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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

HIGHLIGHTS

For the six months ended 30 September 2020 (the “Period”) and 2019 (the “Previous Period”):

- Revenue of the Group for the Period was approximately HK\$105.9 million (Previous Period: HK\$354.9 million).
- Profit attributable to owners of the Company for the Period was approximately HK\$9.0 million (Previous Period: HK\$18.0 million).
- The Board does not recommend the payment of an Interim dividend for the Period.
- Earnings per share of the Company was approximately HK1.13 cents (Previous Period: HK2.25 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 2020 (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 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	5	105,920	345,948
Direct costs		<u>(96,416)</u>	<u>(314,036)</u>
Gross profit		9,504	31,912
Other income	6	5,313	895
Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal		10,000	–
Administrative expenses		(13,602)	(10,687)
Share of results of joint ventures		–	(98)
Finance costs	7	<u>(147)</u>	<u>(169)</u>
Profit before taxation	8	11,068	21,853
Income tax expenses	9	<u>(2,024)</u>	<u>(3,866)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>9,044</u>	<u>17,987</u>
Earnings per share	11		
– Basic (<i>HK cents</i>)		<u>1.13</u>	<u>2.25</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		30 September 2020	31 March 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	12	44,215	29,367
Right-of-use assets		617	1,416
Investment properties		46,447	63,324
Interest in joint ventures		—	—
		<u>91,279</u>	<u>94,107</u>
Current assets			
Trade receivables	13	17,841	30,787
Other receivables, deposits and prepayments	14	1,803	1,886
Contract assets		23,526	19,141
Tax recoverable		—	5,477
Amount due from a joint venture		1,565	6,660
Pledged bank deposits	15	1,039	6,039
Bank balances and cash		102,178	54,872
		<u>147,952</u>	<u>124,862</u>
Current liabilities			
Trade payables	16	7,778	29,619
Other payables and accrued expenses	17	57,704	53,653
Contract liabilities		26,038	10,892
Tax payable		4,674	—
Lease liabilities		641	1,453
Bank borrowing		10,000	—
		<u>106,835</u>	<u>95,617</u>

		30 September	31 March
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Net current assets		<u>41,117</u>	<u>29,245</u>
Net assets		<u>132,396</u>	<u>123,352</u>
Capital and reserves			
Share capital	<i>18</i>	8,000	8,000
Reserves		<u>124,396</u>	<u>115,352</u>
Equity attributable to owners of the Company		<u>132,396</u>	<u>123,352</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 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 2020 (Audited)	8,000	42,490	18,800	54,062	123,352
Profit and total comprehensive income for the period	—	—	—	9,044	9,044
At 30 September 2020 (Unaudited)	<u>8,000</u>	<u>42,490</u>	<u>18,800</u>	<u>63,106</u>	<u>132,396</u>
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)	<u>8,000</u>	<u>42,490</u>	<u>18,800</u>	<u>67,293</u>	<u>136,583</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	33,293	(84,642)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	4,972	(7,569)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	<u>9,041</u>	<u>(25,976)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	47,306	(118,187)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>54,872</u>	<u>274,005</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<u><u>102,178</u></u>	<u><u>155,818</u></u>

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, Uglan 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 2020, 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”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed 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 described below, the application of the Amendments to Reference to the Conceptual Framework in HKFRS Standard and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

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

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Change in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

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 2020, the Group's non-current assets amounting to HK\$91,279,000 (31 March 2020: HK\$94,107,000) 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Recognised over time under HKFRS 15:		
Building construction	13,080	269,307
Repair, maintenance, alteration and addition (“RMAA”) works	73,337	76,641
Design and build	19,503	–
	<hr/>	<hr/>
Revenue from contracts with customers	105,920	345,948

6. OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	52	895
Government grant and subsidy under the Employment Support Scheme (“ESS”)	5,261	–
	<hr/>	<hr/>
	5,313	895

7. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on:		
– bank borrowings	118	97
– lease liabilities	29	72
	<u>147</u>	<u>169</u>

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total staff costs	6,398	6,534
Directors' remuneration	3,440	3,680
Other staff costs		
– Salaries and other benefits	2,845	2,743
– Retirement benefits scheme contributions	113	111
Depreciation	2,908	1,277
– property, plant and equipment	1,301	441
– Investment properties	808	–
– right-of-use assets	799	836

9. INCOME TAX EXPENSES

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	<u>2,024</u>	<u>3,866</u>

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.

For the six months ended 30 September 2020, Hong Kong Profit Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

10. DIVIDEND

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend declared – NIL (2019: HK1.0 cent)	<u>–</u>	<u>8,000</u>

The directors do not recommend the payment of an interim dividend for the six months period ended 30 September 2020.

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	
	2020	2019
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	<u>9,044</u>	<u>17,987</u>
Number of shares		
Number of ordinary shares in issue (thousand shares)	<u>800,000</u>	<u>800,000</u>

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

12. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$80,000 (2019: HK\$2,180,000).

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	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0-30 days	11,085	24,556
31-90 days	<u>6,756</u>	<u>6,231</u>
	<u>17,841</u>	<u>30,787</u>

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Deposits	1,381	1,089
Other receivables	23	199
Prepayment	399	598
	<hr/>	<hr/>
Total	1,803	1,886
	<hr/> <hr/>	<hr/> <hr/>

15. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities (including bank borrowings and performance guarantee) granted to the Group, carrying interest at prevailing market rate ranging from 0.93% to 1.92% (31 March 2020: 1.37% to 2.54%) 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	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0-30 days	5,706	23,666
31-60 days	2,072	5,953
	<hr/>	<hr/>
	7,778	29,619
	<hr/> <hr/>	<hr/> <hr/>

17. OTHER PAYABLES AND ACCRUED EXPENSES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Accrued charges	14,925	5,693
Retention payables	39,076	39,433
Deposits received from suppliers	49	49
Deposits received for rental	188	238
Provision for legal and professional fee	3,466	8,240
	<u>57,704</u>	<u>53,653</u>

18. SHARE CAPITAL

	Number of shares thousand shares	Share capital HK\$'000 (Unaudited)
Ordinary shares of HK\$0.01 each		
Authorised		
At 31 March 2020 and 30 September 2020	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 March 2020 and 30 September 2020	<u>800,000</u>	<u>8,000</u>

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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
– Subcontractor cost to Nova Techoy (<i>Note i</i>)	17,127	–
– Management fee income from Nova Techoy	485	–
– Repayment of lease liabilities	617	617
– Interest expense on lease liabilities to Popstate Limited (<i>Note ii</i>)	26	58
	<u>26</u>	<u>58</u>

Note:

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

20. PERFORMANCE GUARANTEE

At 30 September 2020, performance guarantee of approximately HK\$7,751,500 (31 March 2020: HK\$10,949,000) 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

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 customers or suspension of production and delivery from some 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.

On 12 November 2020, a subsidiary of the JV Company agreed to acquire a 13-storey industrial building situated at Tsuen Wan, New Territories (the “Property”) at the consideration of HK\$310,000,000 (the “Acquisition”). Upon completion of the Acquisition, the Property is intended to be redeveloped into a new 23-storey industrial building by the JV Company to be held for sale. Please refer to the announcement of the Company dated 16 November 2020 for further details.

Save as disclosed above, there are no significant events affecting the Group which have occurred since the end of the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

During the Period, despite the far-reaching effects brought about by COVID-19 to the overall economy, 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 licences and certain crucial qualifications of 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) various In-principle Acceptances under Buildings Department for Steel Modular Integrated Construction (“MiC”) system. During the Period, the Group has successfully completed the first Modular Social Housing project in Hong Kong and has further invested resources in MiC so as to well-equip itself to remain competitive amid the upcoming challenges in the market.

Looking forward, while keep focusing on its existing business, the Group will look 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 share by (i) further developing the private sector market; (ii) strengthening the Group’s manpower in order to cater for the growing demand for the businesses of the Group; (iii) targeting design and build projects with a smaller contract sum, including those involving MiC elements; and (iv) allocating resources in research and development, innovation and technology relevant to MiC and building construction.

With the Group’s expertise in building construction and MiC, the Group is continuously looking out for opportunities in real estate development projects of various kinds and scale. 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

The Group's revenue decreased from approximately HK\$345.9 million for the Previous Period to approximately HK\$105.9 million for the Period, representing a decrease of approximately 69.4%. The decrease is mainly attributable to a decrease in revenue from the building construction services and RMAA services and partially offset by an increase in revenue for the design and build services segment during the Period. Due to the outbreak of COVID-19, there was a general delay in the progress and completion of certain construction projects.

Revenue from building construction services for the Period decreased sharply from approximately HK\$269.3 million for Previous Period to approximately HK\$13.0 million for the Period, which was mainly due to substantial completion of certain major projects which commenced in prior years during the Period while commencement of new projects were delayed due to COVID-19. On the other hand, the revenue from RMAA services dropped slightly from approximately HK\$76.6 million for Previous Period to approximately HK\$73.3 million for the Period due to the completion of certain projects. Revenue from design and build services contributed approximately HK\$19.5 million during the Period to the Group (Previous Period: nil), which was attributable to increase in revenue from MiC projects during the Period.

Direct Costs

The Group's direct costs decreased from approximately HK\$314.0 million for the Previous Period to approximately HK\$96.4 million for the Period, representing a decrease of approximately 69.3%. Such decrease was due to the decrease in revenue leading to a corresponding decrease in cost of construction materials during the Period.

Gross Profit

The Group's gross profit amounted to approximately HK\$9.5 million for the Period (Previous Period: HK\$31.9 million), representing a decrease of approximately 70.2%. The Group's overall gross profit margin slightly decreased from 9.2% for the Previous Period to 9.0% for the Period.

Other Income

The Group's other income mainly represented the bank interest income and government grant and subsidy under the ESS, and increased by approximately HK\$4.4 million from approximately HK\$0.9 million for the Previous Period to approximately HK\$5.3 million during the Period, representing an increase of approximately 493.6%.

Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal

As at 31 March 2020, the Group has made a provision of HK\$8.0 million recognised in other payables in view of an arbitration made against a customer. During the Period, a settlement agreement was entered into by, among others, the customer and the Group, pursuant to which, among other things, the customer made a settlement sum (first instalment) of HK\$10.0 million to the Group during the Period. As a result of such payment, the Group recorded an impairment loss on financial assets and contract assets, net of reversal of HK\$10.0 million for the Period (Previous Period: nil).

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$13.6 million for the Period (Previous Period: HK\$10.7 million), representing an increase of approximately 27.3%. Such increase was primarily due to an increase in the consultant fees incurred for expanding our design and build services and into the new market on MiC project during the Period.

Finance Costs

The Group's finance costs amounted to approximately HK\$147,000 for the Period (Previous Period: HK\$169,000). The decrease in finance costs was mainly due to a decrease in interest expenses on lease liabilities with the decrease in lease liabilities.

Income Tax Expenses

As a result of the decrease in taxable profit for the Period, the Group's income tax expense during the Period amounted to approximately HK\$2.0 million (Previous Period: HK\$3.9 million),

Profit and Total Comprehensive Income

Profit and total comprehensive income for the Period decreased by approximately HK\$9.0 million from approximately HK\$18.0 million for the Previous Period to approximately HK\$9.0 million for the Period. Such decrease was mainly due to the decrease in revenue and cost during the Period.

Interim Dividend

The Board does not recommend the payment of an interim dividend (2019: HK1.0 cent per share).

Liquidity and Financial Resources

The Group maintained a sound financial position. As at 30 September 2020, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$103.2 million (31 March 2020: approximately HK\$60.9 million). The total interest-bearing borrowings of the Group as at 30 September 2020 amounted to approximately HK\$10.0 million (31 March 2020: no borrowings), and the current ratio as at 30 September 2020 was approximately 1.4 (31 March 2020: approximately 1.3).

Gearing Ratio

The gearing ratio of the Group as at 30 September 2020 was approximately 8.0% (31 March 2020: 1.2%). The gearing ratio is calculated as total borrowings and lease liabilities divided by total equity as at the respective periods.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 30 September 2020, the Group had pledged bank deposits of approximately HK\$1.0 million (31 March 2020: approximately HK\$6.0 million) to secure the banking facilities granted to the Group. Save for the above, the Group did not have any charges on its assets.

Capital Structure

There has been no change in capital structure of the Company during the Period. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitment

As at 30 September 2020, the Group had no significant capital commitment (31 March 2020: Nil).

Human Resources Management

As at 30 September 2020, the Group had a total of 81 employees (31 March 2020: 117 employees). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance. The Group sponsored staff to attend seminars and training courses.

In addition, the Group adopted a share option scheme. No share option has been granted, exercised, cancelled or lapsed since its adoption.

Foreign Currency Risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the Period, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between currencies. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Period.

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

In September 2020, the Group formed a joint venture (the “JV Company”) with a joint venture partner which operates the business of property investment and development projects, details of which have been disclosed in the announcements of the Company dated 11 September 2020 and 28 September 2020 respectively.

Save as disclosed above, the Group did not have any significant investments, capital assets, material acquisitions, and/or disposals of subsidiaries and affiliated companies during the Period.

Performance Guarantee

As at 30 September 2020, performance guarantees of approximately HK\$7.8 million (31 March 2020: HK\$10.9 million) were issued by certain banks or the insurance company to the Group’s customers on behalf of the Group and approximately HK\$1.2 million (31 March 2020: HK\$1.6 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 2020: Nil).

Corporate Governance Code

The Company's corporate governance code is based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam Kin Wing Eddie ("Mr. Lam") serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the CG Code provision A.2.1.

The Board is of the view that vesting both roles in Mr. Lam will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Company complied with all code provision in the CG Code during the Period save for the deviation disclosed above.

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 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 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, 25 November 2020

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.