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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 2023

HIGHLIGHTS

For the six months ended 30 September 2023 (the “Period”) and 2022 (the “Previous Period”):

- Revenue of the Group for the Period was approximately HK\$127.5 million (Previous Period: HK\$104.8 million).
- Profit attributable to owners of the Company for the Period was approximately HK\$0.2 million (Previous Period: approximately HK\$2.5 million).
- The Board does not recommend the payment of an interim dividend for the Period (Previous Period: nil).
- Earnings per share for the Period amounted to approximately HK0.03 cents (Previous Period: approximately HK0.32 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 Period, together with the comparative figures for the Previous Period, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	127,478	104,843
Direct costs		<u>(109,234)</u>	<u>(87,426)</u>
Gross profit		18,244	17,417
Other income	6	517	1,985
Impairment loss on financial assets and contract assets under expected credit loss model, net of reversal		23	419
Administrative expenses		(15,591)	(15,812)
Share of loss of joint ventures	19	(106)	(95)
Finance costs	7	<u>(1,981)</u>	<u>(363)</u>
Profit before taxation	8	1,106	3,551
Income tax expenses	9	<u>(866)</u>	<u>(1,010)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>240</u>	<u>2,541</u>
Earnings per share	11		
– Basic (<i>HK cents</i>)		<u>0.03</u>	<u>0.32</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		30 September	31 March
		2023	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	<i>12</i>	87,443	88,032
Right-of-use assets		3,746	5,373
Interests in joint ventures	<i>19</i>	102,517	85,552
Rental deposits		522	522
		194,228	179,479
Current assets			
Trade and other receivables	<i>13</i>	36,629	61,381
Contract assets		37,631	28,624
Amount due from a joint venture	<i>19</i>	3,776	3,776
Pledged bank deposits	<i>14</i>	1,979	1,979
Cash and cash equivalents		30,308	66,028
		110,323	161,788
Current liabilities			
Trade and other payables	<i>15</i>	74,384	99,207
Contract liabilities		2,437	13,776
Lease liabilities		2,293	2,847
Tax payable		2,360	1,494
Bank borrowings		60,000	60,000
		141,474	177,324

		30 September	31 March
		2023	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Net current liabilities		<u>(31,151)</u>	<u>(15,536)</u>
Non-current liability			
Lease liabilities		<u>1,438</u>	<u>2,544</u>
Net assets		<u>161,639</u>	<u>161,399</u>
Capital and reserves			
Share capital	<i>16</i>	8,000	8,000
Reserves		<u>153,639</u>	<u>153,399</u>
Equity attributable to owners of the Company		<u>161,639</u>	<u>161,399</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	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 2023 (Audited)	8,000	42,490	18,800	92,109	161,399
Profit and total comprehensive income for the period	-	-	-	240	240
At 30 September 2023 (Unaudited)	8,000	42,490	18,800	92,349	161,639
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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(14,016)	(73,019)
NET CASH USED IN INVESTING ACTIVITIES	(18,558)	(7,640)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	<u>(3,146)</u>	<u>37,240</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,720)	(43,419)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>66,028</u>	<u>56,557</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<u><u>30,308</u></u>	<u><u>13,138</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, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and its principal place of business is 19/F, The Globe, 79 Wing Hong 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”). The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The Group recorded a net profit of approximately HK\$240,000 during the six-month period ended 30 September 2023 and, as of that date, the Group had net current liabilities of approximately HK\$31,151,000. Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from banks to the Group of HK\$190,899,000 (31 March 2023: HK\$201,130,000), 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.

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 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 2023.

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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 Insurance Contracts
and February 2022 Amendments to
HKFRS 17)

Amendments to HKAS 8

Definition of Accounting Estimates

Amendments to HKAS 12

Deferred Tax related to Assets and Liabilities arising from a
Single Transaction

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.

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 2023, the Group’s non-current assets (excluding interests in joint ventures, deposits for acquisition of property, plant and equipment and rental deposits) amounting to HK\$91,189,000 (31 March 2023: HK\$93,405,000) 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Recognised over time under HKFRS 15:		
Building construction	79,777	35,749
Repair, maintenance, alteration and addition (“RMAA”) works	28,806	45,165
Design and build	18,895	23,929
	<hr/>	<hr/>
Revenue from contracts with customers	127,478	104,843
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	39	4
Loan interest income	–	200
Rental income	468	210
Government grant	10	1,571
	<hr/>	<hr/>
	517	1,985
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCE COSTS

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on:		
– bank borrowings	1,937	293
– lease liabilities	44	70
	<u>1,981</u>	<u>363</u>

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total staff costs	9,452	8,664
Directors' remuneration	2,967	3,200
Other staff costs		
– Salaries and other benefits	6,307	5,290
– Retirement benefits scheme contributions	178	174
Depreciation	3,247	3,469
– property, plant and equipment	2,115	2,191
– right-of-use assets	1,132	1,278

9. INCOME TAX EXPENSES

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	<u>866</u>	<u>1,010</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%.

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six-month period ended 30 September 2023 (30 September 2022: Nil).

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	
	2023	2022
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	<u>240</u>	<u>2,541</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 plant and equipment of approximately HK\$1,526,000 (31 March 2023: HK\$2,497,000).

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 expected credit loss (“ECL”), presented based on the invoice date at the end of the reporting period.

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade Receivables		
0-30 days	<u>33,073</u>	<u>56,020</u>
Less: Allowance for credit losses	<u>(88)</u>	<u>(86)</u>
	<u>32,985</u>	<u>55,934</u>
Rental deposits	1,083	1,087
Other deposits	2,423	2,637
Other receivables	38	15
Prepayment	<u>622</u>	<u>2,230</u>
	37,151	61,903
Less: Rental deposits (classified as non-current assets)	<u>(522)</u>	<u>(522)</u>
Total trade and other receivables, net of ECL	<u><u>36,629</u></u>	<u><u>61,381</u></u>

14. 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 2023: 0.001%) per annum.

15. 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.

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade Payables		
0-30 days	51,612	65,932
31-60 days	<u>1,542</u>	<u>9,265</u>
	<u>53,154</u>	<u>75,197</u>
Accrued charges	2,753	4,832
Retention payables	17,608	18,636
Deposits received from suppliers	79	79
Deposits received for rental	<u>790</u>	<u>463</u>
	<u>21,230</u>	<u>24,010</u>
Total	<u>74,384</u>	<u>99,207</u>

16. SHARE CAPITAL

	Number of shares <i>thousand shares</i>	Share capital <i>HK\$'000</i> (Unaudited)
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2023 and 30 September 2023	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 March 2023 and 30 September 2023	<u>800,000</u>	<u>8,000</u>

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

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
– Subcontracting costs to Nova Techoy Modular Construction Company Limited (“Nova Techoy”) (<i>Note i</i>)	8	–
– Short term lease payment to Trunk Room Limited (<i>Note ii</i>)	64	63
– Construction contract revenue from World Partners Limited (“World Partners”)	<u>553</u>	<u>–</u>

Notes:

- (i) Nova Techoy is a joint venture of the Company.
- (ii) Trunk Room Limited is wholly owned by Mr. Lam Arthur Chi Ping, an executive director of the Company.

18. PERFORMANCE GUARANTEE

At 30 September 2023, performance guarantee of approximately HK\$14,101,000 (31 March 2023: HK\$20,869,000) 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.

19. INTERESTS IN JOINT VENTURES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Cost of unlisted interests in joint ventures	103,250	86,179
Share of post-acquisition results	<u>(733)</u>	<u>(627)</u>
	<u>102,517</u>	<u>85,552</u>
Amount due from a joint venture	3,776	4,165
Less: allowance for credit losses	<u>–</u>	<u>(389)</u>
	<u>3,776</u>	<u>3,776</u>

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 2023	31 March 2023	30 September 2023	31 March 2023	
Nova Techoy (<i>Note</i>)	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	Hong Kong	Hong Kong	34.3%	34.3%	34.3%	34.3%	Properties developing

Note: According to the shareholders' agreement of Nova Techoy, the relevant activities require unanimous consent from all shareholders. The Directors 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 condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The economy of Hong Kong continued on the path of recovery in 2023 on the back of growing inbound tourism and private consumption. Improved labour market conditions and the consumption voucher scheme also lent support to domestic demand. Yet, the global tight financial conditions as a result of interest rate hikes have placed constraints on the pace of economic recovery to some extent, with real GDP increasing by 1.5% in the second quarter of 2023, representing a growth rate slower than the preceding quarter.

The local construction industry witnessed growth under the backdrop of gradual economic recovery, with 5.6% increase in expenditure on building and construction, where public sector projects continued to dominate and register stronger growth. In June 2023, the HKSAR government introduced the Labour Importation Scheme for the Construction Sector, applicable to public sector construction works contracts with contract value no less than HK\$1 billion. Although this scheme might not be directly beneficial to the Group, the importation of skilled construction workers and site supervisory personnel is expected to help address the labour shortage in this sector.

Riding on the boom for public sector contracts and leveraging on the Group's competency for public projects, our revenue increased moderately by approximately 21.6% to approximately HK\$127.5 million for the Period, as compared with a revenue of approximately HK\$104.8 million for the Previous Period. Our order book is strengthened by the addition of a major new contract, amounting to approximately HK\$518.0 million, for the construction of Quarry Park at Anderson Road Quarry. During the Period, we also successfully completed and delivered a number of projects, including the Modular Integrated Construction ("MiC") transitional housing project in Cheung Sha Wan and the alteration and addition works for North Point Study Centre of the Education University of Hong Kong. Our design and build expertise and adherence to project excellence have led us to many project success and commendations, with our first MiC transitional housing Nam Cheong 220, recently being named as finalist of the Green Building Award 2023, following the recognition of Merit Award by the Quality Building Award 2022 in April this year.

To better prepare ourselves for the upcoming opportunities and to embrace the transformation into “Construction 2.0”, the Group devotes continuing efforts to developing its capabilities in innovative MiC design, expanding application of Building Information Modeling technology, utilizing laser scanner to improve productivity, and adopting artificial intelligence for site safety. The Group is now partnering with a technology venture to develop new solutions to enhance site safety, in line with the latest policy on applying Smart Site Safety System. Taking safety as an integral part of our company culture, we received the “Proactive Safety Contractor Award 2022” from the Hong Kong Construction Association, which demonstrates our outstanding performance in this area.

Apart from safety, we are also committed to introducing energy-efficient initiatives and achieving our waste and emissions mitigation targets. Our relentless efforts were well recognized by receiving the Hong Kong Quality Assurance Agency – Green and Sustainability Contribution Awards, for completing multiple pioneering MiC projects and for promoting safe and ecofriendly construction. We have also recently obtained green financing for our Sheung Shui Public Vehicle Park construction project.

Looking forward, we expect that the global economic recovery will take longer than anticipated, with the interest rates being expected at a high level for a longer period of time. The effects of the tightening monetary policy are expected to have a deferred impact on the real economy, posing further challenges ahead for companies. Therefore, uncertainties remain and warrant caution. The Group will stay cautiously optimistic in the operating environment of the near term, while strategic infrastructure initiatives introduced by the HKSAR government, such as the Northern Metropolis and the Kau Yi Chau Artificial Islands, shall imply a growing number of public construction projects in the coming years. The Group is confident to take advantage of the thriving market by leveraging on its licenses for and expertise on public projects.

The Group is also involved in the property business through its interests in 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 flagship project under the JV Company, through its interest in World Partners Limited (the “JV Subsidiary”) is to redevelop an industrial building in Tsuen Wan into a commercial property, which is currently undergoing construction plans submission and approval process. The JV Company also has interests in various land lots in Yuen Long with planning approval obtained for senior living development during the Period.

Financial Review

Revenue

The total revenue of the Group increased from approximately HK\$104.8 million for the Previous Period to approximately HK\$127.5 million for the Period, representing an increase of approximately 21.6%, which was mainly due to the commencement of certain new projects during the Period, representing a substantial increase in revenue from building construction services which had an offsetting effect on the decrease in revenue from RMAA and design and build services.

Direct Costs

The Group's direct costs increased from approximately HK\$87.4 million for the Previous Period to approximately HK\$109.2 million for the Period, representing an increase of approximately 24.9%, which is in line with the increase in the revenue during the Period.

Gross Profit

The Group's gross profit amounted to approximately HK\$18.2 million for the Period (Previous Period: HK\$17.4 million), representing an increase of approximately 4.8%. The Group's overall gross profit margin dropped from 16.6% for the Previous Period to 14.3% for the Period. The decrease in gross profit margin is mainly due to the increase in subcontracting costs caused by inflation, and direct staff costs during the Period.

Other Income

The Group's other income mainly represented bank interest income, rental income and government grant, and decreased by approximately HK\$1.5 million or 74.0%, as compared with approximately HK\$2.0 million for the Previous Period to approximately HK\$0.5 million for the Period, which was mainly attributable to a decrease in the subsidies of Employment Support Scheme ("ESS") under the Anti-epidemic Fund set up by the HKSAR Government and an interest income from a loan granted to an independent third party during the Previous Period.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$15.6 million for the Period (Previous Period: HK\$15.8 million), representing a decrease of approximately 1.4%. Such decrease was primarily due to a decrease in research and development costs incurred on innovative MiC design for high rise development, which was partially offset by the increased staff costs for the Period.

Finance Costs

The Group's finance costs amounted to approximately HK\$2.0 million for the Period (Previous Period: HK\$0.4 million). The increase in finance costs was mainly due to the raise in interest rate on bank borrowings.

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\$0.9 million (Previous Period: HK\$1.0 million).

Profit and Total Comprehensive Income

Profit and total comprehensive income for the Period decreased by approximately HK\$2.3 million from approximately HK\$2.5 million for the Previous Period to approximately HK\$0.2 million for the Period. Such decrease was mainly due to (i) a decrease in the subsidies of ESS; and (ii) an increase in finance costs as a result of the increase in interest rate on bank borrowings.

Interim Dividend

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

Liquidity and Financial Resources

The Group maintained a sound financial position. As at 30 September 2023, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$32.3 million (31 March 2023: approximately HK\$68.0 million). Cash and cash equivalents and pledged deposits as at 30 September 2023 were all denominated in Hong Kong dollars. The total interest-bearing borrowings of the Group as at 30 September 2023 amounted to approximately HK\$63.7 million (31 March 2023: HK\$65.4 million), and the current ratio of the Group as at 30 September 2023 was approximately 0.78 (31 March 2023: 0.91). As at 30 September 2023, the interest-bearing bank borrowing was denominated in Hong Kong dollars, repayable within one year and bore interest at Hong Kong Interbank Offered Rate plus a spread of range from 1.35% to 2.7% per annum.

Gearing Ratio

The gearing ratio of the Group as at 30 September 2023 was approximately 39.4% (31 March 2023: 40.5%). 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 2023, the Group had pledged bank deposits of approximately HK\$2.0 million (31 March 2023: HK\$2.0 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 and other Commitment

On 5 March 2021, in order to finance the land acquisition plan of the JV Company, the Group agreed to provide the additional capital contribution in the aggregate amount of HK\$188.65 million to the JV Company and such contributions shall be payable upon request of the JV Company from time to time. As at 30 September 2023, the outstanding commitment was HK\$87.2 million (31 March 2023: HK\$104.191 million). Save as disclosed, as at 30 September 2023 and 31 March 2023, the Group had no other significant capital commitment.

Human Resources Management

As at 30 September 2023, the Group had a total of 115 employees (31 March 2023: 99 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 on 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

As at 30 September 2023, the Company held a significant investment, with a value of over 5% of the Company's total assets as at 30 September 2023, in the JV Company. The Group's total investment in the JV Company is HK\$188.65 million, and the amount provided up to 30 September 2023 was approximately HK\$101.5 million (31 March 2023: approximately HK\$84.5 million). As at 30 September 2023, the Group owned 49 shares in the JV Company. Such ownership represents 49% equity interests in the JV Company with a carrying amount of the Group's interests in the JV Company of approximately HK\$102.5 million, representing approximately 33.7% of the total assets of the Company as at 30 September 2023. No market value was available for this investment as at 30 September 2023.

The JV Company is a company established in the British Virgin Islands with limited liability and mainly carries on the business of property investment and development in Hong Kong.

Please refer to the section headed "Management Discussion and Analysis – Business Review and Outlook" for further details of the progress of the property project and interests in land lots under the JV Company. The Board considers that the investments in the JV Company can expand the Group's business interests in Hong Kong's property market and can achieve synergy with the Group's existing business in building construction.

During the Period, there were no material acquisitions and disposals of subsidiaries, and affiliated companies, by the Group.

Save as disclosed above, there were no other significant investments held as at 30 September 2023.

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\$124.0 million, 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

Subsequent Event

The Group had no material event subsequent to the end of the Period and up to the date of this announcement.

Future Plans for Material Investments

The Group does not have any plans for material investments and capital assets acquisitions for the coming 12 months.

Corporate Governance Code

The Company's corporate governance code is based on the principles and code provisions 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 ensuring a quality Board and transparency and accountability to the shareholders of the Company. The code provision C.2.1 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 Kin Wing Eddie ("Mr. Lam") serves as the chairman of the Board 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. The Board has a total of six Directors and three of them are independent non-executive Directors ("INEDs") who are qualified professionals and/or experienced individuals. As all major decisions are made in consultation with 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 INEDs 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 applied the principles and complied with all applicable 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 the Model Code For Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) as code of conduct governing the Directors’ securities transaction. Having made specific enquiry of all Directors, each of the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

Directors’ and Chief Executive’s Interests in Shares, Underlying Shares and Debentures

As at 30 September 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares (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	Nature of interests	Number of shares held	Percentage of shareholding in the Company’s issued share capital (Note 2)
Mr. Lam	Interest in controlled corporation (Note 1)	580,000,000 (L)	72.5%

(L) denotes long position.

Notes:

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.
2. As at 30 September 2023, the number of issued Shares was 800,000,000.

Save as disclosed above, as at 30 September 2023, 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 2023, 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	Nature of interests	Number of shares held	Percentage of shareholding in the Company's issued share capital (Note 3)
Cheers Mate	Beneficial owner (Note 1)	580,000,000 (L)	72.5%
Ms. Cheng Pui Wah Theresa ("Ms. Cheng")	Interest of spouse (Note 2)	580,000,000 (L)	72.5%

(L) denotes long position.

Notes:

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

- (2) 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.
- (3) As at 30 September 2023, the number of issued Shares was 800,000,000.

Save as disclosed above, as at 30 September 2023, 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 spouses 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 spouses 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 shares 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.

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.

At the beginning and the end of the Period, the number of Shares available for grant under the Share Option Scheme was 80,000,000 shares, representing 10% of the issued Shares and no service provider sublimit was set under the Share Option Scheme.

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 as revised by the Board with effect from 24 January 2019. 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 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
Thelloy Development Group Limited
Lam Kin Wing Eddie
Executive Director and Chairman

Hong Kong, 23 November 2023

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.