

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  
2021



## HIGHLIGHTS

For the six months ended 30 September 2021 (the “Period”) and 2020 (the “Previous Period”):

- Revenue of the Group for the Period was approximately HK\$90.3 million (Previous Period: HK\$105.9 million).
- The loss attributable to owners of the Company for the Period was approximately HK\$9.0 million (Profit attributable to owners of the Company for the Previous Period: approximately HK\$9.0 million).
- The Board does not recommend the payment of an Interim dividend for the Period.
- Loss per share for the Period amounted to approximately HK1.12 cents (Earnings per share for the Previous Period: approximately HK1.13 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 2021, together with the comparative figures for the corresponding period, as follows:

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

For the six months ended 30 September 2021

	<i>Notes</i>	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	5	90,288	105,920
Direct costs		(78,665)	(96,416)
Gross profit		11,623	9,504
Other income	6	515	5,313
Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal		–	10,000
Administrative expenses		(19,351)	(13,602)
Share of loss of a joint venture	21	(1,523)	–
Finance costs	7	(242)	(147)
(Loss)/profit before taxation	8	(8,978)	11,068
Income tax expenses	9	–	(2,024)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company		(8,978)	9,044
(Loss)/earnings per share	11		
– Basic (HK cents)		(1.12)	1.13

# Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2021

	<i>Notes</i>	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	84,777	43,046
Right-of-use assets		3,538	1,828
Investment properties		–	43,680
Interest in joint ventures	21	78,402	74,574
		<b>166,717</b>	163,128
<b>Current assets</b>			
Trade receivables	13	23,388	6,993
Other receivables, deposits and prepayments	14	4,077	1,965
Contract assets		10,786	8,922
Amount due from a joint venture		2,556	3,195
Pledged bank deposits	15	1,039	1,039
Bank balances and cash		59,253	91,302
		<b>101,099</b>	113,416
<b>Current liabilities</b>			
Trade payables	16	14,115	10,525
Other payables and accrued expenses	17	52,501	30,760
Contract liabilities		40,346	56,377
Lease liabilities		2,448	1,720
Provisions		180	231
Tax payable		1,605	2,267
Bank borrowing		20,000	30,000
		<b>131,195</b>	131,880



# Unaudited Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2021

	<i>Notes</i>	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
<b>Net current (liabilities) assets</b>		<b>(30,096)</b>	(18,464)
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,124</b>	189
<b>Net assets</b>		<b>135,497</b>	144,475
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>8,000</b>	8,000
Reserves		<b>127,497</b>	136,475
Equity attributable to owners of the Company		<b>135,497</b>	144,475

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2021 (Audited)	8,000	42,490	18,800	75,185	144,475
Loss and total comprehensive expense for the period	-	-	-	(8,978)	(8,978)
<b>At 30 September 2021 (Unaudited)</b>	<b>8,000</b>	<b>42,490</b>	<b>18,800</b>	<b>66,207</b>	<b>135,497</b>
At 1 April 2020 (Audited)	8,000	42,490	18,800	54,062	123,352
Profit and total comprehensive income for the period	-	-	-	9,044	9,044
At 30 September 2020 (Unaudited)	8,000	42,490	18,800	63,106	132,396



## Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(20,913)	33,293
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(55)	4,972
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(11,081)	9,041
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(32,049)	47,306
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	91,302	54,872
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	59,253	102,178

# 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 2/F, Centre 600, 82 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 consolidated financial statements of the Group are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

## 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 2021, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The Group incurred a net loss of approximately HK\$8,978,000 during the six months period ended 30 September 2021 and, as of that date, the Group had net current liabilities of approximately HK\$30,096,000. Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from banks to the Group of HK\$121,076,000 (31 March 2021:HK\$142,627,000), which can be utilised if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.



# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 3. 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 Period are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

Except as described below, the application of the Amendments to Reference to the Conceptual Framework in HKFRS Standard and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### **3.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Change in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2022.

## **4. 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 of the Group. 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 2021, the Group’s non-current assets (exclude interest in joint ventures) amounting to HK\$88,315,000 (31 March 2021: HK\$88,554,000) are all physically located in Hong Kong.



## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### 5. 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Recognised over time under HKFRS 15:		
Building construction	35,882	13,080
Repair, maintenance, alteration and addition ("RMAA") works	42,028	73,337
Design and build	12,378	19,503
Revenue from contracts with customers	90,288	105,920

### 6. OTHER INCOME

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	13	52
Management fee income	55	–
Rental Income	243	667
Government grant	204	4,594
	515	5,313

## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### 7. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest expense on:		
– bank borrowings	203	118
– lease liabilities	39	29
	<b>242</b>	<b>147</b>

### 8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Total staff costs	8,486	6,398
Directors' remuneration	3,240	3,440
Other staff costs		
– Salaries and other benefits	5,060	2,845
– Retirement benefits scheme contributions	186	113
Depreciation	2,807	2,908
– property, plant and equipment	1,621	1,301
– Investment properties	394	808
– right-of-use assets	792	799



## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### 9. INCOME TAX EXPENSES

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong Profits Tax	–	2,024

Hong Kong Profits Tax is calculated at 16.5% of estimated assessable profits for the Previous Period. No Hong Kong Profits Tax was provided for current period as the Group did not derive any estimated assessable profits or had sufficient tax losses brought forward to offset against the estimated assessable profits.

### 10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months period ended 30 September 2021 (2020: nil).

### 11. LOSS/EARNINGS PER SHARE

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

	Six months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)
<b>(Loss)/earnings</b> (Loss)/profit for the period attributable to owners of the Company (HK\$'000)	<b>(8,978)</b>	9,044
<b>Number of shares</b> Number of ordinary shares in issue (thousand shares)	<b>800,000</b>	800,000

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

## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### 12. PROPERTY, PLANT AND EQUIPMENT

The increase in property, plant and equipment from approximately HK\$43.0 million as at 31 March 2021 to HK\$84.8 million as at 30 September 2021 was primarily arose from the transfer of investment properties with net carrying amount of approximately HK\$43.7 million owned by the Group to property, plant and equipment after the commencement of owner-occupation during the Period.

### 13. 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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0-30 days	23,133	6,738
31-90 days	255	255
	<b>23,388</b>	<b>6,993</b>

### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Rental deposits	557	91
Other deposits	1,940	881
Other receivables	541	449
Prepayment	1,039	544
Total	<b>4,077</b>	<b>1,965</b>



## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### 15. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities (including bank borrowings and performance guarantee) granted to the Group, carrying interest at prevailing market rate ranging from 0.001% to 0.002% (31 March 2021: 1.4% to 1.64%) per annum.

### 16. 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.

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
0-30 days	<b>10,804</b>	7,464
31-60 days	<b>3,311</b>	3,061
	<b>14,115</b>	10,525

## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### 17. OTHER PAYABLES AND ACCRUED EXPENSES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Accrued charges	37,275	10,928
Retention payables	15,035	19,089
Deposits received from suppliers	49	49
Deposits received for rental	–	194
Provision for legal and professional fee	142	500
	<b>52,501</b>	<b>30,760</b>

### 18. SHARE CAPITAL

	Number of shares thousand shares	Share capital HK\$'000 (Unaudited)
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 31 March 2021 and 30 September 2021	2,000,000	20,000
<b>Issued and fully paid:</b>		
At 31 March 2021 and 30 September 2021	800,000	8,000

All issued shares rank pari passu in all respects with each other.



# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 19. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
– Subcontractor income from Nova Techoy ( <i>Note i</i> )	1,789	17,127
– Management fee income from Nova Techoy	58	485
– Interest expense on lease liabilities to Popstate Limited ( <i>Note ii</i> )	10	26

*Note:*

- (i) Nova Techoy Modular Construction Company Limited ("Nova Techoy") is a joint venture of the Company.
- (ii) The related company is wholly owned by Mr. Lam Kin Wing Eddie ("Mr. Lam"), a director and controlling shareholder of the Company.

## 20. PERFORMANCE GUARANTEE

At 30 September 2021, performance guarantee of approximately HK\$10,698,000 (31 March 2021: HK\$373,000) is given by banks or the insurance company 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 their customers for construction work. The Group has contingent liabilities to indemnify the banks or the insurance company for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee is secured by the project proceeds and will be released upon completion of the contract work.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 21. INTEREST IN JOINT VENTURES

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			30 September 2021	31 March 2021	30 September 2021	31 March 2021	
Nova Techoy Modular Construction Company Limited ("Nova Techoy")	Hong Kong	Hong Kong	51%	51%	51%	51%	Sales of modular housing solutions
Great Glory Developments Limited ("Great Glory")	BVI	Hong Kong	49%	49%	49%	49%	Investment holding
World Partner Limited ("World Partner")	Hong Kong	Hong Kong	34.3%	34.3%	34.3%	34.3%	Properties developing

World Partner is a subsidiary of Great Glory of which Great Glory owns 70% interest.

### Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Details of the Group's interest in joint ventures are as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Cost of unlisted interest in joint ventures	80,050	74,699
Share of post-acquisition results	(1,648)	(125)
	<b>78,402</b>	<b>74,574</b>



## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### Nova Techoy

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Current assets	2,531	868
Current liabilities	(12,606)	(10,168)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	2,531	868
Current financial liabilities (excluding trade and other payables and provisions)	9,409	10,048

	Six months ended	
	30 September 2021 HK\$'000 (Unaudited)	30 September 2020 HK\$'000 (Unaudited)
Revenue	5,682	11,814
Profit/(loss) for the period	720	(218)
The unrecognised share of loss of a joint venture for the period	–	(111)
Cumulative unrecognised share of loss of a joint venture	(4,377)	(111)

## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

### Great Glory (consolidated financial information of Great Glory and World Partner)

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Current assets	5,407	5,271
Non-current assets	339,481	212,351
Current liabilities	(67,657)	(65,333)
Non-current liabilities	(124,000)	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	5,407	5,271
Financial liabilities (excluding trade and other payables and provisions)	(191,657)	(65,333)

	<b>Six months ended</b>	
	<b>30 September 2021 HK\$'000 (Unaudited)</b>	30 September 2020 HK\$'000 (Unaudited)
Loss for the period	(4,727)	–
Share of loss of a joint venture for the period	(1,523)	–



# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

Hong Kong's economy was gradually improving and recovering from the impacts of COVID-19 during the Period but uncertainties remain in the global macroeconomic outlook due to supply bottlenecks in many economies, geopolitical tensions, and the threat of more infectious variants of the pandemic. Operating environment may remain challenging in the short term as potential inflationary pressure and rising material costs will add challenges to cost budgeting and tender price determination. Yet, the Group remained relatively optimistic on the future of the construction sector, as recent government initiatives including Northern Metropolis, Lantau Tomorrow Vision, and increasing supply of public housing and transitional housing should render support to construction demand over the medium to long term.

The Group's main business focuses on providing professional construction and management services in Hong Kong as a main contractor, with its scope of works includes (i) building construction services; (ii) repair, maintenance, alteration and addition ("RMAA") works services; and (iii) Modular Integrated Construction ("MiC") services. Amid challenging business conditions, the Group managed to secure a number of new projects during the Period by capitalizing its reputation of helping trusting customers with sincerity, quality and innovative solutions. The new projects secured include Construction of Public Vehicle Park at Sheung Shui Area 4 and 30 Site 2 Phase 1, and Alternation and Addition Works at Cyberport.

The Group continued to focus on the strategic development of its MiC construction services business, securing two new MiC site office projects during the period under review. To further maintain its competitiveness in MiC construction, the Group has also invested in research and development of innovative MiC design during the Period. The Group was also actively embracing and adopting new construction technologies, including but not limited to Building Information Modelling ("BIM") and 3D scanning and printing, which aim to drive forward productivity and enhance project delivery outcomes.

World Partners Limited (the "JV Subsidiary"), a subsidiary of Great Glory Developments Limited (the "JV Company", which is owed as to 49% by the Group), successfully completed the acquisition of a property in Tsuen Wan, Hong Kong during the Period for redevelopment. The Acquisition is an expansion of the Group's business interests in Hong Kong's property market and can achieve synergy with the Group's existing business in building construction. Demolition works of the existing building is currently in progress and is expected to be completed by January 2022. The Group will continue to look out for opportunities to partner with property investors and developers on real estate development projects, so as to diversify and maintain the sustainable development of the Group's business.

# Management Discussion and Analysis (Continued)

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased from approximately HK\$105.9 million for the Previous Period to approximately HK\$90.3 million for the Period, representing a decrease of approximately 14.8%. The decrease is mainly attributable to a decrease in revenue from the design and build services and RMAA services and partially offset by an increase in revenue for the building construction services during the Period. Due to the impact on the economy of Hong Kong brought along by COVID-19, there was a general delay in the progress and completion of certain construction projects.

Revenue from building construction services for the Period increased sharply from approximately HK\$13.1 million for Previous Period to approximately HK\$35.9 million for the Period, which was mainly due to the commencement of certain new projects during the Period. On the other hand, the revenue from RMAA services dropped from approximately HK\$73.3 million for Previous Period to approximately HK\$42.0 million for the Period due to the completion of certain projects. Revenue from design and build services contributed approximately HK\$12.4 million during the Period to the Group (Previous Period: approximately HK\$19.5 million), which was attributable to a decrease in revenue from MiC projects during the Period.

### Direct Costs

The Group's direct costs decreased from approximately HK\$96.4 million for the Previous Period to approximately HK\$78.7 million for the Period, representing a decrease of approximately 18.4%. Such decrease was in line with the decrease of revenue during the Period.

### Gross Profit

The Group's gross profit amounted to approximately HK\$11.6 million for the Period (Previous Period: HK\$9.5 million), representing an increase of approximately 22.3%. The Group's overall gross profit margin increased from 9.0% for the Previous Period to 12.9% for the Period.

### Other Income

The Group's other income mainly consists of rental income and government grant, and decreased by approximately HK\$4.8 million from approximately HK\$5.3 million for the Previous Period to approximately HK\$0.5 million during the Period, representing a decrease of approximately 90.3%, which was mainly due to absence of subsidies of Employment Support Scheme ("ESS") under the Anti-epidemic Fund set up by the Hong Kong Government.



## Management Discussion and Analysis (Continued)

### **Impairment Loss on Financial Assets and Contract Assets under Expected Credit Loss Model, Net of Reversal**

During the year ended 31 March 2021, the Group entered into a settlement agreement with a customer in connection with the disposal under the two subcontracts and a reversal of impairment loss of approximately HK\$10 million on financial assets was recognised accordingly.

### **Administrative Expenses**

The Group's administrative expenses amounted to approximately HK\$19.4 million for the Period (Previous Period: HK\$13.6 million), representing an increase of approximately 42.3%. Such increase was primarily due to an increase in staff costs and research and development costs incurred on innovative MiC design for high rise development.

### **Finance Costs**

The Group's finance costs amounted to approximately HK\$242,000 for the Period (Previous Period: HK\$147,000). The increase in finance costs was mainly due to an increase in interest expenses on lease liabilities with the increase in lease liabilities.

### **Income Tax Expenses**

Provision for Hong Kong Profits Tax has not been made as the Group sustained a taxation loss during the Period (Previous Period: HK\$2.0 million).

### **(Loss)/Profit and Total Comprehensive (Expense)/Income**

The Group recorded a net loss of approximately HK\$9.0 million for the Period compared to a profit for the Previous Period of approximately HK\$9.0 million. The decrease in the profit for the Period was mainly due to (i) the recognition of a one-off gain resulting from the settlement of an arbitration proceeding against a customer and reversal of impairment losses on trade and other receivables and contract assets in the Previous Period which did not recur for the Period; (ii) a decrease in other income as a result of absence of subsidies of the ESS under the Anti-epidemic Fund, set up by the Hong Kong Government; and (iii) an increase in administrative expenses mainly due to the increase in staff costs and research and development costs.

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend (2020: Nil).

# Management Discussion and Analysis (Continued)

## Liquidity and Financial Resources

The Group maintained a sound financial position. As at 30 September 2021, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$60.3 million (31 March 2021: approximately HK\$92.3 million). Cash and cash equivalents and pledged deposits as at 30 September 2021 were all denominated in Hong Kong dollars. The total interest-bearing borrowings of the Group as at 30 September 2021 amounted to approximately HK\$23.6 million (31 March 2021: HK\$31.9 million), and the current ratio as at 30 September 2021 was approximately 0.77 (31 March 2021: approximately 0.86). As at 30 September 2021, the interest-bearing bank borrowing was denominated in Hong Kong dollars, repayable within one year and bore interest at Hong Kong Interbank offered Rate (“HIBOR”) plus a spread of range from 1.35% to 3% per annum.

## Gearing Ratio

The gearing ratio of the Group as at 30 September 2021 was approximately 17.4% (31 March 2021: 22.1%). The gearing ratio is calculated as bank borrowings and lease liabilities divided by total equity as at the respective periods.

## 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 2021, the Group had pledged bank deposits of approximately HK\$1.0 million (31 March 2021: approximately HK\$1.0 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.



## Management Discussion and Analysis (Continued)

### Capital Commitment

On 5 March 2021, the Group agreed to provide a capital contribution in the aggregate amount of HK\$188,650,000 to the JV Company, and such contributions shall be payable upon request of the JV Company from time to time expected to be made by batch over a period of four years based on the latest redevelopment schedule of a property in Tsuen Wan, Hong Kong. As at 30 September 2021, the Group has provided the capital contribution of approximately HK\$80,045,000 to the JV Company, out of which approximately HK\$5,351,000 has been provided during the Period, and approximately HK\$108,605,000 (31 March 2021: HK\$113,956,000) remain outstanding. Details of the formation of the JV Company and the provision of the capital contribution have been disclosed in the announcement of the Company dated 11 September 2020 and circular of the Company dated 26 March 2021.

Save as disclosed above, as at 30 September 2021, the Group had no other material capital commitment.

### Human Resources Management

As at 30 September 2021, the Group had a total of 62 employees (31 March 2021: 79 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 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.

## Management Discussion and Analysis (Continued)

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

On 1 April 2021, the JV Subsidiary, a subsidiary of the JV Company, which in turn is a joint venture owned as to 49% by the Group, completed the acquisition of a property in Tsuen Wan, Hong Kong. Details of the acquisition have been disclosed in the announcements of the Company dated 16 November 2020 and 1 April 2021 respectively.

Save as disclosed above, 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**

On 5 March 2021, the Group agreed to provide a guarantee in favour of a bank in respect of a bank facility to the JV Subsidiary up to a maximum amount of HK\$124,000,000, provided that the liability of the Group in respect of any part of the guaranteed indebtedness shall be several with that of other joint venture partners, and be limited to 34.3% of the guaranteed indebtedness, representing the effective interest of the Group in the JV Subsidiary. Up to 30 September 2021, the bank facility has been fully drawn down by the JV Subsidiary (31 March 2021: nil). In the opinion of the Directors, the fair value of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of the JV Subsidiary. Accordingly, no value has been recognised in the consolidated financial statements.



## Other Information

### CORPORATE GOVERNANCE CODE

The Company's corporate governance code is 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 ensure 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 Kin Wing Eddie ("Mr. Lam") serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the CG 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.

## Other Information (Continued)

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

As at 30 September 2021, 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 Director	Capacity/Nature of interests	Number of ordinary shares held	Percentage of shareholding in the Company's issued share capital
Mr. Lam	Interest in controlled corporation ( <i>Note 1</i> )	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.



## Other Information (Continued)

Save as disclosed above, as at 30 September 2021, 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 2021, 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/Nature of interests	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 <i>(Note 1)</i>	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.

## Other Information (Continued)

Save as disclosed above, as at 30 September 2021, 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 auditor, 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 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 has not been audited but has been reviewed by the auditor; and 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  
**Theloy Development Group Limited**  
**Lam Kin Wing Eddie**  
*Executive Director and Chairman*

Hong Kong, 25 November 2021

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. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On.