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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

HIGHLIGHTS

For the six months ended 30 September 2019 (the "Period") and 2018 (the "Previous Period"):

– Revenue of the Group for the Period was approximately HK$345.9 million (Previous Period: HK$321.9 million).

– Profit attributable to owners of the Company for the Period was approximately HK$18.0 million (Previous Period: HK$15.8 million).

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

– Earnings per share of the Company was approximately HK2.25 cents (Previous Period: HK1.98 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 2019 (the "Period"), 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 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**345,948**	321,933
Direct costs		**(314,036)**	(286,958)
Gross profit		**31,912**	34,975
Other income	*6*	**895**	958
Administrative expenses		**(10,687)**	(16,487)
Share of results of a joint venture		**(98)**	–
Finance costs	*7*	**(169)**	(100)
Profit before taxation	*8*	**21,853**	19,346
Income tax expenses	*9*	**(3,866)**	(3,515)
Profit and total comprehensive income for the period attributable to owners of the Company		**17,987**	15,831
Earnings per share	*11*		
– Basic *(HK cents)*		**2.25**	1.98

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current assets			
Plant and equipment	*12*	**2,302**	563
Right-of-use assets		**2,252**	–
Interest in a joint venture		**1,595**	–
Deposits and prepayments	*14*	**4,531**	–
		10,680	563
Current assets			
Trade receivables	*13*	**37,547**	52,347
Deposits and prepayments	*14*	**2,343**	2,629
Contract assets		**16,589**	13,500
Tax recoverable		**4,241**	8,107
Pledged bank deposits	*15*	**6,206**	6,146
Bank balances and cash		**155,818**	274,005
		222,744	356,734
Current liabilities			
Trade payables	*16*	**26,610**	115,439
Other payables and accrued expenses	*17*	**62,241**	69,502
Contract liabilities		**5,709**	28,760
Lease liabilities		**1,640**	–
Bank borrowing		**–**	5,000
		96,200	218,701

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Net current assets		**126,544**	138,033
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,224**	138,596
Non-current liabilities			
Lease liabilities		**641**	–
Net assets		**136,583**	138,596
Capital and reserves			
Share capital	*18*	**8,000**	8,000
Reserves		**128,583**	130,596
Equity attributable to owners of the Company		**136,583**	138,596

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital	**Share premium**	**Other reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2019 (Audited)	**8,000**	**42,490**	**18,800**	**69,306**	**138,596**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**17,987**	**17,987**
Dividend paid	**–**	**–**	**–**	**(20,000)**	**(20,000)**
At 30 September 2019 (Unaudited)	**8,000**	**42,490**	**18,800**	**67,293**	**136,583**
At 1 April 2018, as previously reported (Audited)	8,000	42,490	18,800	74,627	143,917
Effect on adoption of HKFRS 15 and HKFRS 9	–	–	–	(12,829)	(12,829)
At 1 April 2018, as restated	8,000	42,490	18,800	61,798	131,088
Profit and total comprehensive income for the period	–	–	–	15,831	15,831
Dividend paid	–	–	–	(20,000)	(20,000)
At 30 September 2018 (Unaudited)	8,000	42,490	18,800	57,629	126,919

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(84,642)**	(27,008)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(7,569)**	20,891
NET CASH USED IN FINANCING ACTIVITIES	**(25,976)**	(20,100)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(118,187)**	(26,217)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**274,005**	238,102
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**155,818**	211,885

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 2019, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

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") and the adoption of the accounting policy for interest in a joint venture as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2019.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5.

Under the equity method, an investment in a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the joint venture is disposed of.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 Leases for the first time in current interim period. HKFRS 16 superseded HKAS 17 Leases and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

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. Any difference at the date of initial application is recognised in the opening retained profits 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;

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;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and the related right-of-use assets at the amount equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. When recognising the lease liabilities for lease previously classified as operating lease, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant entities is 5.25%.

	(Unaudited) *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	3,301
Lease liabilities discounted at relevant incremental borrowing rates	(95)
Less: Recognition exemption – short-term leases	(118)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	3,088
Analysed as	
– Current	1,635
– Non-current	1,453
	3,088

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

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

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 2019, the Group's non-current assets amounting to HK$10,680,000 (31 March 2019: HK$563,000) are all located in Hong Kong.

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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Recognised over time under HKFRS 15:		
Building construction	**269,307**	144,184
Repair, maintenance, alteration and addition ("RMAA") works	**76,641**	164,169
Design and build	**–**	13,580
Revenue from contracts with customers	**345,948**	321,933

6. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**895**	948
Other	**–**	10
	895	958

7. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on:		
– bank borrowings	**97**	100
– lease liabilities	**72**	–
	169	100

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Total staff costs	**6,534**	12,939
Directors' remuneration	**3,680**	8,420
Other staff costs		
– Salaries and other benefits	**2,743**	4,358
– Retirement benefits scheme contributions	**111**	161
Depreciation	**1,277**	131
– owned plant and equipment	**441**	131
– right-of-use assets	**836**	–

9. INCOME TAX EXPENSES

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	**3,866**	3,515

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the qualifying group entity.

There were no material unrecognised deferred tax assets and liabilities as at 30 September 2019 (31 March 2019: Nil).

10. DIVIDEND

During the Period, a final dividend in respect of the year ended 31 March 2019 of HK$20,000,000 (HK2.5 cents per share) has been paid and recognised as distribution.

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend declared – HK1.00 cent per ordinary share (2018: HK1.25 cents)	**8,000**	10,000

The interim dividend was declared after the end of the reporting period and hence was not recognised as a liability as at 30 September 2019.

11. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(HK$'000)*	**17,987**	15,831
Number of shares		
Number of ordinary shares in issue (thousand shares)	**800,000**	800,000

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

12. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment of approximately HK$2,180,000 (2018: HK$4,000).

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 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**37,547**	52,347

14. DEPOSITS AND PREPAYMENTS

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits	**6,408**	2,166
Prepayment	**466**	463
	6,874	2,629
Less: Non-current portion	**(4,531)**	–
Current portion	**2,343**	2,629

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 1.00% to 2.40% (31 March 2019: 0.30% to 2.35%) 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.

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**22,653**	73,496
31-60 days	**3,667**	41,925
61-90 days	**290**	18
	26,610	115,439

17. OTHER PAYABLES AND ACCRUED EXPENSES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accrued charges	**6,278**	9,922
Retention payables	**53,914**	57,531
Deposits received	**2,049**	2,049
	62,241	69,502

18. SHARE CAPITAL

	Number of shares	Share capital
	thousand shares	*HK$'000*
		(Unaudited)
Ordinary shares of HK$0.01 each		
Authorised		
At 31 March 2019 and 30 September 2019	2,000,000	20,000
Issued and fully paid:		
At 31 March 2019 and 30 September 2019	800,000	8,000

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

19. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
A related company *(Note)*		
– Rental expenses	**–**	651
– Repayment of lease liabilities	**617**	–
– Interest expense for lease liabilities	**58**	–

Note: 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 2019, performance guarantee of approximately HK$10,993,000 (31 March 2019: HK$7,423,000) 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.

21. EVENTS AFTER THE END OF REPORTING PERIOD

On 20 September 2019, the Company announced the proposed acquisition of the entire share capital of Grandway Inc. Development Limited ("Grandway") and the loan advanced to the vendor at a consideration of HK$90,629,000. The consideration will be financed by internal resources of the Group. Grandway is holding 100% of the legal and beneficial interest in the properties situated at Office A, B, C, D, E, F on 19th Floor, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong. The completion of the transaction is subject to certain conditions and the transaction is yet to complete at the date of this announcement. Please refer to the announcements of the Company dated 20 September 2019 and 15 October 2019 for details.

Save as disclosed above, there is no significant events affecting the Group which have occurred since the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

During the Period, the Group continued to focus on its core contract works business, which includes (i) building construction services; (ii) RMAA works services and (iii) design and build services. 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 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 further expanding into the private customers segment; and further developing business opportunities in design and build segment as well as in Modular Construction segment especially as the Hong Kong Government has reserved HK$5 billion budget on building transitional housing. To achieve such targets, the Group will continue to strengthen its manpower in order to cater for the growing demand for the businesses of the Group.

Leveraged on the Group's expertise in building construction, the Group has been actively looking for opportunities to partner up with property investors and developers to work on real estate development projects. The move not only acts as one of the means for the Group to further develop its private customers segments in the construction market, but also opens up a channel for the Group to diversify its business.

Financial Review

Revenue

The Group's revenue increased from approximately HK$321.9 million for the Previous Period to approximately HK$345.9 million for the Period representing an increase of approximately 7.5%. The increase was driven by the increase in revenue from building construction with offsetting impact of the decrease in revenue from RMAA and design and build services.

Revenue from building construction services for the Period increased sharply from approximately HK$144.2 million for Previous Period to approximately HK$269.3 million for the Period, which was mainly due to substantial completion of certain major projects which commenced in prior year during the Period. However, the revenue from RMAA services dropped from approximately HK$164.2 million for Previous Period to approximately HK$76.6 million for the Period due to the completion of certain major projects. No revenue was recognised for design and build services during the Period (Previous Period: HK$13.6 million) due to completion of the existing projects without commencement of the new one.

Direct Costs

The Group's direct costs increased from approximately HK$287.0 million for the Previous Period to approximately HK$314.0 million for the Period, representing an increase of approximately 9.4%. Such increase was due to the increase of revenue and increase in cost of construction materials during the Period.

Gross Profit

The Group's gross profit amounted to approximately HK$31.9 million for the Period (Previous Period: HK$35.0 million), representing a decrease of approximately 8.9%. The Group's overall gross profit margin slightly decreased from 10.9% in the Previous Period to 9.2% in the Period.

Other Income

The Group's other income mainly represented the bank interest income which remained stable at approximately HK$895,000 for the Period (Previous Period: HK$958,000).

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$10.7 million for the Period (Previous Period: HK$16.5 million), representing a decrease of approximately 35.2%. Such decrease was primarily due to the decreases in employees as a result of the completion of certain projects and in discretionary bonus to staff and Directors during the Period.

Finance Costs

The Group's finance costs amounted to approximately HK$169,000 for the Period (Previous Period: HK$100,000). The increase in finance costs was mainly due to increase in interest expenses on lease liabilities with the adoption of HKFRS 16 during the Period.

Income Tax Expenses

During the Period, the Group's income tax expense amounted to approximately HK$3.9 million (Previous Period: HK$3.5 million), as a result of the increase in taxable profit for the Period.

Profit and Total Comprehensive Income

Profit and total comprehensive income for the Period increased by approximately HK$2.2 million from approximately HK$15.8 million for the Previous Period to approximately HK$18.0 million for the Period. Such increase was mainly due to the significant decrease in administrative expenses which was offset by the decrease in gross profit during the Period.

Interim Dividend

The Board declared the payment of an interim dividend HK1.00 cent per share for the Period (Previous Period: HK1.25 cents). The said interim dividend will be payable on or around 7 January 2020 to the shareholders of the Company whose names appear on the register of members of the Company on 17 December 2019.

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 16 December 2019 to 17 December 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 13 December 2019.

Liquidity and Financial Resources

The Group maintained a sound financial position. As at 30 September 2019, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$162.0 million (31 March 2019: approximately HK$280.2 million). As at 30 September 2019, there was no bank borrowings (31 March 2019: HK$5.0 million), and the current ratio as at 30 September 2019 was approximately 2.3 (31 March 2019: approximately 1.6).

Gearing Ratio

During the Period, the Group had repaid all bank borrowings as the Group had adequate funds to meet future capital expenditures and operational needs and hence no gearing ratio was presented as at 30 September 2019 (31 March 2019: 3.6%). 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 2019, the Group had pledged bank deposits of approximately HK$6.2 million (31 March 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 Period. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitment

As at 30 September 2019, the Group had no significant capital commitment (31 March 2019: Nil).

Human Resources Management

As at 30 September 2019, the Group had a total of 139 employees (31 March 2019: 223 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

In April 2019, the Group and Nova Deko Modular Building Co., Ltd. formed a joint venture which operates the business of steel-related modular integrated construction projects.

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.

Performance Guarantee

As at 30 September 2019, performance guarantees of approximately HK$11.0 million (31 March 2019: HK$7.4 million) were issued by certain banks or the insurance company to the Group's customers on behalf of the Group and approximately HK$2.5 million (31 March 2019: HK$1.9 million) of these guarantees were secured by pledged bank deposits of the Group.

Contingent Liabilities

The Group had no material contingent liabilities at the end of reporting period (31 March 2019: Nil).

Event after reporting period

On 20 September 2019, the Company announced the proposed acquisition of the entire share capital of Grandway Inc. Development Limited ("Grandway") and the loan advanced to the vendor at a consideration of HK$90,629,000. The consideration will be financed by internal resources of the Group. Grandway is holding 100% of the legal and beneficial interest in the properties situated at Office A, B, C, D, E, F on 19th Floor, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong. The completion of the transaction is subject to certain conditions and the transaction is yet to complete at the date of this announcement. Please refer to the announcements of the Company dated 20 September 2019 and 15 October 2019 for details.

Save as disclosed above, there is no significant events affecting the Group which have occurred since the end of the reporting period.

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 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.

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.

Share Option Scheme

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

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

Audit Committee

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

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

Hong Kong, 22 November 2019

As at the date of this announcement, 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.