Thelloy Development Group Limited

德 萊 建 業 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1546

INTERIM REPORT 2018

HIGHLIGHTS

For the Period:

– Revenue of the Group was approximately HK$321.9 million (2017: HK$362.8 million).

– Profit attributable to owners of the Company for the Period was approximately HK$15.8 million (2017: HK$25.6 million).

– Interim dividend for the Period of HK1.25 cents per share (2017: HK2.00 cents) is declared.

– Earnings per share of the Company was approximately HK1.98 cents (2017: HK3.20 cents).

The board (the "Board") of directors (the "Directors") of Thelloy Development Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2018 (the "Period"), together with the comparative figures for the corresponding period in 2017, as follows:

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

For the six months ended 30 September 2018

		Six months ended 30 September	
	Notes	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Revenue	*4*	**321,933**	362,801
Direct costs		**(286,958)**	(319,928)
Gross profit		**34,975**	42,873
Other income	*5*	**958**	147
Administrative expenses		**(16,487)**	(12,151)
Finance costs	*6*	**(100)**	(14)
Profit before taxation	*7*	**19,346**	30,855
Income tax expenses	*8*	**(3,515)**	(5,244)
Profit and total comprehensive income for the period		**15,831**	25,611
Basic earnings per share (HK cents)	*10*	**1.98**	3.20

Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2018

	Notes	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Non-current assets			
Plant and equipment	*11*	**780**	907
Current assets			
Trade receivables	*12*	**128,017**	74,128
Other receivables, deposits and prepayment	*13*	**48,656**	49,183
Contract assets		**30,435**	–
Amounts due from customers for contract work		**–**	14,853
Pledged bank deposits	*14*	**6,097**	26,044
Bank balances and cash		**211,885**	238,102
		425,090	402,310
Current liabilities			
Trade payables	*15*	**47,982**	67,891
Other payables and accrued charges	*16*	**67,657**	64,678
Contract liabilities		**173,873**	–
Amounts due to customers for contract work		**–**	118,596
Tax payable		**9,168**	8,135
		298,680	259,300

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2018

	Notes	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Net current assets		**126,410**	143,010
Net assets		**127,190**	143,917
Capital and reserves			
Share capital	*17*	**8,000**	8,000
Reserves		**119,190**	135,917
Equity attributable to owners of the Company		**127,190**	143,917

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2018, as previously reported (Audited)	**8,000**	**42,490**	**18,800**	**74,627**	**143,917**
Effect on adoption of HKFRS 15	**–**	**–**	**–**	**(12,558)**	**(12,558)**
At 1 April 2018, as restated	**8,000**	**42,490**	**18,800**	**62,069**	**131,359**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**15,831**	**15,831**
Dividend paid relating to the previous year	**–**	**–**	**–**	**(20,000)**	**(20,000)**
At 30 September 2018 (Unaudited)	**8,000**	**42,490**	**18,800**	**57,900**	**127,190**
At 1 April 2017 (Audited)	8,000	42,490	18,800	29,409	98,699
Profit and total comprehensive income for the period	–	–	–	25,611	25,611
At 30 September 2017 (Unaudited)	8,000	42,490	18,800	55,020	124,310

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(27,008)**	41,030
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**20,891**	(5,556)
NET CASH USED IN FINANCING ACTIVITIES	**(20,100)**	(575)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(26,217)**	34,899
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**238,102**	84,901
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**211,885**	119,800

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 28 May 2015 and its shares (the "Shares") are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and its principal place of business is Unit C, 21st Floor, Kings Tower, 111 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.

The Group is principally engaged in property construction services in Hong Kong.

The condensed consolidated financial statements have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

The unaudited condensed interim financial statements of the Group are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). This unaudited condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies used in preparing these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2018, except for the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" as described below. Other amendments to standards and new interpretation that are effective for the first time for this interim period did not have significant impact to the Group's accounting policies.

Adoption of HKFRS 15 "Revenue from Contracts with Customers"

The Group has first time adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application, under which the cumulative effect of the initial application is adjusted to the opening balance of retained earnings on 1 April 2018 and no comparative figures are restated.

HKFRS 15 establishes a new framework for revenue recognition. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard introduces a five-step model to determine when to recognise revenue and at what amount. Under the five-step model, revenue is recognised when control of goods or services is transferred to a customer and at the amount to which the entity expects to be entitled. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time. The new standard also sets out new capitalisation criteria for contract acquisition costs which are incremental and the entity is expected to recover them.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

Impact on adoption

Upon application of HKFRS 15, revenue from construction contracts is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. With the performance obligation satisfied over time, the revenue recognised is measured at the progress towards complete satisfaction of the performance obligation.

In order to faithfully represent the depiction of the Group's performance in transferring control of good or services promised to its customer, the Group would adopt input method to measure its progress by reference to the actual costs incurred relative to the total expected costs. The table below summarise the impact on the adoption of HKFRS 15:

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 31 March 2018. The table below shows only the items impacted by the adoption of HKFRS 15.

	Carrying amounts previously reported at 31 March 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK$'000
Current assets				
Contract assets	–	14,853	1,281	16,134
Amounts due from customers for contract work	14,853	(14,853)	–	–
Current liabilities				
Contract liabilities	–	118,596	16,320	134,916
Amounts due to customers for contract work	118,596	(118,596)	–	–
Tax payable	8,135	–	(2,481)	5,654

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

The following table summarises the estimated impact of the adoption of HKFRS 15 on the unaudited condensed consolidated financial statements, by comparing the amounts reported under HKFRS 15 with estimates of the hypothetical amounts that would have been recognised under HKAS 11 if it had continued to be applied during the Period instead of HKFRS 15. The table below shows only the items impacted by the adoption of HKFRS 15.

Unaudited condensed consolidated statement of profit or loss (Extract)

	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15 HK$'000	Estimated impact of the adoption of HKFRS 15 HK$'000	Hypothetical amounts under HKAS 11 HK$'000
For the six months ended 30 September 2018			
Revenue	321,933	24,670	346,603
Direct costs	(286,958)	(22,735)	(309,693)
Income tax expense	(3,515)	(319)	(3,834)
Profit for the period	15,831	1,616	17,447

Unaudited condensed consolidated statement of financial position at 30 September 2018 (Extract)

	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15 HK$'000	Estimated impact of the adoption of HKFRS 15 HK$'000	Hypothetical amount under HKAS 11 HK$'000
Current assets			
Contract assets	30,435	(30,435)	–
Amounts due from customers for contract work	–	27,421	27,421
Current liabilities			
Contract liabilities	173,873	(173,873)	–
Amounts due to customers for contract work	–	153,886	153,886
Tax payable	9,168	2,801	11,969

Adoption of HKFRS 9 "Financial Instruments"

During the Period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Impact on adoption

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets. Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and bank balances, which are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered the additional expected credit loss allowance as at 1 April 2018 measured under the ECL model is insignificant.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

3. SEGMENT INFORMATION

The Group's operations is solely derived from construction services in Hong Kong during the Period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 2. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

No geographical information is presented as the Group's revenue is all derived from Hong Kong based on the location of services delivered. As at 30 September 2018, the Group's plant and equipment amounting to HK$780,000 (31 March 2018: HK$907,000) are all physically located in Hong Kong.

4. REVENUE

Revenue represents the fair value of amounts received and receivable from the construction contracts by the Group to external customers.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Building construction	**144,184**	86,867
Repair, maintenance, alteration and addition ("RMAA") works	**164,169**	236,723
Design and build	**13,580**	39,211
	321,933	362,801

5. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Bank interest income	**948**	147
Other	**10**	–
	958	147

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on:		
– bank borrowings	**100**	6
– obligation under finance leases	**–**	8
	100	14

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Directors' remuneration	**8,420**	3,342
Other staff costs		
Salaries and other benefits	**4,358**	3,717
Retirement benefits scheme contributions	**161**	153
Total staff costs	**12,939**	7,212
Depreciation of plant and equipment	**131**	223
Operating lease rentals in respect of buildings	**871**	891

8. INCOME TAX EXPENSES

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	**3,515**	5,244

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%.

For the Period, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime.

For the six months ended 30 September 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the reporting date (31 March 2018: Nil).

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

9. DIVIDEND

During the Period, a final dividend in respect of the year ended 31 March 2018 of HK$20,000,000 (HK2.5 cents per share) has been paid and recognised as distribution.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Interim dividend declared – HK1.25 cents per ordinary share (2017: HK2.00 cents)	**10,000**	16,000

The interim dividend was declared after the end of the reporting period and hence was not recognised as a liability as at 30 September 2018.

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2018 (unaudited)	2017 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK$'000)	**15,831**	25,611
Number of shares		
Number of ordinary shares in issue (thousand shares)	**800,000**	800,000

No diluted earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

11. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment of approximately HK$4,000 (2017: HK$688,000).

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

12. TRADE RECEIVABLES

The credit term granted by the Group to its customers is 30 days from the date of invoices on progress payments of contract works. An ageing analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
0-30 days	**122,357**	68,745
31-60 days	**–**	–
61-90 days	**–**	–
91-360 days	**277**	2,077
Over 360 days	**5,383**	3,306
	128,017	74,128

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Deposits	**7,467**	8,998
Retention receivables	**40,894**	39,812
Prepayments	**295**	373
	48,656	49,183

14. PLEDGED BANK DEPOSITS

As at 30 September 2018 and 31 March 2018, pledged bank deposit represents deposits pledged to banks to secure the banking facilities (including performance guarantee) granted to the Group, and carried with prevailing market interest rate from 0.30% to 2.21% (31 March 2018: 0.01% to 1.15%) per annum.

15. TRADE PAYABLES

The credit period granted to the Group on subcontracting of contract work services is 30 to 45 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
0-30 days	**47,982**	67,891

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

16. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Accrued charges	**13,117**	17,933
Retention payables	**52,476**	43,681
Deposits received	**2,064**	3,064
	67,657	64,678

17. SHARE CAPITAL

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Share capital HK$'000 (Unaudited)
Ordinary shares of HK$0.01 each		
Authorised		
At 31 March 2018 and 30 September 2018	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2018 and 30 September 2018	800,000,000	8,000

18. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the Period:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Rental paid to a related company *(Note)*	**651**	651

Note: The related company is wholly owned by Mr. Lam Kin Wing Eddie ("Mr. Lam"), a director and controlling shareholder of the Company.

19. EVENTS AFTER THE END OF REPORTING PERIOD

The Group had no significant events after the end of the reporting period.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

During the Period, the Group kept focusing on its core contract works business, as a main contractor for both the public and private sectors, which includes building construction services and RMAA works services, as well as the design and build services. The Group has a registered general building contractor license and certain crucial qualifications including but not limited to (i) Group C (confirmed) Approved Contractor for Public Works – Building Category; (ii) Approved Suppliers of Materials and Specialist Contractors for Public Works – Repair and Restoration of Historic Building Category (for "Western Style Buildings only"); (iii) Housing Authority List of Building Contractor – Building (New Works) Category; and (iv) Housing Authority List of Building Contractors – Maintenance Works Category.

With the long-term housing strategy launched by the Government as per the 2018 Policy Address, the Group is positive of the future of the construction industry. The Group will keep focusing on its existing business and looking for appropriate projects that cope with the overall strategy of the Group. The Group will strengthen its market position in the industry and increase its market shares by 1) further development in the private customers segment, in order to achieve a more balance portfolio for the Group's customer base; and 2) further develop the business in the design and build segment by targeting smaller contracts in the near future in this segment. The aggregate unbilled contract sum of over HK$700 million has secured for the revenue of the Group in the coming years.

The Group entered into a deed of exclusivity (the "Deed") on 10 September 2018 to collaborate with Nova Deko Group for tendering and executing modular integrated construction works. Details of the Deed are set out in the Company's announcement dated 11 September 2018. The Board considers that this collaboration allows the Group to leverage on Nova Deko Group's capabilities and strengthen its position in the field of modular integrated construction works in Hong Kong.

FINANCIAL REVIEW

Revenue

During the Period, revenue of the Group decreased from approximately HK$362.8 million to approximately HK$321.9 million as compared to the corresponding period in 2017, representing a decrease of approximately 11.3%. The decrease was driven by the substantial decrease in revenue from RMAA and design and build services with offsetting impact of the increase in revenue from building construction.

Revenue from building construction services for the Period increased sharply from approximately HK$86.9 million to approximately HK$144.2 million, which was mainly due to certain new projects commenced during the Period. However, the revenue from RMAA services was dropped from approximately HK$236.7 million to approximately HK$164.2 million due to the completion of certain major projects. The revenue from design and build services was also decreased from approximately HK$39.2 million for the corresponding period in 2017 to HK$13.6 million during the Period.

Direct Costs

The Group's direct costs decreased from approximately HK$319.9 million for the six months ended 30 September 2017 to approximately HK$287.0 million for the Period, representing a decrease of approximately 10.3%. Such decrease was in line with the decrease of revenue during the Period.

Gross Profit

The Group's gross profit amounted to approximately HK$35.0 million and HK$42.9 million for the six months ended 30 September 2018 and 2017 respectively, representing a decrease of approximately 18.4%. Such decrease was mainly attributable to the decrease in number of projects undertaken by the Group during the Period as compared to the corresponding period in 2017.

Management Discussion and Analysis (Continued)

Other Income

The Group's other income represented mainly the bank interest income and amounted to approximately HK$958,000 and HK$147,000 for the six months ended 30 September 2018 and 2017 respectively.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$16.5 million and HK$12.2 million for the six months ended 30 September 2018 and 2017 respectively, representing an increase of approximately 35.7%. Such increase was primarily due to the increase in staff costs to support the business growth.

Finance Costs

For the six months ended 30 September 2018 and 2017, the Group's finance costs amounted to approximately HK$100,000 and HK$14,000 respectively. The increase in finance costs was mainly due to the increase in bank borrowing during the Period.

Income Tax Expenses

For the six months ended 30 September 2018 and 2017, the Group's income tax expense amounted to approximately HK$3.5 million and HK$5.2 million respectively, as a result of the decrease in taxable profit for the Period.

Profit and Total Comprehensive Income

Profit and total comprehensive income for the Period decreased by approximately HK$9.8 million from approximately HK$25.6 million for the six months ended 30 September 2017 to approximately HK$15.8 million for the Period. Such decrease was mainly due to the decrease in both revenue and gross profit during the Period with an increase in the administrative expenses of the Group.

Interim Dividend

The Board declared the payment of an interim dividend HK1.25 cents per share for the Period (2017: HK2.00 cents). The said interim dividend will be payable on or around 4 January 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 14 December 2018.

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 13 December 2018 to 14 December 2018, both days inclusive. No transfer of shares of the Company will be registered during the period. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share register and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 12 December 2018.

Liquidity and Financial Resources

The Group maintained a sound financial position. As at 30 September 2018, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$218.0 million (31 March 2018: approximately HK$264.1 million). As at 30 September 2018, there was no bank borrowings (31 March 2018: Nil), and the current ratio as at 30 September 2018 was approximately 1.4 (31 March 2018: approximately 1.6).

Gearing Ratio

The gearing ratio of the Group as at 30 September 2018 was nil (31 March 2018: Nil), the Group had repaid all borrowings as the Group had adequate funds to meet future capital expenditures and operational needs. The gearing ratio is calculated as total borrowings divided by total equity as at the respective periods.

Management Discussion and Analysis (Continued)

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 30 September 2018, the Group had pledged bank deposits of approximately HK$6.1 million (31 March 2018: approximately HK$26.0 million) to secure the banking facilities granted to the Group. Save for the above, the Group did not have any charges on its assets.

Capital Structure

There has been no change in capital structure of the Company during the Period. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitment

As at 30 September 2018, the Group had no significant capital commitment (31 March 2018: Nil).

Human Resources Management

As at 30 September 2018, the Group had a total of 229 employees (31 March 2018: 224 employees). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance. The Group sponsored staff to attend seminars and training courses.

In addition, the Group adopted a share option scheme. No share option has been granted, exercised, cancelled or lapsed since its adoption.

Foreign Currency Risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the Period, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Period.

Significant Investments, Capital Assets, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any significant investments, capital assets, material acquisitions, and/or disposals of subsidiaries and affiliated companies during the Period.

Contingent Liabilities

As at 30 September 2018, performance guarantees of approximately HK$7.4 million (31 March 2018: HK$34.6 million) were issued by certain banks to the Group's customers on behalf of the Group and approximately HK$1.9 million (31 March 2018: HK$7.2 million) of these guarantees were secured by pledged bank deposits of the Group. Save as the above, the Group had no material contingent liabilities (31 March 2018: Nil).

Other Information

CORPORATE GOVERNANCE CODE

The Company's corporate governance code are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company is committed to ensuring a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the code provision A.2.1.

The Board is of the view that vesting both roles in Mr. Lam will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Company complied with all code provision in the CG Code during the Period save for the deviation disclosed above.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the Model Code For Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, each of the Directors confirmed that he had complied with such code of conduct and the Model Code throughout the Period.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 September 2018, the interests and short positions of the Directors and the chief executives 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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of shareholder	Capacity	Number of ordinary shares held		Percentage of shareholding in the Company's issued share capital
Mr. Lam	Interest in controlled corporation *(Note 1)*	580,000,000	(L)	72.5%
Mr. Chung Koon Man	Beneficial owner	2,000,000	(L)	0.25%

(L) denotes long position.

Note:

1. Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate Holding Limited ("Cheers Mate"). By virtue of the SFO, Mr. Lam is deemed to be interested in 580,000,000 Shares held by Cheers Mate.

Save as disclosed above, as at 30 September 2018, none of the Directors nor chief executive of the Company has registered an interests and 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) (i) which were required to be 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors are aware, as at 30 September 2018, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of ordinary shares held		Percentage of shareholding in the Company's issued share capital
Cheers Mate	Beneficial owner	580,000,000	(L)	72.5%
Ms. Cheng Pui Wah Theresa *(Note 1)*	Interest of spouse	580,000,000	(L)	72.5%

(L) denotes long position.

Note:

(1) Ms. Cheng Pui Wah Theresa is the spouse of Mr. Lam. By virtue of the SFO, Ms. Cheng is deemed to be interested in the same number of Shares in which Mr. Lam is deemed to be interested under the SFO.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES OR DEBENTURE

At no time during the Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

Other Information (Continued)

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally approved by the Company pursuant to the written resolutions of the then sole shareholder of the Company on 22 September 2015.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") on 22 September 2015 with written terms of reference in compliance with the Listing Rules. The duties of the Audit Committee are (among other things) to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Tse Ting Kwan, who is the chairman of the Audit Committee, Mr. Tang Chi Wang and Mr. Wong Kwong On. The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

By order of the Board
Thelloy Development Group Limited
Lam Kin Wing Eddie
Executive Director and Chairman

Hong Kong, 22 November 2018

As at the date of this report, the executive directors of the Company are Mr. Lam Kin Wing Eddie, Mr. Shut Yu Hang and Mr. Chung Koon Man; and the independent non-executive directors of the Company are Mr. Tse Ting Kwan, Mr. Tang Chi Wang and Mr. Wong Kwong On.