Reorganisation, Ascend Group Holdings Limited ("**Ascend**"), a wholly-owned subsidiary of the Company, acquired 3,500,000 and 1,500,000 ordinary shares, representing the entire share capital of Chit Tat, from Mr. Ko and Ms. Cheung, respectively, in consideration of Ascend allotting and issuing 70 and 30 ordinary shares in Ascend credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

The share capital as at 31 March 2019 represented the share capital of the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. SHARE CAPITAL (Continued) The Company

	<i>Notes</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised ordinary shares with par value of HK\$0.01 each:</b>			
At 20 September 2018 (date of incorporation) and 31 March 2019	<i>(i)</i>	38,000,000	380
Increase in authorised share capital under the Reorganisation	<i>(ii)</i>	9,962,000,000	99,620
At 30 September 2019		10,000,000,000	100,000
<b>Ordinary shares, issued and fully paid:</b>			
At 20 September 2018 (date of incorporation)	<i>(i)</i>	1	—*
Issue of ordinary shares	<i>(iii)</i>	199	—*
At 31 March 2019 and 30 September 2019		200	—*

\* Amounts less than HK\$1,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. SHARE CAPITAL *(Continued)*

#### **The Company** *(Continued)*

*Notes:*

- (i) On 20 September 2018, the Company was incorporated with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On the date of incorporation, one share was allotted and issued, at par and credited as fully paid.
- (ii) On 18 September 2019, pursuant to the written resolution of the sole shareholder of the Company, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of the Company of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of the Company of HK\$0.01 each by the creation of an additional 9,962,000,000 new ordinary shares of par value of HK\$0.01 each.
- (iii) On 20 September 2018, the Company allotted and issued 99 ordinary shares at par, all credited as fully paid.

On 29 November 2018, Mr. Ko and Ms. Cheung (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Ko and Ms. Cheung agreed to transfer 140 and 60 ordinary shares of Ascend to the Company, in consideration of the Company allotting and issuing 70 and 30 ordinary shares of the Company, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. CAPITAL COMMITMENTS

	<b>At 30 September 2019 HK\$'000 (Unaudited)</b>	<b>At 31 March 2019 HK\$'000 (Audited)</b>
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>719</b>	–

### 18. PERFORMANCE GUARANTEES

As at 30 September 2019, performance bonds of HK\$33,190,000 (31 March 2019: HK\$32,483,000 (audited)) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the E&M engineering services. The performance guarantees were granted under the bank facilities of the Group which were secured by personal guarantees given by Mr. Ko and Ms. Cheung and their certain properties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. RELATED PARTIES TRANSACTIONS

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

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

	Six months ended 30 September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Subcontracting charges paid to Shun Tat Air Conditioning Engineering Company, a company controlled by a grandson of the uncle of Mr. Ko	<b>1,734</b>	4,100
Subcontracting charges and information technology maintenance service fees paid to Yuk Shing Advertising & Decoration Engineering Co., a company controlled by a brother of Mr. Ko	<b>592</b>	1,041
Purchases of construction materials from Mibuka Denki Electrical Controls Limited, a company controlled by Mr. Ko	<b>140</b>	54
Purchases of construction materials from Chit Shing Air Conditioning Trading Limited, a company controlled by a grandson of the uncle of Mr. Ko	<b>8,047</b>	5,066
Rental expenses paid to Shing Chak Development Limited, a company wholly owned by Mr. Ko	<b>159</b>	318
Rental expenses paid to Milan Development Limited, a company wholly owned by Ms. Cheung	<b>85</b>	170

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. RELATED PARTIES TRANSACTIONS *(Continued)*

#### (b) Compensation of key management personnel

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

	<b>Six months ended 30 September</b>	
	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Unaudited)
Short-term employee benefits	<b>3,162</b>	1,258
Post-employment benefits	<b>36</b>	27
	<b>3,198</b>	1,285

(c) As at 30 September 2019 and 31 March 2019, the Group was granted bank facilities for obtaining bank loans and trust receipts loans (note 15) and giving performance guarantees to its customers (note 18). Apart from the carpark space and the life insurance policy of the Group, these bank facilities are also secured by personal guarantees of Mr. Ko and Ms. Cheung and their certain properties at nil consideration.

(d) The staff costs of the Group included those of employees who are a nephew and a niece of Mr. Ko and brothers, a brother-in-law, a nephew and nieces of Ms. Cheung amounting to HK\$1,552,000 (six months ended 30 September 2018: HK\$1,324,000 (unaudited)), in aggregate.

### 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 21. EVENTS AFTER THE REPORTING PERIOD

- (i) On 18 October 2019, 200,000,000 ordinary shares with par value of HK\$0.01 each of the Company were issued at a price of HK\$0.73 per share by way of public offer and placing of the Company's ordinary shares. On the same date, the Company's ordinary shares were listed on the Main Board of the Stock Exchange.
  
- (ii) On 18 October 2019, the Company effected the capitalisation of an amount of HK\$5,999,998 standing to the credit of the share premium account of the Company as a result of the Share Offer (as defined in the Prospectus) and to appropriate such amount as to capital to pay up in full, at par, 599,999,800 ordinary shares of the Company of HK\$0.01 each for allotment and issue to the shareholders of the Company on 18 October 2019, each ranking pari passu in all respects with the then existing issued ordinary shares of the Company (the "**Capitalisation Issue**").
  
- (iii) On 18 October 2019, the previously adopted share option scheme became effective and the details and terms of the share option scheme are set out in the Prospectus.