



Thelloy Development Group Limited

德萊建業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1546

Interim Report  
**2022**

## HIGHLIGHTS

For the six months ended 30 September 2022 (the “Period”) and 2021 (the “Previous Period”):

- Revenue of the Group for the Period was approximately HK\$104.8 million (Previous Period: HK\$90.3 million).
- Profit attributable to owners of the Company for the Period was approximately HK\$2.5 million (The loss attributable to owners of the Company for the Previous Period: approximately HK\$9.0 million).
- The Board does not recommend the payment of an Interim dividend for the Period.
- Earnings per share for the Period amounted to approximately HK0.32 cents (Loss per share for the Previous Period: approximately HK1.12 cents).

The board (the “Board”) of directors (the “Directors”) of Theloy 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 2022, 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 2022

	<i>Notes</i>	<b>Six months ended 30 September</b>	
		<b>2022 HK\$'000 (Unaudited)</b>	<b>2021 HK\$'000 (Unaudited)</b>
Revenue	5	<b>104,843</b>	90,288
Direct costs		<b>(87,426)</b>	(78,665)
Gross profit		<b>17,417</b>	11,623
Other income	6	<b>1,985</b>	515
Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal		<b>419</b>	–
Administrative expenses		<b>(15,812)</b>	(19,351)
Share of loss of a joint venture	20	<b>(95)</b>	(1,523)
Finance costs	7	<b>(363)</b>	(242)
Profit/(loss) before taxation	8	<b>3,551</b>	(8,978)
Income tax expenses	9	<b>(1,010)</b>	–
Profit/(loss) and total comprehensive income/(expense) for the period attributable to owners of the Company		<b>2,541</b>	(8,978)
Earnings/(loss) per share	11		
– Basic (HK cents)		<b>0.32</b>	(1.12)

# Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2022

	<i>Notes</i>	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	89,475	85,102
Right-of-use assets		7,100	7,879
Interest in joint ventures	20	83,908	81,896
Deposits for acquisition of property, plant and equipment		–	1,969
Rental deposits		962	962
		<b>181,445</b>	177,808
<b>Current assets</b>			
Trade and other receivables	13	38,703	9,334
Loan receivable	14	30,000	–
Contract assets		39,584	20,176
Amount due from a joint venture	20	3,776	3,896
Tax recoverable		2,524	3,535
Pledged bank deposits	15	1,979	1,039
Bank balances and cash		13,138	56,557
		<b>129,704</b>	94,537
<b>Current liabilities</b>			
Trade and other payables	16	89,470	73,297
Contract liabilities		9,226	27,238
Lease liabilities		3,441	3,414
Bank borrowings		54,000	15,000
		<b>156,137</b>	118,949

# Unaudited Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2022

	<i>Notes</i>	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
<b>Net current liabilities</b>		<b>(26,433)</b>	(24,412)
<b>Non-current liability</b>			
Lease liabilities		<b>3,732</b>	4,657
Net assets		<b>151,280</b>	148,739
<b>Capital and reserves</b>			
Share capital	<i>17</i>	<b>8,000</b>	8,000
Reserves		<b>143,280</b>	140,739
Equity attributable to owners of the Company		<b>151,280</b>	148,739

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2022 (Audited)	8,000	42,490	18,800	79,449	148,739
Profit and total comprehensive income for the period	-	-	-	2,541	2,541
At 30 September 2022 (Unaudited)	8,000	42,490	18,800	81,990	151,280
At 1 April 2021 (Audited)	8,000	42,490	18,800	75,185	144,475
Loss and total comprehensive expense for the period	-	-	-	(8,978)	(8,978)
At 30 September 2021 (Unaudited)	8,000	42,490	18,800	66,207	135,497

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(73,019)	(20,913)
NET CASH USED IN INVESTING ACTIVITIES	(7,640)	(55)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	37,240	(11,081)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,419)	(32,049)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	56,557	91,302
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	13,138	59,253

# 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, Uglund House, Grand Cayman, Cayman Islands, KY1-1104 and its principal place of business changed from 2/F, Centre 600, 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong to 19/F, The Globe, 79 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong with effect from 16 May, 2022.

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”). The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The Group incurred a net profit of approximately HK\$2,541,000 during the six-month period ended 30 September 2022 and, as of that date, the Group had net current liabilities of approximately HK\$26,433,000. Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from banks to the Group of HK\$116,485,000 (31 March 2022: HK\$156,076,000), 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.



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

## 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 2022.

### 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 mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim 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.

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

## 4. SEGMENT INFORMATION

The Group's operations is solely derived from construction services in Hong Kong during the Period. For the purposes of resource 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 the same accounting policies of the Group. Accordingly, the Group only has 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 2022, the Group's non-current assets (excluding interest in joint ventures, deposits for acquisition of property, plant and equipment and rental deposits) amounting to HK\$96,575,000 (31 March 2022: HK\$92,981,000) are all physically 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Recognised over time under HKFRS 15:		
Building construction	35,749	35,882
Repair, maintenance, alteration and addition ("RMAA") works	45,165	42,028
Design and build	23,929	12,378
Revenue from contracts with customers	<b>104,843</b>	90,288

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

## 6. OTHER INCOME

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	4	13
Loan Interest Income	200	–
Management fee income	–	55
Rental Income	210	243
Government grant and subsidy under the Employment Support Scheme (“ESS”)	1,571	204
	<b>1,985</b>	<b>515</b>

## 7. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest expense on:		
– bank borrowings	293	203
– lease liabilities	70	39
	<b>363</b>	<b>242</b>

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

### 8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Total staff costs	8,664	8,486
Directors' remuneration	3,200	3,240
Other staff costs		
– Salaries and other benefits	5,290	5,060
– Retirement benefits scheme contributions	174	186
Depreciation	3,469	2,807
– property, plant and equipment	2,191	1,621
– Investment properties	–	394
– right-of-use assets	1,278	792

### 9. INCOME TAX EXPENSES

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax	1,010	–

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%.

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

## 10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six-month period ended 30 September 2022 (2021: Nil).

## 11. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company (HK\$'000)	2,541	(8,978)
<b>Number of shares</b>		
Number of ordinary shares in issue (thousand shares)	800,000	800,000

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

## 12. PROPERTY, PLANT AND EQUIPMENT

The increase in property, plant and equipment from approximately HK\$85.1 million as at 31 March 2022 to HK\$89.5 million as at 30 September 2022 was mainly due to the acquisition of property, plant and equipment for new office.

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

### 13. TRADE AND OTHER 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. The following is an ageing analysis of trade receivables, net of ECL, presented based on the invoice date at the end of the reporting period.

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Trade Receivables		
0-30 days	<b>31,117</b>	5,938
31-90 days	<b>180</b>	–
	<b>31,297</b>	5,938
Less: Allowance for credit losses	<b>(36)</b>	(50)
	<b>31,261</b>	5,888
Rental deposits	–	116
Other deposits	<b>2,703</b>	1,315
Prepayment	<b>4,739</b>	2,015
	<b>7,442</b>	3,446
Total trade and other receivables, net of ECL	<b>38,703</b>	9,334

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

## 14. LOAN RECEIVABLE

On 16 August 2022, Grandway Inc. Development Limited (the “Lender”), a wholly owned subsidiary of the Company, as a lender, entered into the loan agreement with the borrower, pursuant to which the Lender provided the loan in favour of the borrower in the amount of HK\$30,000,000 for a term of four months at an interest rate of 8% per annum.

The borrower, which is wholly owned by the guarantor, and the Group has set up the JV Company (as defined below) which is ultimately held as to 49% and 51% by the Company and the guarantor, respectively. Save for the investments in the JV Company by the borrower, the borrower and its ultimate beneficial owner, i.e. the guarantor, are all third parties independent of the Company and its connected persons.

At the end of the reporting period, the loan receivable has been reviewed by management to assess impairment allowances which are based on the evaluation of current creditworthiness and the collection statistics, and are not considered as impaired.

Please refer to the announcements of the Company dated 16 August 2022 and 26 August 2022 for details.

## 15. PLEDGED BANK DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure the banking facilities (including bank borrowings and performance guarantee) granted to the Group, and carries interest at prevailing market rate from 0.001% to 0.05% (31 March 2022: 0.001%) per annum.

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

### 16. TRADE AND OTHER 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>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Trade Payables		
0-30 days	69,825	53,201
31-60 days	2,464	2,897
	<b>72,289</b>	56,098
Accrued charges	4,512	3,010
Retention payables	12,058	14,017
Deposits received from suppliers	79	64
Deposits received for rental	532	108
	<b>17,181</b>	17,199
<b>Total</b>	<b>89,470</b>	73,297

### 17. SHARE CAPITAL

	<b>Number of shares thousand shares</b>	<b>Share capital HK\$'000 (Unaudited)</b>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 31 March 2022 and 30 September 2022	2,000,000	20,000
<b>Issued and fully paid:</b>		
At 31 March 2022 and 30 September 2022	800,000	8,000

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



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

## 18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
– Construction contract revenue from Nova Techoy ( <i>Note i</i> )	–	1,789
– Management fee income from Nova Techoy	–	58
– Interest expense on lease liabilities to Popstate Limited ( <i>Note ii</i> )	–	10
– Short term lease payment to Trunk Room Limited ( <i>Note iii</i> )	<b>63</b>	–

*Notes:*

- (i) Nova Techoy Modular Construction Company Limited (“Nova Techoy”) is a joint venture of the Company.
- (ii) Popstate Limited is wholly owned by Mr. Lam Kin Wing Eddie (“Mr. Lam”), the Chairman, an executive director and the controlling shareholder of the Company.
- (iii) Trunk Room Limited is wholly owned by Mr. Lam Arthur Chi Ping, an executive director of the Company.

## 19. PERFORMANCE GUARANTEE

At 30 September 2022, performance guarantee of approximately HK\$21,515,000 (31 March 2022: HK\$9,570,000) was 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.

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

## 20. INTEREST IN JOINT VENTURES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Cost of unlisted interest in joint ventures	84,507	82,400
Share of post-acquisition results	(599)	(504)
	<b>83,908</b>	81,896
Amount due from a joint venture	4,129	4,297
Less: allowance for credit losses	(353)	(401)
	<b>3,776</b>	3,896

The amount due from a joint venture is unsecured, interest free and repayable on demand.

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			30 September 2022	31 March 2022	30 September 2022	31 March 2022	
Nova Techoy Modular Construction Company Limited ("Nova Techoy") (Note)	Hong Kong	Hong Kong	51%	51%	51%	51%	Sales of modular housing solutions
Great Glory Developments Limited ("Great Glory")	BVI	Hong Kong	49%	49%	49%	49%	Investment holding
Profit Apex Developments Limited ("Profit Apex")	BVI	Hong Kong	49%	49%	49%	49%	Investment holding
Sky Glory Properties Limited ("Sky Glory")	Hong Kong	Hong Kong	49%	49%	49%	49%	Properties developing
World Partners Limited ("World Partners")	Hong Kong	Hong Kong	34.3%	34.3%	34.3%	34.3%	Properties developing

*Note:* According to the shareholders' agreement of Nova Techoy Venture, the relevant activities require unanimous consent from all shareholders. The directors of the Company consider that the Group can only exercise joint control over these arrangements and therefore they are classified as joint venture of the Group.

Profit Apex and Sky Glory are subsidiaries of Great Glory of which Great Glory owns 100% interests. World Partners is a subsidiary of Great Glory of which Great Glory owns 70% interest.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

### Construction

The fifth wave of COVID-19 epidemic had posed multiple challenges to Hong Kong's economy during the first half of 2022. Domestic demand weakened and business sentiment worsened due to difficulties from the epidemic-induced border closures, mandatory quarantine and delay in obtaining government approvals. While easing of local epidemic situation and recent relaxation of quarantine and testing arrangements in the second half of the year should speed up economic activities, the sharp deterioration of external environment coupled with tighter financial conditions and rising borrowing costs will considerably hinder local economic growth and dampen business confidence. As a result, construction demand from the private sector shall remain low, while public funded projects will continue to be the main contributor to construction output in the coming quarters.

Under this backdrop of public-dominated demand in the construction market, competition for such contracts have remained fierce. Capitalizing on our experience, licenses and full-fledged capabilities across different project types, the Group managed to secure five new contracts during the Period, amounting to a total of approximately HK\$1.44 billion, all of which are projects for the public sector or quasi-government organizations. Among the new contracts, the Group was awarded its first term maintenance and repair project, demonstrating its ability to expand into new fields. Meanwhile, the Group also secured a Modular Integrated Construction ("MiC") transitional housing project in Cheung Sha Wan, leveraging its design-and-build expertise and experience following its success at Nam Cheong 220, the first MiC transitional housing project in Hong Kong. The award of these contracts will further strengthen the Group's resilience and competitiveness in the construction industry amid uncertainty in economic prospect.

Looking forward, the operating environment may remain challenging in the short term due to inflationary pressure, supply chain disruption and tight monetary policy. Nonetheless, the Group remains relatively optimistic on the future of the construction sector of Hong Kong, benefiting from government initiatives on housing and infrastructure development, including but not limited to the Northern Metropolis Development Strategy, transitional housing policy, and increasing supply of public and private housing. The change of term of the Hong Kong government in July 2022 is also expected to bring new housing policies in Hong Kong, which may further stimulate the development of the construction industry.

## Management Discussion and Analysis (Continued)

To better prepare ourselves for the upcoming opportunities and to embrace the transformation into “Construction 2.0”, the Group is actively exploring MiC project opportunities expanding application of BIM technology, adopting artificial intelligence (“AI”) for site safety and utilizing robotic solutions in the construction process. We have also been actively sourcing and co-creating smart construction technology through the participation of seminars and matching events organized by the Construction Industry Council and the Hong Kong Science and Technology Park, aiming to drive forward productivity and enhance project delivery outcomes.

### Property

The Group expanded its business into Hong Kong’s property market through its interests in World Partners Limited (the “JV Subsidiary”), a subsidiary of Great Glory Developments Limited (the “JV Company”, which is owed as to 49% by the Group), which can achieve synergy with the Group’s existing business in building construction. The JV Subsidiary having acquired a property in Tsuen Wan, Hong Kong in 2021, will redevelop it into a commercial development. Following the completion of demolition works of the existing building and the town planning approval in January 2022, the project is currently conducting detailed design, handling discharge of town planning approval conditions, and obtaining relevant government approvals for construction works.

## FINANCIAL REVIEW

### Revenue

The total revenue of the Group increased from approximately HK\$90.3 million for the Previous Period to approximately HK\$104.8 million for the Period, representing an increase of approximately 16.1%, which was mainly due to the commencement of certain new projects during the Period, a substantial increase in revenue from RMAA and design and build services which had an offsetting effect on the decrease in revenue from building construction services.

## Management Discussion and Analysis (Continued)

### Direct Costs

The Group's direct costs increased from approximately HK\$78.7 million for the Previous Period to approximately HK\$87.4 million for the Period, representing an increase of approximately 11.1%.

### Gross Profit

The Group's gross profit amounted to approximately HK\$17.4 million for the Period (Previous Period: HK\$11.6 million), representing an increase of approximately 49.8%. The Group's overall gross profit margin increased from 12.9% for the Previous Period to 16.6% for the Period. The increase in gross profit margin is mainly due to the contribution from the increase of revenue in RMAA and design and build services, which have a relatively higher profit margin than that of building construction services.

### Other Income

The Group's other income mainly represented the bank interest income, rental income and government grant, and increased by approximately HK\$1.5 million from approximately HK\$0.5 million for the Previous Period to approximately HK\$2.0 million during the Period, representing an increase of approximately 285.4%, which was mainly represented by the subsidies of Employment Support Scheme ("ESS") under the Anti-epidemic Fund set up by the Hong Kong Government and Loan interest income.

### Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$15.8 million for the Period (Previous Period: HK\$19.4 million), representing a decrease of approximately 18.3%. Such decrease was primarily due to a decrease in research and development costs incurred on innovative MiC design for high rise development.

### Finance Costs

The Group's finance costs amounted to approximately HK\$363,000 for the Period (Previous Period: HK\$242,000). The increase in finance costs was mainly due to (i) an increase in interest expenses on lease liabilities due to the increase in lease liabilities, and (ii) interest in bank borrowings.

## Management Discussion and Analysis (Continued)

### Income Tax Expenses

As a result of the increase in taxable profit for the Period, the Group's income tax expenses during the Period amounted to approximately HK\$1.0 million (Previous Period: Nil).

### Profit/(Loss) and Total Comprehensive Income/(Expense)

The Group recorded a net profit of approximately HK\$2.5 million for the Period compared to a loss for the Previous Period of approximately HK\$9.0 million. The change from a loss for the Previous Period to a profit for the Period was mainly due to (i) an increase in revenue; (ii) an increase in other income as a result of subsidies of the ESS under the Anti-epidemic Fund set up by the Hong Kong Government; and (iii) a decrease in administrative expenses mainly due to the decrease in research and development costs.

### Interim Dividend

The Board does not recommend the payment of an interim dividend (2021: Nil).

### Liquidity and Financial Resources

The Group maintained a sound financial position. As at 30 September 2022, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$15.1 million (31 March 2022: approximately HK\$57.6 million). Cash and cash equivalents and pledged deposits as at 30 September 2022 were all denominated in Hong Kong dollars. The total interest-bearing borrowings of the Group as at 30 September 2022 amounted to approximately HK\$61.2 million (31 March 2022: HK\$23.1 million), and the current ratio as at 30 September 2022 was approximately 0.83 (31 March 2022: approximately 0.79). As at 30 September 2022, the interest-bearing bank borrowing was denominated in Hong Kong dollars, repayable within one year and bore interest at Hong Kong Interbank offered Rate ("HIBOR") plus a spread of range from 1.35% to 2.7% per annum.

# Management Discussion and Analysis (Continued)

## Gearing Ratio

The gearing ratio of the Group as at 30 September 2022 was approximately 40.4% (31 March 2022: 15.5%). The gearing ratio is calculated as bank 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 2022, the Group had pledged bank deposits of approximately HK\$1.98 million (31 March 2022: approximately HK\$1.0 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 2022, the Group had no significant capital commitment (31 March 2022: approximately HK\$1.6 million).

## Management Discussion and Analysis (Continued)

### Human Resources Management

As at 30 September 2022, the Group had a total of 96 employees (31 March 2022: 69 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

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

### Contingent Liabilities

On 5 March 2021, the Group provided a guarantee to a bank in respect of a 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.



## Other Information

### 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 Part 2 of Appendix 14 of the Listing Rules. The Company is committed to ensure a quality Board and transparency and accountability to the shareholders of the Company. The code provision C.2.1 (equivalent to the previous code provision of A.2.1 of the CG Code) of the CG Code 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 C.2.1 of the CG Code.

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

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

### MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the Model Code For Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, each of the Directors confirmed that they had complied with such code of conduct and the Model Code throughout the Period.

## Other Information (Continued)

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 30 September 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity/Nature of interests	Number of ordinary shares held	Percentage of shareholding in the Company's issued share capital
Mr. Lam	Interest in controlled corporation ( <i>Note 1</i> )	580,000,000 (L)	72.5%

(L) denotes long position.

*Note:*

1. Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate Holding Limited ("Cheers Mate"). By virtue of the SFO, Mr. Lam is deemed to be interested in 580,000,000 Shares held by Cheers Mate.

## Other Information (Continued)

Save as disclosed above, as at 30 September 2022, none of the Directors nor chief executive of the Company has registered any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware, as at 30 September 2022, the following persons (not being the Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity/Nature of interests	Number of ordinary shares held	Percentage of shareholding in the Company's issued share capital
Cheers Mate	Beneficial owner	580,000,000 (L)	72.5%
Ms. Cheng Pui Wah Theresa ("Ms. Cheng") (Note 1)	Interest of spouse	580,000,000 (L)	72.5%

(L) denotes long position.

Note:

- (1) Ms. Cheng is the spouse of Mr. Lam. By virtue of the SFO, Ms. Cheng is deemed to be interested in the same number of Shares in which Mr. Lam is deemed to be interested under the SFO.

## Other Information (Continued)

Save as disclosed above, as at 30 September 2022, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

### **DIRECTORS' RIGHTS TO ACQUIRE SECURITIES OR DEBENTURE**

At no time during the Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

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

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 memorandum and articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

## Other Information (Continued)

### 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.

### CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.20 OF CHAPTER 13 OF THE LISTING RULES

The information required to be disclosed under Rule 13.20 of the Listing Rules in relation to the Company's advance to an entity is as follows:

As disclosed in the announcements of the Company dated 16 August 2022 and 26 August 2022 (the "Announcements"), on 16 August 2022, Grandway Inc. Development Limited (a wholly-owned subsidiary of the Company, the "Lender"), as lender, entered into a loan agreement with Ocean Century Ventures Limited as borrower (the "Borrower") (the "Loan Agreement"), pursuant to which the Lender agreed to provide a loan in favour of the Borrower in the amount of HK\$30,000,000 for a term of four months at an interest rate of 8% per annum. As at 30 September 2022, the outstanding balance of the loan amount was HK\$30,000,000. Set out below are the principal terms of the Loan Agreement and for further details, please refer to the Announcements.

### The Loan Agreement

Date: 16 August 2022

Parties: Grandway Inc. Development Limited as lender; Ocean Century Ventures Limited as borrower

Loan amount: HK\$30,000,000

## Other Information (Continued)

Purpose:	the loan shall be used by the Borrower for general working capital purposes
Interest rate:	8% per annum
Term:	four months commencing from the loan drawdown date
Availability period:	The loan shall be available for drawdown for five days commencing from the date of the Loan Agreement (both days inclusive).
Repayment:	The Borrower shall repay the interest on a monthly basis with the outstanding principal to be repaid at loan maturity.
Early repayment:	The Borrower shall be entitled to make early repayment of the outstanding principal together with all interest accrued thereon on any interest payment date provided that at least three business days' prior written notice has been given to the Lender.
Security:	<ul style="list-style-type: none"><li>(i) a guarantee provided by the Mr. Yeung Wan Yiu (the "Guarantor") for the repayment obligations of the Borrower under the Loan Agreement pursuant to a deed of guarantee dated 16 August 2022 executed by the Guarantor;</li><li>(ii) a share mortgage dated 16 August 2022 entered into between the Guarantor and the Lender pursuant to which the Guarantor agrees to charge by way of first fixed mortgage, all issued shares in the Borrower in favour of the Lender; and</li><li>(iii) a share mortgage dated 16 August 2022 entered into between the Borrower and the Lender pursuant to which the Borrower agrees to charge by way of first fixed mortgage, 51% of the issued share capital in the JV Company in favour of the Lender.</li></ul>

## Other Information (Continued)

### 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 the 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 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 condensed consolidated financial statements of the Group for the Period have not been audited but have been reviewed by the Company’s external auditor and 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

**Theloy Development Group Limited**

**Lam Kin Wing Eddie**

*Executive Director and Chairman*

Hong Kong, 23 November 2022

As at the date of this announcement, the executive Directors are Mr. Lam Kin Wing Eddie, Mr. Shut Yu Hang and Mr. Lam Arthur Chi Ping; and the independent non-executive Directors are Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On.