THELLOY DEVELOPMENT GROUP LIMITED

德 萊 建 業 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8122)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Thelloy Development Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group recorded total revenue for the year ended 31 March 2017 of approximately HK$468.4 million, representing growth of approximately 191.5% over 2016.
- Profit attributable to owners of the Company for the year ended 31 March 2017 was approximately HK$25.0 million, representing an increase of approximately 773% as compared to 2016.
- The Board did not recommend the payment of final dividends for the year ended 31 March 2017.

AUDITED ANNUAL RESULTS

The Directors of Thelloy Development Group Limited are pleased to announce the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017 (the "Year") together with the comparative audited figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**468,363**	160,673
Direct costs		**(418,949)**	(129,098)
Gross profit		**49,414**	31,575
Other income		**245**	316
Other losses		**—**	(24)
Administrative expenses		**(19,341)**	(14,066)
Listing expenses		**—**	(11,752)
Finance costs	5	**(160)**	(38)
Profit before taxation	6	**30,158**	6,011
Income tax expense	7	**(5,191)**	(3,151)
Profit and total comprehensive income for the year		**24,967**	2,860
Earnings per share	9		
Basic (HK cents)		**3.12**	0.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Plant and equipment		**658**	853
Current assets			
Trade receivables	*10*	**86,848**	51,427
Other receivables, deposits and prepayments		**30,269**	20,137
Amounts due from customers for contract work		**4,325**	1,857
Tax recoverable		**—**	275
Pledged bank deposits		**21,002**	28,110
Bank balances and cash		**84,901**	29,640
		227,345	131,446
Current liabilities			
Trade payables	*11*	**54,660**	26,994
Other payables and accrued expenses		**32,290**	24,950
Amounts due to customers for contract work		**38,885**	6,248
Tax payable		**2,908**	—
Obligations under finance leases		**75**	300
Bank borrowings		**486**	—
		129,304	58,492
Net current assets		**98,041**	72,954
Total assets less current liabilities		**98,699**	73,807
Non-current liabilities			
Obligations under finance leases		**—**	75
Net assets		**98,699**	73,732
Capital and reserves			
Share capital	*12*	**8,000**	8,000
Reserves		**90,699**	65,732
Equity attributable to owners of the Company		**98,699**	73,732

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2015	18,800	—	—	36,582	55,382
Profit and total comprehensive income for the year	—	—	—	2,860	2,860
Dividends paid *(note 8)*	—	—	—	(35,000)	(35,000)
Effect of reorganisation	(18,800)	—	18,800	—	—
Issue of shares	1,700	53,550	—	—	55,250
Capitalisation issue *(note 12)*	6,300	(6,300)	—	—	—
Transaction costs attributable to issue of shares	—	(4,760)	—	—	(4,760)
At 31 March 2016	8,000	42,490	18,800	4,442	73,732
Profit and total comprehensive income for the year	**—**	**—**	**—**	**24,967**	**24,967**
At 31 March 2017	**8,000**	**42,490**	**18,800**	**29,409**	**98,699**

NOTES

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 28 May 2015 and its shares are listed on GEM of the Stock Exchange on 9 October 2015. The address of the Company's registered office and the principal place of business are PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and Unit C, 21st Floor, Kings Tower, 111 King Lam Street, Kowloon, Hong Kong, respectively.

The Group are principally engaged in property construction services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Before the completion of the reorganisation, Techoy Construction Company Limited ("Techoy Construction"), the operating subsidiary, was wholly-owned by Mr. Lam Kin Wing Eddie ("Mr. Lam").

In preparation of the listing of the Company's shares on the GEM of the Stock Exchange (the "Listing"), the companies comprising the Group underwent a reorganisation as described below.

1. On 28 May 2015, Cheers Mate Holding Limited ("Cheers Mate") was incorporated in the British Virgin Islands as a limited liability company with an authorised share capital of 50,000 shares with no par value. At the time of incorporation, Cheers Mate was wholly-owned by Mr. Lam.

2. On 28 May 2015, the Company was incorporated as an exempted company with limited liability with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each under the laws of the Cayman Islands. Upon incorporation of the Company, one share was allotted and issued at par to a nominee company, Mapcal Limited, as the initial subscriber, which was then be transferred to Cheers Mate.

3. On 28 May 2015, Techoy Holding Limited ("Techoy Holding") was incorporated in the British Virgin Islands as a limited liability company with an authorised share capital of 50,000 shares with no par value. On 11 June 2015, one share of Techoy Holding was allotted and issued to the Company.

4. On 22 September 2015, through a share swap agreement, Mr. Lam transferred all his shares in Techoy Construction to Techoy Holding in consideration of and exchange for (i) the allotment and issue of a total of 99 shares in Techoy Holding, credited as fully paid to the Company; (ii) the allotment and issue of 99 shares in the Company, credited as fully paid at par, to Cheers Mate; and (iii) the allotment and issue of 99 shares in Cheers Mate, credited as fully paid to Mr. Lam. As a result, Techoy Construction became a direct wholly-owned subsidiary of Techoy Holding.

5. On 22 September 2015, the authorised share capital of our Company was increased from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 shares.

Pursuant to the reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Techoy Holding between Mr. Lam and Techoy Construction. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity, and accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 March 2016 are prepared as if the current group structure had been in existence since 1 April 2015.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to Hong Kong Accounting Standard ("HKAS") 1 "Disclosure initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The Group has applied these amendments retrospectively. Certain disclosure notes are reordered following the order of the line items in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

Other than the above disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in the consolidated financial statements.

New and amendments to HKFRSs and interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[5]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are related to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's consolidated financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 until the Directors perform a detailed review.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may not have material impact on the amounts reported. However, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a single model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease lability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group, as lessee, has non-cancellable operating lease commitment of HK$2,827,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors perform a detailed review.

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 April 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as disclosed above, the Directors anticipate that the application of the other new and amendments to HKFRSs and interpretation in issue but not yet effective will have no material impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the construction contracts by the Group to external customers. The Group's operation is solely derived from construction services in Hong Kong for both years. 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 adopted by the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's plant and equipment amounting to HK$658,000 (2016: HK$853,000) as at 31 March 2017 are all physically located in Hong Kong.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**141,838**	N/A*
Customer B	**87,677**	N/A*
Customer C	**47,198**	N/A*
Customer D	**N/A***	42,249
Customer E	**N/A***	35,500

* These customers accounted for less than 10% of revenue during the year.

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interests on:		
— bank borrowings	**128**	—
— obligations under finance leases	**32**	38
	160	38

6. PROFIT BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**650**	600
Depreciation of plant and equipment	**495**	830
Operating lease rentals in respect of buildings	**1,770**	1,637
Directors' remuneration	**6,704**	6,197
Staff costs		
— salaries and allowances	**30,150**	13,217
— retirement benefits scheme contributions	**1,021**	557
Total staff costs	**37,875**	19,971
Loss on disposal/written-off of plant and equipment (included in other losses)	**—**	24
Bank interest income	**(245)**	(286)

7. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	**(5,271)**	(3,151)
Overprovision in prior years	**80**	—
	(5,191)	(3,151)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation	**30,158**	6,011
Taxation at the domestic income tax rate of 16.5%	**(4,976)**	(992)
Tax effect of expense not deductible for the purpose	**(295)**	(2,159)
Overprovision in prior years	**80**	—
Income tax expense	**(5,191)**	(3,151)

8. DIVIDENDS

During the year ended 31 March 2016, Techoy Construction declared and paid interim dividends of HK$35,000,000 to Mr. Lam.

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

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

Earnings

	2017	2016
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**24,967**	2,860

Number of shares

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**800,000**	711,284

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation and the Capitalisation Issue (as defined in note 12) had been effective on 1 April 2015.

No diluted earnings per share for both years has been presented as there are no potential ordinary shares in issue for both years.

10. TRADE RECEIVABLES

The Group's credit terms is 30 days from the date of invoices on progress payments of contract work. An ageing analysis of trade receivables is presented based on the invoice date at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**83,542**	45,591
31–60 days	**599**	5,836
61–90 days	**2,707**	—
	86,848	51,427

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 96% (2016: 88%) of trade receivables as at 31 March 2017, that are neither past due nor impaired have no default payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of the accounts of each customer and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with an aggregate carrying amount of HK$3,306,000 (2016: HK$5,836,000) which are past due as at 31 March 2017, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 77 days (2016: 45 days) as at 31 March 2017.

11. 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:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**54,660**	26,994

12. SHARE CAPITAL

The share capital as at 1 April 2015 represented the share capital of Techoy Construction.

Details of the share capital of the Company are disclosed as follows:

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 28 May 2015 (date of incorporation) *(note i)*	38,000,000	380
Increase on 22 September 2015 *(note iii)*	1,962,000,000	19,620
At 31 March 2016 and 31 March 2017	2,000,000,000	20,000
Issued and fully paid:		
At 28 May 2015 (date of incorporation) *(note i)*	1	—
Issue of new shares on reorganisation *(note ii)*	99	—
Capitalisation Issue *(note iv)*	629,999,900	6,300
Issue of new shares upon Listing *(note v)*	170,000,000	1,700
At 31 March 2016 and 31 March 2017	800,000,000	8,000

Notes:

(i) On 28 May 2015, the Company was incorporated and registered as an exempted company in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon its incorporation, 1 subscriber share was allotted and issued to Cheers Mate.

(ii) On 22 September 2015, to effect the reorganisation, 99 shares were allotted, issued, credited as fully paid to Cheers Mate.

(iii) Pursuant to the written resolutions passed by the shareholders on 22 September 2015, the authorised share capital of the Company was increased from HK$380,000 divided into 380,000,000 ordinary shares to HK$20,000,000 divided into 2,000,000,000 ordinary shares by creation of additional 1,962,000,000 new ordinary shares which shall, when issued and paid, rank passu in all aspects with the existing issued ordinary shares.

(iv) Pursuant to the written resolutions passed by the shareholders on 22 September 2015, a sum of HK$6,300,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 629,999,900 new shares and for allotment and issue to Cheers Mate (the "Capitalisation Issue").

(v) On 8 October 2015, the Company placed 170,000,000 shares at HK$0.325 per share for a total gross proceeds of HK$55,250,000.

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

13. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with a related party:

	2017	2016
	HK$'000	*HK$'000*
Management fee received from Popstate Limited	**—**	30
Operating lease rentals to Popstate Limited	**1,302**	1,302

Note: Popstate Limited is wholly-owned by Mr. Lam.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2017	2016
	HK$'000	*HK$'000*
Short-term benefits	**11,497**	10,604
Post-employment benefits	**144**	126
	11,641	10,730

14. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the end of the reporting period.

BUSINESS REVIEW AND OUTLOOK

During the Year, the Group continued to focus on its core contract works business, which includes building construction and repair, maintenance, alteration and addition ("RMAA") works services. Leveraging on the Group's registered general building contractor license and certain crucial qualifications including but not limited to (i) Group C (confirmed) Approved Contractor for Public Works — Building Category; (ii) Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Building Category (for "Western Style Buildings only"); (iii) Housing Authority List of Building Contractor — Building (New Works) Category; and (iv) Housing Authority List of Building Contractors — Maintenance Works Category.

The Group was awarded a number of projects during the Year. The most noteworthy project was the renovation works for the West Wing of the former Central Government Offices by the Architectural Services Department for use as office by the Department of Justice and law-related organisations (the "West Wing Project"). With the contract sum of approximately HK$844 million, this is the single largest construction contract ever awarded to the Group, which surpasses our last record contract by approximately 230%. As a flagship project, the Group is honoured to contribute to the preservation of this symbolic building of the city and to give a second life to this Grade I Historic Building of Hong Kong through participating in this revitalisation project. In addition to this flagship revitalisation project, the Group were also awarded four new projects in December 2016 and January 2017, which are mainly building construction works, with the contract sum in aggregate of approximately HK$988 million.

During the Year, the Group was awarded the Quality Excellence Award and the Grand Award for the Hong Kong Building (Renovation/Revitalisation) Category (the "Awards") at the Quality Building Award 2016. The Awards were granted in recognition of the high standard of quality of the revitalisation of another trophy project of the Group — the PMQ (元創方) (the "PMQ Project"), which was originally the Police Married Quarters for married junior police officers. The Directors believe that the Awards, together with the West Wing Project which is scheduled to complete in 2018, will mark an important milestone in the Group's journey of growth in becoming one of the leaders in revitalisation projects.

During the Year, the revenue of the Group increased significantly which was mainly attributable to the strong growth momentum on both the building construction services and the RMAA services.

With certain major building construction projects completed substantially in the financial year ended 31 March 2016, revenue from our building construction services in the financial year ended 31 March 2016 slipped to approximately HK$58.8 million. There was, however, a strong rebound during the Year due to several new sizeable projects awarded and commenced during the Year, which drove the revenue of the building construction services up to approximately HK$211.2 million in the Year. Revenue from our RMAA services continued to grow from approximately HK$101.9 million in the year ended 31 March 2016 to approximately HK$212.6 million in the Year, which was mainly resulted from our newly awarded projects. Together with the contribution of revenue of HK$44.6 million from the new revenue stream, design and build services, the total revenue for the Year increased to approximately HK$468.4 million from approximately HK$160.7 million for the year ended 31 March 2016.

During the Year, as mentioned above, the Group has been awarded several new major projects with aggregated contract sum of approximately HK$2.3 billion. The Group with total projects on hand with unbilled contract sum in aggregate of over HK$2.0 billion has secured for the revenue of the Group in the coming years.

The Group will keep focusing on its existing business and looking for appropriate projects that cope with the overall strategy of the Group. We will continue the strategy on further developing our RMAA services by increasing the Group's participation in tendering of building renovation/revitalisation projects and maintaining the high standard of our work quality in this area. We will also continue to develop our building construction services and its design and build services.

We will continue to strengthen our competitive advantage for the Group's continuous development and keep creating values for the shareholders of the Group.

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group increased from approximately HK$160.7 million to approximately HK$468.4 million as compared to the year ended 31 March 2016, which is driven by both increase in revenue in building construction services and RMAA services. Revenue from building construction services for the Year increased from approximately HK$58.8 million to approximately HK$211.2 million. For the revenue from RMAA services, during the Year, it increased from approximately HK$101.9 million to approximately HK$212.6 million. The new revenue stream, design and build services, also contributed additional revenue of HK$44.6 million during the Year.

Direct Cost

The Group's direct cost increased from approximately HK$129.1 million for the year ended 31 March 2016 to approximately HK$418.9 million for the Year, representing an increase of approximately 225%. Such increase was mainly attributable to the increase in subcontracting charges with the increase in number of contracting projects undertaken by the Group during the Year.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately HK$49.4 million and HK$31.6 million for the years ended 31 March 2017 and 2016 respectively, representing a growth of approximately 56.5%. The increase was mainly driven by the corresponding increase in revenue during the Year.

The overall gross profit margin dropped from approximately 19.7% for the year ended 31 March 2016 to approximately 10.6% for the Year as the extent of increase in subcontracting charges and direct labour costs is greater than that of increase in revenue during the Year.

Other Income

The Group's other income amounted to approximately HK$245,000 and HK$316,000 for the years ended 31 March 2017 and 2016 respectively, representing a decrease of approximately 22.5%, which was mainly due to the decrease in management fee income from a related company during the Year.

Listing Expenses

During the year ended 31 March 2016, the Group recognised non-recurring listing expenses of approximately HK$11.8 million as expenses in connection with the Listing. No further expenses related to the Listing was recognised during the Year.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$19.3 million and HK$14.1 million for the years ended 31 March 2017 and 2016 respectively, representing an increase of approximately 37.5%. Such increase was primarily due to the increase in rental expenses, directors' remuneration and professional fees due to business expansion after the Listing.

Finance Costs

For the years ended 31 March 2017 and 2016, the Group's finance costs amounted to approximately HK$160,000 and HK$38,000 respectively, representing an increase of approximately 321%. The increase in finance costs was mainly due to the increase in short-term bank borrowings during the Year (2016: Nil).

Income Tax Expense

For the years ended 31 March 2017 and 2016, the Group's income tax expense amounted to approximately HK$5.2 million and HK$3.2 million respectively, representing an increase of approximately 64.7%.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year increased by approximately HK$22.1 million from approximately HK$2.9 million for the year ended 31 March 2016 to approximately HK$25.0 million for the Year. Such increase was primarily attributable to increase in revenue and gross profit, and the absence of listing expenses during the Year.

Final Dividend

The Board did not recommend the payment of a final dividend for the Year (2016: Nil).

During the year ended 31 March 2016, Techoy Construction declared and settled special dividends of HK$33.5 million and HK$1.5 million in April and July 2015 respectively to Mr. Lam.

Liquidity and Financial Resources

The Group maintained a sound financial position. As at 31 March 2017, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$105.9 million (2016: approximately HK$57.8 million). The total interest-bearing borrowings, including obligations under finance leases and bank borrowings, of the Group as at 31 March 2017 amounted to approximately HK$0.6 million (2016: approximately HK$0.4 million), and the current ratio as at 31 March 2017 was approximately 1.8 (2016: approximately 2.2).

Gearing Ratio

The gearing ratio of the Group as at 31 March 2017 was approximately 0.6% (2016: approximately 0.5%), which remained low as the Group was not in need of any material debt financing during the Year. The gearing ratio is calculated as total borrowings divided by total equity as at the respective years.

Treasury Policy

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

Pledge of Assets

As at 31 March 2017, the Group had pledged bank deposits of approximately HK$21.0 million (2016: approximately HK$28.1 million) to secure the banking facilities granted to the Group. Save for the above, the Group did not have any charges on its assets.

Capital Structure

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

Capital Commitment

As at 31 March 2017, the Group did not have any capital commitment (2016: Nil).

Human Resources Management

As at 31 March 2017, the Group had a total of 183 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.

Foreign Currency Risk

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

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

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

Contingent Liabilities

As at 31 March 2017, the Group had no material contingent liabilities (2016: Nil).

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

Business strategies up to 31 March 2017 as stated in the Prospectus	Implementation plan	Actual business progress up to the date of this announcement
Further developing the Group's building construction and RMAA business	To undertake more building construction and RMAA projects, in particular public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK$14.2 million reserved for satisfying potential customers' requirement for surety bonds	The Group has already secured projects requiring surety bond more than our planned amount
Further strengthening the Group's manpower	To employ additional staff To sponsor the Group's staff to attend technical seminars and/or occupational health and safety courses organised by third parties	The Group has employed additional staff to cope with the growth of revenue and continue to sponsor staff to attend seminars and training courses as demand fit
Investing in BIM software and provide required staff training	To purchase the BIM software from third-party providers To arrange for training workshops or courses for the Group's staff members in relation to the BIM software organised by third party	The Group has tried the use of BIM in small scale for heritage project as a trial kick off
Developing "design and build" services	To study the feasibility of setting up the "Design and Build" section To form the new "Design and Build" team from existing staff and recruit new staff (such as designers) where necessary	The Group has been awarded "Design and Build" project for a small scale as kick off for this section
General working capital	To increase working capital in order to secure Government Contracts	The Group injected additional working capital into the subsidiary to cope with the requirement of securing the Government Contract as requested

USE OF PROCEEDS

The following table set forth the status of the use of proceeds from the placing subsequent to the listing of the Group and up to the date of this announcement:

	Planned use of proceeds as stated in the Prospectus up to 31 March 2017 *HK$ million*	Actual use of proceeds up to the date of this announcement *HK$ million*
Further developing the Group's building construction and RMAA business	16.7	16.7
Further strengthening the Group's manpower	1.0	1.0
Investing in BIM software and provide required staff training	2.0	—
Developing "design and build" services	2.0	2.0
General working capital	4.3	4.3

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

SHARE OPTION SCHEME

The Company conditionally approved and adopted a share option scheme on 22 September 2015 (the "Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted, exercised, cancelled or lapsed under the 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 Rules 5.28 to 5.33 of the GEM Listing Rules and the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The duties of the Audit Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit Committee comprises the three INEDs, namely Mr. TSE Ting Kwan, who is the chairman of the Audit Committee, Mr. TANG Chi Wang and Mr. WONG Kwong On. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

SUBSEQUENT EVENT

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

CORPORATE GOVERNANCE

The Company's corporate governance code are based on the principles of the CG Code. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the code provision A.2.1.

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

The Company complied with all code provisions in the CG Code in the Year, save for code provision A.2.1.

PURCHASE, SALE OR REDEMPTION OF SHARES BY THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had compiled with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

THE 2017 ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company will be held at 1/F., 180–182 Hennessy Road, Wanchai, Hong Kong on Tuesday, 25 July 2017 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (http://www.hkex.news.hk) and the Company's website (www.thelloy.com). The annual report of the Company for the Year will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 June 2017

As at the date of this announcement, the Board comprises three executive Directors namely Mr. Lam Kin Wing Eddie, Mr. Shut Yu Hang and Mr. Chung Koon Man, and three independent non-executive Directors namely Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the mission of which would make any statement herein or this announcement misleading.

This announcement will remain in the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days form the date of its posting. This announcement will also be published on the website of the Company at www.thelloy.com.