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## **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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020**

#### **HIGHLIGHTS**

- The Group recorded total revenue for the year ended 31 March 2020 of approximately HK\$536.6 million, representing a decrease of approximately 35.7% over 2019.
- Profit attributable to owners of the Company for the year ended 31 March 2020 was approximately HK\$12.8 million, representing a decrease of approximately 66.0% as compared to the year ended 31 March 2019.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

## AUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Thelloy Development Group Limited (the “**Company**”) are pleased to announce the audited results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020 (the “**Year**”) together with the comparative audited figures for the year ended 31 March 2019 (the “**Previous Year**”), as follows:

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

*For the year ended 31 March 2020*

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>536,606</b>	835,175
Direct costs		<u>(482,371)</u>	<u>(746,817)</u>
Gross profit		<b>54,235</b>	88,358
Other income and other losses		<b>2,420</b>	1,977
Other expenses	5	<b>(13,521)</b>	–
Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal		<b>(871)</b>	(14,397)
Administrative expenses		<b>(26,168)</b>	(30,773)
Share of loss of a joint venture		<b>(5)</b>	–
Finance costs	4	<u><b>(704)</b></u>	<u>(242)</u>
Profit before taxation	5	<b>15,386</b>	44,923
Income tax expense	6	<u><b>(2,630)</b></u>	<u>(7,415)</u>
Profit and total comprehensive income for the year		<u><b>12,756</b></u>	<u>37,508</u>
Earnings per share	8		
Basic ( <i>HK cents</i> )		<u><b>1.59</b></u>	<u>4.69</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		29,367	563
Right-of-use assets		1,416	–
Investment properties		63,324	–
Interest in a joint venture		–	–
		<u>94,107</u>	<u>563</u>
Current assets			
Trade receivables	9	30,787	52,347
Other receivables, deposits and prepayments		1,886	2,629
Contract assets		19,141	13,500
Tax recoverable		5,477	8,107
Amount due from a joint venture		6,660	–
Pledged bank deposits		6,039	6,146
Bank balances and cash		54,872	274,005
		<u>124,862</u>	<u>356,734</u>
Current liabilities			
Trade payables	10	29,619	115,439
Other payables and accrued expenses		53,653	69,502
Contract liabilities		10,892	28,760
Lease liabilities		1,453	–
Bank borrowing		–	5,000
		<u>95,617</u>	<u>218,701</u>
Net current assets		<u>29,245</u>	<u>138,033</u>
Net assets		<u>123,352</u>	<u>138,596</u>
Capital and reserves			
Share capital	11	8,000	8,000
Reserves		115,352	130,596
Equity attributable to owners of the Company		<u>123,352</u>	<u>138,596</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	8,000	42,490	18,800	61,798	131,088
Profit and total comprehensive income for the year	–	–	–	37,508	37,508
Dividend paid ( <i>note 7</i> )	–	–	–	(30,000)	(30,000)
At 31 March 2019	8,000	42,490	18,800	69,306	138,596
Profit and total comprehensive income for the year	–	–	–	12,756	12,756
Dividend paid ( <i>note 7</i> )	–	–	–	(28,000)	(28,000)
At 31 March 2020	<u>8,000</u>	<u>42,490</u>	<u>18,800</u>	<u>54,062</u>	<u>123,352</u>

## 1. GENERAL

Thelloy Development Group Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 28 May 2015 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 October 2015. Its immediate and ultimate holding company is Cheers Mate Holding Limited, a company incorporated in the British Virgin Islands (the “BVI”). The address of the Company’s registered office and the principal place of business are PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and 2/F, Centre 600, 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong, respectively.

The Company and its subsidiaries (the “Group”) are principally engaged in property construction services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as disclosed below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***HKFRS 16 “Leases”***

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded Hong Kong Accounting Standards (“HKAS”) 17 “Leases” (“HKAS 17”), and the related interpretations.

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review; and
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 5.25%.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	<u>3,301</u>
Lease liabilities discounted at relevant incremental borrowing rates	3,206
<i>Less:</i> Recognition exemption - short-term leases	<u>(118)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	<u>3,088</u>
Analysed as	
– Current	1,635
– Non-current	<u>1,453</u>
	<u><u>3,088</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i></b>	<b>Adjustment <i>HK\$'000</i></b>	<b>Carrying amounts under HKFRS 16 as at 1 April 2019 <i>HK\$'000</i></b>
<b>Non-current assets</b>			
Right-of-use assets	–	3,088	3,088
<b>Current liabilities</b>			
Lease liabilities	–	(1,635)	(1,635)
<b>Non-current liabilities</b>			
Lease liabilities	<u>–</u>	<u>(1,453)</u>	<u>(1,453)</u>

## **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **Amendments to HKAS 1 and HKAS 8 “Definition of Material”**

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and

- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

### **Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards**

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

##### *Disaggregation of revenue*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Recognised over time under HKFRS 15:		
Building construction	369,100	400,790
Repair, maintenance, alteration and addition (“RMAA”) works	138,879	429,373
Design and build	28,627	5,012
	<u>536,606</u>	<u>835,175</u>
Revenue from contracts with customers	<u>536,606</u>	<u>835,175</u>
Government departments	458,188	756,192
Private customers	78,418	78,983
	<u>536,606</u>	<u>835,175</u>

##### *Performance obligations for contracts with customers*

The Group provides building construction, RMAA works and design and build services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method. The stage of completion is determined as the proportion of the costs incurred for the works (i.e. overhead costs, subcontracting costs, materials costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project, to the extent that the amount can be measured reliably and its recovery is considered probable.

The Group’s construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones based on surveyors’ assessment are reached. A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group’s right to consideration for the services performed because the rights are conditioned on the Group’s future performance in achieving specified milestones based on surveyors’ assessment. The contract assets are transferred to trade receivables when the rights become unconditional. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the maintenance period expires. The maintenance period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

***Transaction price allocated to the remaining performance obligations***

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) and the expected timing of recognising revenue are as follows:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within one year	<b>234,686</b>	430,923
More than one year but not more than two years	<b>21,276</b>	104,532
	<b><u>255,962</u></b>	<u>535,455</u>

**Segment information**

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.

***Geographical information***

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered. The Group's non-current assets amounting to HK\$94,107,000 (2019: HK\$563,000) as at 31 March 2020 are all physically located in Hong Kong.

***Information about major customers***

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b><u>454,396</u></b>	<u>753,983</u>

#### 4. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
Bank borrowings	581	242
Lease liabilities	123	–
	<u>704</u>	<u>242</u>

#### 5. PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,200	1,250
Bank interest income (included in other income and other losses)	(1,270)	(1,977)
Depreciation of property, plant and equipment	1,132	250
Depreciation of investment properties	585	–
Depreciation of right-of-use assets	1,672	–
Legal and professional fee (included in other expenses) ( <i>note</i> )	13,521	–
Loss on disposal of property, plant and equipment (included in other income and other losses)	–	88
Operating lease rentals in respect of buildings	N/A	2,898
Rental income from investment properties (included in other income and other losses)	(255)	–
Directors' remuneration	9,092	14,545
Staff costs:		
Salaries and allowances	79,096	90,219
Retirement benefits schemes contributions	2,694	3,226
Total staff costs	<u>90,882</u>	<u>107,990</u>

*Note:* During the year ended 31 March 2020, the Group has initiated an arbitration against a customer in relation to overdue payments and/or under-certification of the Group's claims under two subcontracts.

Based on the advices from the independent legal advisors, the legal claim is still in preliminary stage and hence the final outcome is unable to be determined at this stage. Legal and professional fee of HK\$11,597,000 in relation to this arbitration has been recognised in profit or loss and a provision of HK\$8,000,000 is included in other payables as at 31 March 2020.

## 6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	(2,630)	(7,234)
Overprovision in prior years	—	121
	<u>(2,630)</u>	<u>(7,113)</u>
Deferred taxation	—	(302)
	<u><u>(2,630)</u></u>	<u><u>(7,415)</u></u>

## 7. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distribution and paid during the year:		
Interim dividend – HK1 cent per ordinary share for 2020 (2019: HK1.25 cents for 2019)	8,000	10,000
Final dividend – HK2.5 cents per ordinary share for 2019 (2019: HK2.5 cents for 2018)	<u>20,000</u>	<u>20,000</u>
	<u><u>28,000</u></u>	<u><u>30,000</u></u>

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

## 8. EARNINGS PER SHARE

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

### Earnings

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>12,756</u>	<u>37,508</u>

### Number of shares

	2020 <i>'000</i>	2019 <i>'000</i>
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>800,000</u>	<u>800,000</u>

No diluted earnings per share is presented as there is no potential ordinary share in issue for both years.

## 9. TRADE RECEIVABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	24,556	52,347
31 – 90 days	<u>6,231</u>	<u>–</u>
	<u>30,787</u>	<u>52,347</u>

## 10. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	23,666	73,496
31 – 60 days	5,953	41,925
61 – 90 days	–	18
	<u>29,619</u>	<u>115,439</u>

## 11. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 31 March 2020	<u>800,000,000</u>	<u>8,000</u>

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

## **12. EVENTS AFTER THE END OF THE REPORTING PERIOD**

Since early 2020, in response to outbreak of COVID-19 (the “**Outbreak**”), the Group has implemented precautionary measures and hygiene measures to prevent and control the Outbreak and safeguard the occupational health and safety of its employees.

In addition, some of the Group’s projects have been delayed due to temporary suspension of certain projects by its clients or suspension of production and delivery from some of its material suppliers. Hence, the Group’s financial performance and financial position has inevitably been affected. The management of the Group will continuously monitor the situation of COVID-19 and will take appropriate measures when necessary.

## **13. PERFORMANCE GUARANTEE**

At 31 March 2020, performance guarantee of approximately HK\$10,949,000 (2019: HK\$7,423,000) are given by banks in favour of the Group’s customers as security for the due performance and observance of the Group’s obligations under the contracts entered into between the Group and their customers for construction work. The Group has contingent liabilities to indemnify the banks or insurance company for any claims from customers under the guarantee due to the failure of the Group’s performance. The performance guarantee are secured by the project proceeds and will be released upon completion of the contract work.

The directors of the Company do not consider it is probable that a claim will be made against the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

During the Year, the Group continued to focus on its core contract works business, which includes (i) building construction; (ii) repair, maintenance, alteration and addition (“**RMAA**”) works services; and (iii) design and build services. The Group maintained its competitive advantage through its registered general building contractor licence 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. During the Year, the Group has expanded into the new market of Modular Integrated Construction (“**MiC**”), whereby free-standing integrated modules are manufactured in a prefabrication factory and then transported to the building site for installation in a building. In this respect, the Group has been awarded a new project for the design, supply and construction of 89 social housing units in Sham Shui Po, Hong Kong utilising the modular integrated construction method alongside with other newly secured projects for the Year.

Looking forward, the Group will keep focusing on its existing business while looking for appropriate projects that are in line with the overall strategy of the Group. The Group will strengthen its market position in the industry and increase its market shares by (i) further developing the private sector market; (ii) strengthening the Group’s manpower in order to cater to the growing demand for the businesses of the Group; and (iii) targeting design and build projects with smaller contract sum in the near future, including those involving MiC elements.

With the Group’s expertise in building construction, the Group is continuously looking out for opportunities to partner with property investors and developers on real estate development projects. Such business strategy not only acts as one of the means for the Group to further develop its private customer segment in the construction market, but also opens up a channel for the Group to diversify its business.

## **FINANCIAL REVIEW**

### **Revenue**

During the Year, revenue of the Group decreased from approximately HK\$835.2 million to approximately HK\$536.6 million as compared to the Previous Year, which is mainly attributable to a decrease in revenue from the RMAA services and from building construction services. Although the revenue from the design and build services segment increased from approximately HK\$5.0 million in the Previous Year to approximately HK\$28.6 million in the Year, it was offset by a decrease in the revenue from RMAA services from approximately HK\$429.4 million for the Previous Year to approximately HK\$138.9 million for the Year, and a decrease in revenue from building construction services for the Year from approximately HK\$400.8 million for the Previous Year to approximately HK\$369.1 million for the Year.

### **Direct Costs**

The Group's direct costs decreased from approximately HK\$746.8 million for the Previous Year to approximately HK\$482.4 million for the Year, representing a decrease of approximately 35.4% as compared to the Previous Year. Such decrease was in line with the decrease of revenue during the Year.

### **Gross Profit and Gross Profit Margin**

The Group's gross profit amounted to approximately HK\$54.2 million and HK\$88.4 million for the years ended 31 March 2020 and 2019 respectively, representing a decrease of approximately 38.6%. The decrease was mainly attributable to the decrease in revenue and the number of projects undertaken by the Group during the Year as compared to the Previous Year.

The overall gross profit margin remained stable at approximately 10.6% for the Previous Year and approximately 10.1% for the Year.

### **Bank Interest Income**

The Group's bank interest income amounted to approximately HK\$1,270,000 and HK\$1,977,000 for the Year and the Previous Year respectively, which was mainly due to the decrease in bank deposits during the Year.

### **Administrative Expenses**

The Group's administrative expenses amounted to approximately HK\$26.2 million and HK\$30.8 million for the Year and the Previous Year respectively, representing a decrease of approximately 15.0%. Such decrease was primarily due to the decrease in staff cost during the Year.

## **Finance Costs**

For the Year and the Previous Year, the Group's finance costs amounted to approximately HK\$704,000 and HK\$242,000 respectively. The increase in finance costs was mainly due to the increase in bank borrowings during the Year which was repaid as at 31 March 2020.

## **Income Tax Expense**

For the Year and the Previous Year, the Group's income tax expense amounted to approximately HK\$2.6 million and HK\$7.4 million, representing a decrease of approximately 64.5%, as a result of the decrease in profit for the Year.

## **Profit and Total Comprehensive Income for the Year**

Profit and total comprehensive income for the Year decreased by approximately HK\$24.8 million from approximately HK\$37.5 million for the Previous Year to approximately HK\$12.7 million for the Year. Such decrease was mainly due to the decrease in revenue and increase in provision of legal and professional cost during the Year.

## **Dividends**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK2.5 cents per share).

## **Liquidity and Financial Resources**

The Group maintained a sound financial position. As at 31 March 2020, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$60.9 million (2019: approximately HK\$280.2 million) and the current ratio was approximately 1.3 (2019: approximately 1.6). As at 31 March 2020, the Group has no borrowings (2019: bank borrowings of HK\$5 million was unsecured, repayable within one year, bore floating interest rate and denominated in Hong Kong dollars).

## **Gearing Ratio**

The gearing ratio of the Group as at 31 March 2020 was approximately 1.2% (2019: 3.6%) as the Group was not in need of any material debt financing during the Year. The gearing ratio is calculated as total borrowings divided by total equity as at the year ended.

## **Treasury Policy**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. 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 31 March 2020, the Group had pledged bank deposits of approximately HK\$6.0 million (2019: approximately HK\$6.1 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 Year. The capital of the Company comprises ordinary shares and other reserves.

## **Capital Commitment**

As at 31 March 2020, the Group had no material capital commitment (2019: Nil).

## **Human Resources Management**

As at 31 March 2020, the Group had a total of 117 employees (2019: 223). 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 also sponsored staff to attend seminars and training courses.

## **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 Year, 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 Year.

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

The Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Year.

On 17 January 2020, the Group completed the acquisition of the entire issued share capital of Grandway Inc. Development Limited at a consideration of HK\$90,392,000, details of which have been disclosed in the announcements of the Company dated 20 September 2019, 15 October 2019, 29 November 2019 and 17 January 2020 and the circular of the Company dated 17 December 2019.

## **Performance Guarantee**

As at 31 March 2020, performance guarantees of approximately HK\$10.9 million (2019: HK\$7.4 million) were issued by certain banks to the Group's customers on behalf of the Group and approximately HK\$1.6 million (31 March 2019: HK\$1.9 million) of these guarantees were secured by pledged bank deposits of the Group. Save as disclosed, the Group had no other material contingent liabilities at the end of the reporting period (2019: Nil).

## **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 remained valid and effective following the transfer of listing of its shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 26 October 2017 (the "**Transfer of Listing**") and will be implemented in full compliance with the requirements under Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

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 its terms of reference as revised by the Board with effect from 26 October 2017. The duties of the Audit Committee are 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 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 audited consolidated financial statements of the Group for the Year 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.

## **SUBSEQUENT EVENT**

Since early 2020, in response to outbreak of COVID-19 (the “**Outbreak**”), the Group has implemented precautionary measures and hygiene measures to prevent and control the Outbreak and safeguard the occupational health and safety of its employees.

In addition, some of the Group’s projects have been delayed due to temporary suspension of certain projects by its clients or suspension of production and delivery from some of its material suppliers. Hence, the Group’s financial performance and financial position has inevitably been affected. The management of the Group will continuously monitor the situation of COVID-19 and will take appropriate measures when necessary.

Save as disclosed above, the Group had no material event subsequent to the end of the reporting period and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

The Company’s corporate governance code are based on the principles of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 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 provisions in the CG Code in the Year, save for code provision A.2.1.

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

The Company and its subsidiaries did not redeem any of its Shares listed and traded on the Main Board of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as code of conduct governing Directors securities transaction. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

## **SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (“**AGM**”) will be held at 1/F., 180-182 Hennessy Road, Wanchai, Hong Kong on Thursday, 13 August 2020 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 13 August 2020, the register of members of the Company will be closed from Monday, 10 August 2020 to Thursday, 13 August 2020, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 7 August 2020.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Stock Exchange's website (<http://www.hkex.news.hk>) and the Company's website ([www.thelloy.com](http://www.thelloy.com)). The annual report of the Company for the Year will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 June 2020

*As at the date of this announcement, the Board comprises three executive Directors namely Mr. Lam Kin Wing Eddie, Mr. Shut Yu Hang and Mr. Chung Koon Man, and three independent non-executive Directors namely Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On.*