

# 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  
**2017**

## HIGHLIGHTS

For the six months ended 30 September 2017 (the “Period”):

- Revenue of the Group was approximately HK\$362.8 million, increased approximately 119.5% as compared to the corresponding period in 2016.
- Profit attributable to owners of the Company for the Period was approximately HK\$25.6 million (2016: HK\$3.9 million).
- Interim dividend for the Period of HK2 cents (2016: nil) is declared.
- Earnings per share of the Company was approximately HK3.20 cent (2016: HK0.48 cent).

## RESULTS

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 Period, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

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

For the six months ended 30 September 2017

	<i>Notes</i>	Six Months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	4	362,801	165,262
Direct costs		(319,928)	(151,823)
Gross profit		42,873	13,439
Other income	5	147	120
Administrative expenses		(12,151)	(8,866)
Finance costs	6	(14)	(61)
Profit before taxation	7	30,855	4,632
Income tax expenses	8	(5,244)	(764)
Profit and total comprehensive income for the period		25,611	3,868
Basic earnings per share (HK cents)	10	3.20	0.48

## Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2017

	<i>Notes</i>	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	11	1,123	658
<b>Current assets</b>			
Trade receivables	12	67,645	86,848
Other receivables, deposits and prepayment	13	46,810	30,269
Amounts due from customers for contract work		8,031	4,325
Pledged bank deposits	14	26,017	21,002
Bank balances and cash		119,800	84,901
		<b>268,303</b>	227,345
<b>Current liabilities</b>			
Trade payables	15	36,978	54,660
Other payables and accrued charges	16	40,355	32,290
Amounts due to customers for contract work		60,418	38,885
Tax payable		7,365	2,908
Obligations under finance leases		–	75
Bank borrowings		–	486
		<b>145,116</b>	129,304

## Unaudited Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2017

	<i>Notes</i>	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
<b>Net current assets</b>		<b>123,187</b>	98,041
<b>Net assets</b>		<b>124,310</b>	98,699
<b>Capital and reserves</b>			
Share capital	<i>17</i>	<b>8,000</b>	8,000
Reserves		<b>116,310</b>	90,699
Equity attributable to owners of the Company		<b>124,310</b>	98,699

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
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
<b>At 30 September 2017 (Unaudited)</b>	<b>8,000</b>	<b>42,490</b>	<b>18,800</b>	<b>55,020</b>	<b>124,310</b>
At 1 April 2016 (Audited)	8,000	42,490	18,800	4,442	73,732
Profit and total comprehensive income for the period	-	-	-	3,868	3,868
<b>At 30 September 2016 (Unaudited)</b>	<b>8,000</b>	<b>42,490</b>	<b>18,800</b>	<b>8,310</b>	<b>77,600</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	41,030	2,269
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(5,556)	7,950
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(575)	3,169
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,899	13,388
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	84,901	29,640
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	119,800	43,028

## 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 under the Companies Law (2013 Revision) Chapter 22 of the Cayman Islands on 28 May 2015 and its shares (the “Shares”) are listed on Growth Enterprise Market (the “GEM”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 October 2015 and transferred its listing to the main board of the Stock Exchange (the “Main Board”) with effect from 26 October 2017. 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 service 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 (“Main Board 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 2017, 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 2017. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

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

### 3. SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the construction services provided by the Group to external customers. The Group's operations are 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. 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.

### 4. REVENUE

An analysis of the Group's revenue recognised during the Period is as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Revenue</b>		
Building construction	86,867	77,083
Repair, maintenance, alteration and addition ("RMAA") works	236,723	84,257
Design and build	39,211	3,922
<b>Total</b>	<b>362,801</b>	165,262

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

5. OTHER INCOME

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	147	120

6. FINANCE COSTS

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on:		
– bank borrowings	6	45
– obligation under finance leases	8	16
	14	61

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

### 7. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	3,342	2,929
Other staff costs		
Salaries and other benefits	3,717	2,403
Retirement benefits scheme contributions	153	89
Total staff costs	7,212	5,421
Depreciation of plant and equipment	223	306
Operating lease rentals in respect of buildings	891	883

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

### 8. INCOME TAX EXPENSES

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong profits tax	5,244	764

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the Period (2016: 16.5%).

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the reporting date (31 March 2017: Nil).

### 9. DIVIDEND

The Board has resolved to declare an interim dividend of HK2 cents (2016: Nil), which is payable on or around 4 January 2018 to shareholders whose names appear on the Register of Members of the Company on 30 November 2017.

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

### 10. EARNINGS PER SHARE

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

#### Earnings

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	25,611	3,868

#### Number of shares

	Six months ended 30 September	
	2017 '000	2016 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	800,000	800,000

No diluted earnings per share 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)

### 11. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment of approximately HK\$688,000 (2016: HK\$280,000).

### 12. TRADE RECEIVABLES

The Group's credit term offered to the customers is ranging from 30 to 45 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.

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
0-30 days	<b>62,199</b>	83,542
31-60 days	<b>1,101</b>	599
61-90 days	<b>4,345</b>	2,707
	<b>67,645</b>	86,848

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

### 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Deposits	<b>8,947</b>	7,937
Retention receivables	<b>37,617</b>	22,088
Prepayments	<b>246</b>	244
	<b>46,810</b>	30,269

### 14. PLEDGED BANK DEPOSITS

As at 30 September 2017 and 31 March 2017, pledged bank deposit represents deposit pledged to banks to secure the banking facilities granted to the Group, and carried with prevailing market interest rate from 0.01% to 1.15% per annum.

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

### 15. TRADE PAYABLES

The credit period on sub-contracting of contract work services is ranging from 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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade payables – 0-30 days	36,978	54,660

### 16. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Accrued charges	5,260	10,412
Deposits received	3,594	3,596
Retention payables	31,501	18,282
	40,355	32,290

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

### 17. SHARE CAPITAL

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

	<b>Number of shares</b>	<b>Share capital</b> HK\$'000 (Unaudited)
<hr/>		
Ordinary shares of HK\$0.01 each		
<b>Authorised</b>		
At 31 March 2017 and 30 September 2017	2,000,000,000	20,000
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<b>Issued and fully paid:</b>		
At 31 March 2017 and 30 September 2017	800,000,000	8,000
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Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Rental paid to a related company ( <i>Note</i> )	651	651

*Note:* The related company is wholly owned by Mr. Lam, a director and controlling shareholder of the Company.

19. EVENTS AFTER REPORTING PERIOD

The Board announced the transfer of listing of the Shares from GEM to Main Board pursuant to Chapter 9A of the Main Board Listing Rules on 16 October 2017 (the "Transfer of Listing"). Dealings in the Shares on the Main Board commenced on 26 October 2017.

Save as disclosed above, 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, which includes building construction services and RMAA works services, as well as the design and build services which was commenced since the second half of the financial year ended 31 March 2017. Leveraging on the Group's 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, the Group continuously awarded new projects during the Period with customers from both the public and private sectors.

During the Period, the Group awarded a new project from the Architectural Services Department for construction works for a Special School for Student with Mild, Moderate and Severe Intellectual Disabilities in Tung Chung and the total contract sum was approximately HK\$268 million. Together with other projects awarded before, the Group has total projects on hand with unbilled contract sum in aggregate of over HK\$2 billion, which secured the revenue of the Group in the coming years.

On 26 October 2017, the Company successfully transferred its listing of Shares from GEM to the Main Board. The Board believes that the Transfer of Listing will enhance the corporate profile of the Company, and improve the trading liquidity of the Shares and the Company's recognitions by potential investors. The Board considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

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 dilute the risk on decrease in projects on hand due to the filibuster in the Legislative Council; 2) strengthening the Group's manpower in order to cater the growing demand for the business of the Group; and 3) further develop the business in the design and build segment by targeting smaller contracts in the near future in this segment.

## Management Discussion and Analysis (Continued)

The Board is of a view that the Government's initiative to increase public housing supply, commercial land supply as well as the infrastructure projects can continue to support the growth of the construction industry in Hong Kong. In addition, according to the 2017 Policy Address, the Government will continue to support the development of housing, land use and transportation in Hong Kong. Accordingly, the Board takes a positive view of the construction industry in Hong Kong in the forthcoming years.

### FINANCIAL REVIEW

#### Revenue

During the Period, revenue of the Group increased from approximately HK\$165.3 million to approximately HK\$362.8 million as compared to the corresponding period in 2016, representing an increase of approximately 119.5%. The increase was driven by the increase in revenue from all of the three revenue streams, which are the building construction, RMAA and design and build services.

Revenue from building construction services for the Period increased slightly from approximately HK\$77.1 million to approximately HK\$86.9 million, which was mainly due to certain new projects commenced during the Period. For the revenue from RMAA services, it increased sharply from approximately HK\$84.3 million to approximately HK\$236.7 million due to certain major projects commenced in prior year and continue to contribute revenue to the Group. For the revenue stream established in 2016, the design and build services, it also contributed revenue of approximately HK\$39.2 million during the Period, which the revenue for the corresponding period in 2016 was approximately HK\$3.9 million.

#### Direct Costs

The Group's direct costs increased from approximately HK\$151.8 million for the six months ended 30 September 2016 to approximately HK\$319.9 million for the Period, representing an increase of approximately 110.7%. Such increase was in line with the increase of revenue during the Period.

## Management Discussion and Analysis (Continued)

### Gross Profit

The Group's gross profit amounted to approximately HK\$42.9 million and HK\$13.4 million for the six months ended 30 September 2017 and 2016 respectively, representing a growth of approximately 219.0%. Such increase was mainly attributable to the increase in number of projects undertaken by the Group during the Period as compared to the corresponding period in 2016.

### Other Income

The Group's other income amounted to approximately HK\$147,000 and HK\$120,000 for the six months ended 30 September 2017 and 2016 respectively, which was mainly due to the increase in bank deposits during the Period.

### Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$12.2 million and HK\$8.9 million for the six months ended 30 September 2017 and 2016 respectively, representing an increase of approximately 37.1%. Such increase was primarily due to the increase in staff costs to support the business growth as well as professional fee incurred for the application for the Transfer of Listing.

### Finance Costs

For the six months ended 30 September 2017 and 2016, the Group's finance costs amounted to approximately HK\$14,000 and HK\$61,000 respectively, representing a decrease of approximately 77.0%. The decrease in finance costs was mainly due to the decrease in bank borrowing during the Period.

### Income Tax Expenses

For the six months ended 30 September 2017 and 2016, the Group's income tax expense amounted to approximately HK\$5.2 million and HK\$0.8 million respectively, as a result of the increase in taxable profit for the Period.

## Management Discussion and Analysis (Continued)

### Profit and Total Comprehensive Income

Profit and total comprehensive income for the Period increased by approximately HK\$21.7 million from approximately HK\$3.9 million for the six months ended 30 September 2016 to approximately HK\$25.6 million for the Period. Such increase was mainly due to the substantial increase in both revenue and gross profit during the Period with a comparatively slightly increase in the administrative expenses of the Group.

### Interim Dividend

The Board declared the payment of an interim dividend HK2 cents per share for the Period (2016: Nil). The said interim dividend will be payable on or around 4 January 2018 to the shareholders of the Company whose names appear on the register of members of the Company on 30 November 2017.

### 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 29 November 2017 to 30 November 2017, 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 28 November 2017.

### Liquidity and Financial Resources

The Group maintained a sound financial position during the Period and up to the date of this report. As at 30 September 2017, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$145.8 million (31 March 2017: approximately HK\$105.9 million). As at 30 September 2017, there was no interest-bearing loans, including obligations under finance leases and bank borrowings (31 March 2017: approximately HK\$0.6 million), and the current ratio as at 30 September 2017 was approximately 1.8 (31 March 2017: approximately 1.8).

## Management Discussion and Analysis (Continued)

### Gearing Ratio

As at 30 September 2017, the Group had no borrowings (31 March 2017: gearing ratio of approximately 0.6%), as the Group was not in need of any material debt financing during the Period. The gearing ratio is calculated as total borrowings 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 2017, the Group had pledged bank deposits of approximately HK\$26.0 million (31 March 2017: approximately HK\$21.0 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. On 26 October 2017, the Company transferred the listing of its Shares from GEM to the Main Board.

### Capital Commitment

As at 30 September 2017, the Group did not have any capital commitment (31 March 2017: Nil).

## Management Discussion and Analysis (Continued)

### Human Resources Management

As at 30 September 2017, the Group had a total of 206 employees (31 March 2017: 183 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 disposals of subsidiaries and affiliated companies during the Period.

### Contingent Liabilities

As at 30 September 2017, performance guarantees of approximately HK\$34,632,000 (31 March 2017: HK\$47,686,000) were issued by certain banks to the Group's customers on behalf of the Group and approximately HK\$7,215,000 (31 March 2017: HK\$20,270,000) 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 2017: Nil).

## Management Discussion and Analysis (Continued)

### COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

Business strategies up to 30 September 2017 as stated in the Prospectus	Implementation plan	Actual business progress up to the date of this report
Further developing the Group's building construction and RMAA business	To undertake more building construction and RMAA projects, in particular public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK\$14.2 million reserved for satisfying potential customers' requirement for surety bonds	The Group has already secured projects requiring surety bond more than our planned amount
Further strengthening the Group's manpower	To employ additional staff To sponsor the Group's staff to attend technical seminars and/or occupational health and safety courses organised by third parties	The Group has employed additional staff to cope with the growth of revenue and continue to sponsor staff to attend seminars and training courses as demand fit
Investing in BIM software and provide required staff training	To purchase the BIM software from third-party providers To arrange for training workshops or courses for the Group's staff members in relation to the BIM software organised by third party	The Group has tried the use of BIM in small scale for heritage project as a trial kick off
Developing "design and build" services	To study the feasibility of setting up the "Design and Build" section To form the new "Design and Build" team from existing staff and recruit new staff (such as designers) where necessary	The Group has been awarded "Design and Build" projects as kick off for this section
General working capital	To increase working capital in order to secure Government Contracts	The Group injected additional working capital into the subsidiary to cope with the requirement of securing the Government Contract as requested

## Management Discussion and Analysis (Continued)

## USE OF PROCEEDS

The following table set forth the status of the use of proceeds from the placing subsequent to the listing of the Group and up to the date of this report:

	<b>Planned use of proceeds as stated in the Prospectus up to 30 September 2017</b>	<b>Actual use of proceeds up to the date of this report</b>
	HK\$ million	HK\$ million
Further developing the Group's building construction and RMAA business	30.3	30.3
Further strengthening the Group's manpower	2.6	2.6
Investing in BIM software and provide required staff training	3.0	–
Developing "design and build" services	3.0	3.0
General working capital	4.3	4.3

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## 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 15 of the Rules Governing the Listing of Securities on GEM (the "GEM 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.

### DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, each of the Directors confirmed that he had complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the Period.

## Other Information (Continued)

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

As at 30 September 2017, 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 Rules 5.46 to 5.67 of the GEM Listing Rules, 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 ( <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:*

- 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 600,000,000 Shares held by Cheers Mate.

## Other Information (Continued)

Save as disclosed above, as at 30 September 2017, 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 September 2017, 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 ( <i>Note 1</i> )	Interest of spouse	580,000,000 (L)	72.5%

(L) denotes long position.

## Other Information (Continued)

*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 2017, 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**

The Company did not redeem any of its Shares, nor did the Company or any of its subsidiaries purchase or sell any such Shares during the Period.

## Other Information (Continued)

### **DIRECTORS' INTERESTS IN COMPETING INTERESTS**

During the Period, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

### **INTEREST OF COMPLIANCE ADVISER**

As notified by the Company's compliance adviser, being Anglo Chinese Corporate Finance Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 24 September 2015, the Compliance Adviser and its directors, employees and close associates did not have any interests in relation to the Company as at 30 September 2017, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

### **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.

### **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. The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules.

## Other Information (Continued)

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 revised written terms of reference in compliance with the Main Board Listing Rules with effect from 26 October 2017. The duties of the Audit Committee are 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, 7 November 2017

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.