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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 2021**

#### **HIGHLIGHTS**

- The Group recorded total revenue for the Year of approximately HK\$151.8 million, representing a decrease of approximately 71.7% over Previous Year.
- Profit attributable to owners of the Company for the Year was approximately HK\$21.1 million, representing an increase of approximately 65.6% as compared to Previous Year.
- The Board does not recommend the payment of a final dividend for the Year.

## AUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Thelloy Development Group Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 (the “**Year**”) together with the comparative audited figures for the year ended 31 March 2020 (the “**Previous Year**”), as follows:

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

FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	NOTES	HK\$'000	HK\$'000
Revenue	3	151,829	536,606
Direct costs		<u>(132,322)</u>	<u>(482,371)</u>
Gross profit		19,507	54,235
Other income and expenses and other gains and losses	4	22,360	(11,101)
Impairment loss under expected credit loss model, net of reversal	5	16,085	(871)
Administrative expenses		(32,138)	(26,168)
Share of loss of a joint venture		(120)	(5)
Finance costs	6	<u>(337)</u>	<u>(704)</u>
Profit before taxation	7	25,357	15,386
Income tax expense	8	<u>(4,234)</u>	<u>(2,630)</u>
Profit and total comprehensive income for the year		<u>21,123</u>	<u>12,756</u>
Earnings per share	10		
Basic (HK cents)		<u>2.64</u>	<u>1.59</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

		2021	2020
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		43,046	29,367
Right-of-use assets		1,828	1,416
Investment properties		43,680	63,324
Interests in joint ventures		74,574	–
		<u>163,128</u>	<u>94,107</u>
Current assets			
Trade receivables	11	6,993	30,787
Other receivables, deposits and prepayments		1,965	1,886
Contract assets		8,922	19,141
Tax recoverable		–	5,477
Amount due from a joint venture		3,195	6,660
Pledged bank deposits		1,039	6,039
Bank balances and cash		91,302	54,872
		<u>113,416</u>	<u>124,862</u>
Current liabilities			
Trade payables	12	10,525	29,619
Other payables and accrued expenses		30,760	53,653
Contract liabilities		56,377	10,892
Lease liabilities		1,720	1,453
Provisions		231	–
Tax payable		2,267	–
Bank borrowings		30,000	–
		<u>131,880</u>	<u>95,617</u>
Net current (liabilities) assets		<u>(18,464)</u>	<u>29,245</u>

		<b>2021</b>	2020
	<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		<u>189</u>	<u>–</u>
Net assets		<u><b>144,475</b></u>	<u>123,352</u>
Capital and reserves			
Share capital	<i>13</i>	<b>8,000</b>	8,000
Reserves		<u>136,475</u>	<u>115,352</u>
Equity attributable to owners of the Company		<u><b>144,475</b></u>	<u>123,352</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 MARCH 2021*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 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 9</i> )	–	–	–	(28,000)	(28,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	8,000	42,490	18,800	54,062	123,352
Profit and total comprehensive income for the year	–	–	–	21,123	21,123
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	<u>8,000</u>	<u>42,490</u>	<u>18,800</u>	<u>75,185</u>	<u>144,475</u>

*Note:* Other reserve represents the difference between the nominal value of the share capital of Techoy Construction Company Limited (“**Techoy Construction**”) and that of the Company pursuant to group reorganisation in prior year.

## 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, Uglan 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.

As at 31 March 2021, the Group has net current liabilities of HK\$18,464,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements.

Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from banks to the Group of HK\$142,627,000 as at 31 March 2021, which can be utilised if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

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

### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as disclosed below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standard* and the 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.

***Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material***

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

***Impacts on application of Amendments to HKFRS 3 Definition of a Business***

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

## 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 and the related Amendments <sup>5</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <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>6</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

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 HKFRS 3 Reference to the Conceptual Framework***

The amendments:

- update a reference in HKFRS 3 “Business Combinations” so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC) – Int 21 “Levies”, an acquirer applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### ***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (a) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (b) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

***Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to the construction contracts.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

**3. REVENUE**

**Disaggregation of revenue**

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Recognised over time under HKFRS 15:		
Building construction	<b>21,776</b>	369,100
Repair, maintenance, alteration and addition (“RMAA”) works	<b>110,139</b>	138,879
Design and build	<b>19,914</b>	28,627
	<hr/>	<hr/>
Revenue from contracts with customers	<b>151,829</b>	536,606
	<hr/> <hr/>	<hr/> <hr/>
Type of customers		
Government departments	<b>66,124</b>	458,188
Private customers	<b>85,705</b>	78,418
	<hr/>	<hr/>
	<b>151,829</b>	536,606
	<hr/> <hr/>	<hr/> <hr/>

## 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 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

## 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	155,022	234,686
More than one year but not more than two years	<u>12,946</u>	<u>21,276</u>
	<u><b>167,968</b></u>	<u><b>255,962</b></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 entity-wide disclosures, major customers and geographical information are 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 (exclude interests in joint ventures) amounting to HK\$88,554,000 (2020: HK\$94,107,000) as at 31 March 2021 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>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b>60,181</b>	456,199
Customer B	<b>41,746</b>	N/A <sup>#</sup>

<sup>#</sup> The customer did not contribute over 10% of total sales of the Group during the relevant year.

#### 4. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income:		
– Bank interest income	113	1,270
– Management fee income	547	758
– Rental income	1,150	255
– Government grants	<u>6,574</u>	<u>137</u>
	8,384	2,420
Other gains and losses:		
– Gain on settlement of arbitration	19,275	–
– Loss on written-off of leasehold improvements	(30)	–
– Impairment loss on investment properties	<u>(1,982)</u>	<u>–</u>
	17,263	–
Other expenses:		
– Legal and professional fee	<u>(3,287)</u>	<u>(13,521)</u>
	<u>22,360</u>	<u>11,101</u>

#### 5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Impairment reversed/(losses) recognised on:		
– trade receivables	5,358	(133)
– contract assets	6,643	(45)
– other receivables	3,599	–
– amount due from a joint venture	<u>485</u>	<u>(693)</u>
	<u>16,085</u>	<u>(871)</u>

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on:		
Bank borrowings	287	581
Lease liabilities	50	123
	<u>337</u>	<u>704</u>

## 7. PROFIT BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	900	1,200
Depreciation of property, plant and equipment	2,282	1,132
Depreciation of investment properties	1,886	585
Depreciation of right-of-use assets	1,731	1,672
Directors' remuneration	7,382	9,092
Staff costs:		
Salaries and allowances	36,900	79,096
Contribution to retirement benefits schemes	1,273	2,694
Total staff costs	<u>45,555</u>	<u>90,882</u>
Gross rental income from investment properties	1,150	255
<i>Less:</i> Direct operating expenses incurred for investment properties that generated rental income during the year	<u>(167)</u>	<u>(80)</u>
	<u>983</u>	<u>175</u>

## 8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	<u>4,234</u>	<u>2,630</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of 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 of the qualifying group entity 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.

## 9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution and paid during the year:		
Interim dividend – Nil for 2021(2020: HK1 cents for 2020)	–	8,000
Final dividend – Nil for 2020 (2020: HK2.5 cents for 2019)	<u>–</u>	<u>20,000</u>
	<u>–</u>	<u>28,000</u>

No dividends was paid or proposed for ordinary shareholders of the Company for the year ended 31 March 2021 nor has any dividend been proposed since the end of the reporting period.

## 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>21,123</u>	<u>12,756</u>

### Number of shares

	2021 <i>'000</i>	2020 <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.

## 11. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	7,004	36,156
<i>Less:</i> Allowance for credit loss	<u>(11)</u>	<u>(5,369)</u>
	<u>6,993</u>	<u>30,787</u>

As at 1 April 2019, trade receivables from customers net of allowance for credit losses amounted to HK\$52,347,000.



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.

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	<b>6,738</b>	24,556
31 – 90 days	<u>255</u>	<u>6,231</u>
	<b><u>6,993</u></b>	<b><u>30,787</u></b>

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$255,000 (2020: HK\$6,231,000) which are past due.

## 12. TRADE PAYABLES

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	<b>7,464</b>	23,666
31 – 60 days	<u>3,061</u>	<u>5,953</u>
	<b><u>10,525</u></b>	<b><u>29,619</u></b>

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital <i>HK\$'000</i></b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>800,000,000</u>	<u>8,000</u>

## 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 services; (ii) repair, maintenance, alteration and addition (“**RMAA**”) works services; and (iii) Modular Integrated Construction (“**MiC**”) services. The Group maintained its competitive advantage through a number of registered general building contractor licenses and certain crucial qualifications possessed by its subsidiaries, 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; (iv) Housing Authority List of Building Contractors – Maintenance Works Category; and (v) Building Department In-principle Acceptance – 3 Steel MiC Systems and 1 Concrete MiC System.

The Group has strategically expanded and focused on the new market of MiC construction services in the past years, whereby free-standing integrated modules are manufactured in a prefabrication factor and then transported to the building site for installation in a building. In this regard, the Group has successfully completed the design, supply and construction of 89 modular social housing units in Sham Shui Po, Hong Kong in July 2020, being the first Modular Social Housing Project in Hong Kong. The Group has also secured other new MiC projects during the Year.

During the Year, World Partners Limited (the “**JV Subsidiary**”), a subsidiary of Great Glory Developments Limited (the “**JV Company**”), a joint venture owned as to 49% by the Group, entered into an agreement to acquire a property in Tsuen Wan, Hong Kong (the “**Property**”) during the Year for redevelopment, the acquisition which was completed on 1 April 2021 (the “**Acquisition**”). Details of the Acquisition have been disclosed in the announcements of the Company dated 16 November 2020 and 1 April 2021. The Acquisition is an expansion of the Group’s business interests in Hong Kong’s property market and can achieve synergy with the Group’s existing business in building construction. Looking forward, with the Group’s expertise in building construction, the Group will continue to look out for opportunities to partner with property investors and developers on real estate development projects. Such business strategy opens up a channel for the Group to diversify and maintain the sustainable development of the Group’s business.

## **FINANCIAL REVIEW**

### **Revenue**

During the Year, revenue of the Group decreased from approximately HK\$536.6 million to approximately HK\$151.8 million as compared to the Previous Year, representing a decrease of approximately 71.7%. The decrease is mainly attributable to a decrease in revenue from the building construction services for approximately HK\$369.1 million for the Previous Year to approximately HK\$21.8 million for the Year, RMAA services from approximately HK\$138.9 million for the Previous Year to approximately HK\$110.1 million for the Year and the design and build services for approximately HK\$28.6 million for the Previous Year to approximately HK\$19.9 million for the Year.

### **Direct Costs**

The Group's direct costs decreased from approximately HK\$482.4 million for the Previous Year to approximately HK\$132.3 million for the Year, representing a decrease of approximately 72.6% 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\$19.5 million and HK\$54.2 million for the years ended 31 March 2021 and 2020 respectively, representing a decrease of approximately 64.0%. 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 increased from approximately 10.1% for the Previous Year to approximately 12.8% for the Year.

## **Other Income and Expenses and Other Gains and Losses**

During the Year, the Group received government grants of HK\$6,574,000 in respect of COVID-19-related subsidies, of which HK\$6,243,000 related to the Employment Support Scheme (“ESS”).

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 then independent legal advisors, the legal claim was still in preliminary stage and hence the final outcome was unable to be determined as at 31 March 2020. Legal and professional fee of approximately HK\$11,597,000 in relation to this arbitration had been recognised in profit or loss and an accrual of approximately HK\$8,240,000 was included in other payables as at 31 March 2020.

During the year ended 31 March 2021, the Group entered into a settlement agreement with the customer in connection with the disputes under the two subcontracts. Pursuant to the settlement agreement, the customer agreed to pay the Group for a sum of approximately HK\$35.5 million for the settlement and the amount was received in full by the Group during the Year. Accordingly, a reversal of impairment loss on trade receivables, contract assets and other receivables for this customer in an amount of approximately HK\$5,236,000, HK\$7,391,000 and HK\$3,599,000 respectively and a gain on settlement of arbitration of approximately HK\$19,275,000 are recognised during the Year. Based on the advices from the independent legal advisors, the arbitration is settled as at the date of this announcement. Legal and professional fees of approximately HK\$2,483,000 in relation to this arbitration has been further recognised in profit or loss during the Year.

## **Administrative Expenses**

The Group’s administrative expenses amounted to approximately HK\$32.1 million and HK\$26.2 million for the Year and the Previous Year respectively, representing an increase of approximately 22.8%. Such increase was primarily due to the increase in tender cost during the Year.

## **Finance Costs**

For the Year and the Previous Year, the Group’s finance costs amounted to approximately HK\$337,000 and HK\$704,000 respectively. The decrease in finance costs was mainly due to the decrease in bank borrowings level during the Year.

## **Income Tax Expense**

For the Year and the Previous Year, the Group's income tax expense amounted to approximately HK\$4.2 million and HK\$2.6 million, representing an increase of approximately 61.0%, as a result of the increase in taxable profit for the Year.

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

Profit and total comprehensive income for the Year increased by approximately HK\$8.4 million from approximately HK\$12.7 million for the Previous Year to approximately HK\$21.1 million for the Year. Such increase was mainly due to the increase in government grant and subsidy under the ESS and the settlement of legal claim during the Year.

## **Dividends**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

## **Liquidity and Financial Resources**

The Group maintained a sound financial position. As at 31 March 2021, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$92.3 million (2020: approximately HK\$60.9 million) and the current ratio was approximately 0.86 (2020: approximately 1.3). As at 31 March 2021, bank borrowings of HK\$30 million was unsecured, repayable within one year, borne floating interest rate and denominated in Hong Kong dollars (2020: Nil).

## **Gearing Ratio**

The gearing ratio of the Group as at 31 March 2021 was approximately 22.1% (2020: 1.2%). The gearing ratio is calculated as total borrowings and lease liabilities divided by total equity as at the end of the reporting period.

## **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 2021, the Group had pledged bank deposits of approximately HK\$1.0 million (2020: approximately HK\$6.0 million), all properties in carrying amount of approximately HK\$27.5 million and investment properties in carrying amount of approximately HK\$43.7 million to secure the banking facilities granted to the Group.

## **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**

On 5 March 2021, the Group agreed to provide a capital contribution in the aggregate amount of HK\$188,650,000 to the JV Company, and such contributions shall be payable upon request of the JV Company from time to time expected to be made by batch over a period of four years based on the latest redevelopment schedule of the Property. As at 31 March 2021, the Group has provided the capital contribution of approximately HK\$74,694,000 to the JV Company. Details of the formation of the JV Company and the provision of the capital contribution have been disclosed in the announcement of the Company dated 11 September 2020 and circular of the Company dated 26 March 2021. Save as disclosed above, as at 31 March 2021, the Group had no other material capital commitment.

As at 31 March 2020, the Group had no material capital commitment.

## **Human Resources Management**

As at 31 March 2021, the Group had a total of 79 employees (2020: 117). 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**

On 5 March 2021, the Group agreed to provide the capital contribution in the aggregate amount of HK\$188,650,000 to the JV Company, a company owned as to 49% by the Group. The JV Company is an investment holding company and owns 70% shareholding interest of the JV Subsidiary, a company engaged in property development in Hong Kong and is the owner of the Property. As at 31 March 2021, the Group's interests in joint venture was approximately HK\$74.6 million (representing approximately 26.97% of the Group's total asset), representing carrying amount of the investment in the JV Company. The completion of the acquisition of the Property by the JV Subsidiary took place on 1 April 2021, and the Property is expected to be redeveloped into a new 23-storey industrial building to be held for sale, which is expected to take four years from 2021 to complete. Save as disclosed, the Group did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Year.

## **Performance Guarantee**

As at 31 March 2021, performance guarantees of approximately HK\$2.4 million (2020: HK\$10.9 million) were issued by certain banks to the Group's customers on behalf of the Group and approximately HK\$0.4 million (31 March 2020: HK\$1.6 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 (2020: Nil).

## **Contingent Liabilities**

On 5 March 2021, the Group provided a guarantee to a bank in respect of bank facility to the JV Subsidiary up to a maximum amount of HK\$124,000,000, provided that the liability of the Group in respect of any part of the guaranteed indebtedness shall be several with that of other joint venture partners, and be limited to 34.3% of the guaranteed indebtedness, representing the effective interest of the Group in the JV Subsidiary. As at 31 March 2021, none of the bank facilities has been drawn down by JV Subsidiary.

The directors of the Company considered the fair value of the financial guarantee is insignificant at date of inception and at the end of the reporting period.

The Group had no other material contingent liabilities at the end of the reporting period (2020: 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 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 all 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**

Subsequent to the end of the reporting period and up to the date of this announcement, 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 due to the impact brought along by COVID-19. 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.

On 1 April 2021, the JV Subsidiary completed the acquisition of the Property at the consideration of HK\$310,000,000, details of which have been disclosed in the announcements of the Company dated 16 November 2020 and 1 April 2021.

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 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. The Board has a total of six Directors and three of them are independent non-executive Directors who are qualified professionals and/or experienced individuals. As all major decisions are made in consultation with all the members of the Board which meet on a regularly quarterly basis to review the operations of the Group, and shall be approved by majority approval of the Board, with the three independent non-executive Directors on the Board scrutinising important decisions and 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 Friday, 13 August 2021 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 Friday, 13 August 2021, the register of members of the Company will be closed from Tuesday, 10 August 2021 to Friday, 13 August 2021, 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 Monday, 9 August 2021.

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

This results announcement is published on the Stock Exchange's website (<http://www.hkexnews.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, 23 June 2021

*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.*