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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 on GEM: 8122)

(Stock code on Main Board: 1546)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial adviser to the Company



Reference is made to the announcement issued by the Company dated 7 July 2017 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules. The Company has applied for the listing of, and permission to deal in, (i) 800,000,000 Shares in issue; and (ii) any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board by way of Transfer of Listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle was granted by the Stock Exchange on 16 October 2017 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (Stock code: 8122) will be 25 October 2017. Dealings in the Shares on the Main Board (Stock code: 1546) will commence at 9:00 a.m. on 26 October 2017. The Company confirms that all pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company dated 7 July 2017 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 7 July 2017, an application was made by the Company to the Stock Exchange for the Transfer of Listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) 800,000,000 Shares in issue; and (ii) any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board by way of Transfer of Listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle was granted by the Stock Exchange on 16 October 2017 for the Shares to be listed on the Main Board and de-listed from GEM. The Company confirms that all pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

BUSINESS AND FINANCIAL OVERVIEW

Business Model of the Group

The Company has been listed on GEM since 9 October 2015. The Group is an established main contractor in Hong Kong focusing on providing (i) Building Construction; (ii) RMAA works; and (iii) Design & Build services which has commenced in the year ended 31 March 2017. During the three years ended 31 March 2017, the Group generally acted as the main contractor in its projects. As the main contractor, the Group delegates works to its sub-contractors by trade on a back to back basis under supervision of and management by the project team of the Group.

Upon the award of projects by the customers, the Group generally classifies the entire construction works to be performed into different categories depending on the trades concerned and level of expertise required, and engage suitable sub-contractors from the approved list of subcontractors compiled by the Group to perform each part of the classified construction works. The role as a main contractor generally includes overall project management and supervision of works conducted by the sub-contractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

During the three years ended 31 March 2017, majority of the projects of the Group were obtained through tendering, and certain minor projects were obtained through providing quotations to the customers upon invitation. In respect of the Government

projects, the Group usually identifies and reviews the tender invitations from various Government departments published on the Gazette. As for the projects from non-Government customers, the Group is generally invited by the customers by way of invitation letters to submit a tender for a potential project.

The following table sets out the number of projects the Group tendered, number of successful projects tendered and our success rate during the three years ended 31 March 2017:

	For the year ended 31 March		
	2015	2016	2017
Number of projects tendered	161	118	84
Number of successful projects tendered	13	47	21
Success rate (%)	8.1%	39.8%	25.0%

The success rate has substantially increased to 39.8% and 25.0% respectively for each of the years ended 31 March 2016 and 2017 by comparing with 8.1% for the year ended 31 March 2015. The Board is of the view that one of the factors for the Group to attain higher success rates is that subsequent to the listing of the Company on GEM on 9 October 2015, the potential customers have gained confidence in the business and operations of the Group, and as such more potential customers are willing to accept the tenders submitted by the Group. The decrease in success rate from 39.8% for the year ended 31 March 2016 to 25.0% for the year ended 31 March 2017 was primarily attributable to the optimisation of the Group's tender policy by setting a higher tender price with a view to capture higher revenue since (i) the Group already has a large number of projects in the backlog and (ii) majority of its manpower has already been applied to those existing projects. Despite the decrease in success rate, the Group's overall revenue increased by approximately HK\$307.7 million or 191.5% from approximately HK\$160.7 million for the year ended 31 March 2016 to approximately HK\$468.4 million for the year ended 31 March 2017.

Major license and qualifications

As at the date of this announcement, the Group has obtained the following license and qualifications that are material to its business operations in Hong Kong:

License

Relevant authority	Relevant category	License	Holder	Date of first registration	Validity period	Authorised contract value
Buildings Department	General Building Contractor	—	Techoy Construction	6 February 1996	21 October 2017 ^{Note 1}	No limit

Note:

1. The current license is due to expire on 21 October 2017, and accordingly, the Group has submitted its renewal application on 4 July 2017 and the Board is of a view that the application will be approved in due course with no material impediment.

Qualifications

Relevant authority/ organisation	Relevant list/category	Qualification	Holder	Date of first grant/ registration	Validity period	Authorised contract value
WBDB ^(Note 1)	Approved Contractor for Public Works — Buildings category	Group C (confirmed) ^(Note 2, 3)	Techoy Construction	30 June 2009	Not applicable ^(Note 7)	Contracts of any value exceeding HK\$300 million but not less
WBDB ^(Note 1)	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Building Category (for “Western Style Buildings only”) ^{Note 4}	—	Techoy Construction	4 November 2013	Not applicable ^(Note 7)	No limit
Housing Authority	Housing Authority List of Building Contractor — Building (New Works) Category	Group NW1 (confirmed) ^(Note 3, 5)	Techoy Construction	15 November 2001	Not applicable ^(Note 8)	New works contracts with a value of up to HK\$550.0 million
Housing Authority	Housing Authority List of Building Contractors — Maintenance Works Category	Group M1 (confirmed) ^(Note 3, 6)	Techoy Construction	8 September 2006	Not applicable ^(Note 8)	Maintenance and improvement works with a value of up to HK\$50.0 million

Notes:

1. WBDB refers to the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau is responsible for, among other things, the maintenance of the Contractor List and the Specialist List and monitoring the eligibility of a contractor to tender for Government contracts.
2. A Group C (confirmed) contractor is eligible to tender for Government contracts of any values exceeding HK\$300.0 million. A Group C (confirmed) contractor is however normally not be allowed to tender for contracts of value below the tender limit set for Group C contractors unless the relevant Government department considers that there may be an inadequate number of tenderers as a result of the restriction. This license is subject to two reviews annually by the WBDB.
3. A contractor with “confirmed” status means that the contractor has passed the probationary status by completing works to the satisfaction of the relevant authority or organisation, and therefore no longer subject to the tender restrictions imposed by the relevant authority or organisation from time to time on contractors with probationary status only.
4. A Repair and Restoration of Historic Buildings Category contractor is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures. Techoy Construction is eligible under such category to tender for Government contracts relating to “Western Style Buildings” only. This license is subject to two reviews annually by the WBDB.
5. A Building (New Works) Category — Group NW1 (confirmed) contractor is eligible to tender for new works contracts of the Housing Authority with a value up to HK\$550.0 million. This license is subject to two reviews annually by the Housing Authority.
6. A Maintenance Works Category — Group M1 (confirmed) contractor is eligible to tender for maintenance and improvement contracts of the Housing Authority with a value of up to HK\$50.0 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$50.0 million.
7. The relevant registration/qualification is not subject to periodic renewal condition.
8. While there is no expiry date for the relevant qualification, each year the Housing Authority requests the approved contractors to submit certain documents and an annual list renewal fee.

Compliance Matters

The Group has obtained all licenses, permits, approvals and certificates necessary to conduct its business operations and has complied with all applicable laws, rules and regulations in all material respects since the Company’s listing on GEM on 9 October 2015. During the three years ended 31 March 2017, the Group carried out all its business activities strictly within the scope of the relevant license and qualifications obtained by the Group. The Board is of the view that there are no material impediments for the Group to renew any of its licenses upon expiry of the same.

Customers of the Group

The Group mainly provides Building Construction, RMAA and Design & Build works services to customers from both the public and private sectors in Hong Kong. During the three years ended 31 March 2017, the customers of the Group include (1) the Government departments and quasi-Government organisations; and (2) private customers including universities, schools, institutions and incorporated owners of private buildings. As mentioned above, the business opportunities of the Group generally arose from reviewing the tender invitations from various Government published on the Gazette or receiving invitation for tender from customers in the private sector. For the three years ended 31 March 2017, revenue derived from the Group's top five customers amounted to approximately HK\$199.0 million, HK\$120.0 million and HK\$361.3 million, representing approximately 96.1%, 74.6% and 77.1% of the total revenue of the Group respectively. The decrease in revenue contribution in percentage from the top five customers is primarily attributable to the Group's effort in diversifying its customer base, in particular the private customers segment.

The table below sets forth a breakdown of our revenue, gross profit and gross profit margin by business segment during the years ended 31 March 2015, 2016 and 2017:

	For the year ended 31 March															
	2015					2016					2017					
	Revenue		Gross profit		Gross profit margin	Revenue		Gross profit		Gross profit margin	Revenue		Gross profit		Gross profit margin	
	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	HK\$'000	%	%	
(1) Building																
Construction	134,281	64.9	16,197	53.9	12.1	53,708	33.4	20,623	65.3	38.4	211,218	45.1	16,998	34.4	8.0	
(2) RMAA	72,750	35.1	13,881	46.1	19.1	106,965	66.6	10,952	34.7	10.2	212,592	45.4	25,540	51.7	12.0	
(3) Design & Build	—	—	—	—	—	—	—	—	—	—	44,553	9.5	6,876	13.9	15.4	
Total:	<u>207,031</u>	<u>100.0</u>	<u>30,078</u>	<u>100.0</u>	<u>14.5</u>	<u>160,673</u>	<u>100.0</u>	<u>31,575</u>	<u>100.0</u>	<u>19.7</u>	<u>468,363</u>	<u>100.0</u>	<u>49,414</u>	<u>100.0</u>	<u>10.6</u>	

The Group recorded a decrease in its total revenue of approximately 22.4% from approximately HK\$207.0 million for the year ended 31 March 2015 to approximately HK\$160.7 million for the year ended 31 March 2016. This decrease was primarily attributable to the substantial decrease in revenue generated from Building Construction works of approximately 60.0% from approximately HK\$134.3 million for the year ended 31 March 2015 to approximately HK\$53.7 million for the year ended 31 March 2016. The Group recorded a substantial increase in its total revenue of approximately 191.5% from approximately HK\$160.7 million for the year ended 31 March 2016 to approximately HK\$468.4 million for the year ended 31 March 2017. This substantial increase was primarily attributable to the award of the Sizeable Projects to the Group and the commencement of relevant works during the year ended 31 March 2017.

Notwithstanding the decrease in the total revenue of the Group for the year ended 31 March 2016 by comparing with the year ended 31 March 2015 as mentioned above, the Group record a slight increase in the total gross profit from approximately HK\$30.1 million for the year ended 31 March 2015 to approximately HK\$31.6 million for the year ended 31 March 2016. This slight increase in total gross profit was primarily attributable to (i) the decrease in direct cost of approximately 27.1% from approximately HK\$177.0 million for the year ended 31 March 2015 to approximately HK\$129.1 million for the year ended 31 March 2016, which in turn was mainly due to the decrease in each of the sub-contracting fees, raw material costs, direct staff costs and site overheads since less Building Construction projects in the Government departments and quasi-Government organizations segment were undertaken by the Group for the year ended 31 March 2016 owing to the impact of the filibuster in the Legislative Council; and (ii) the savings in the final account settlement for the PMQ Project during the year ended 31 March 2016. Such savings were a result of the difference between the estimated costs and the actual costs of the sub-contractors engaged in this project where the actual costs were substantially lower than the estimated costs since the Group had taken a conservative approach in estimation of its costs of sub-contractors. Since the total revenue of the Group for the year ended 31 March 2017 by comparing with the year ended 31 March 2016 has substantially increased, the total gross profit also increased from approximately HK\$31.6 million for the year ended 31 March 2016 to approximately HK\$49.4 million for the year ended 31 March 2017.

The Group recorded a substantial decrease in revenue derived from Building Construction works of approximately 60.0% from approximately HK\$134.3 million for the year ended 31 March 2015 to approximately HK\$53.7 million for the year ended 31 March 2016. This decrease was primarily attributable to the decrease in the number of Government projects available for tender due to the delay in passing the motion to approve the funds for construction works in the Legislative Council in the fourth quarter of 2015 and the first quarter of 2016. The Group recorded a substantial increase in revenue derived from Building Construction works of approximately 293.3% from approximately HK\$53.7 million for the year ended 31 March 2016 to approximately HK\$211.2 million for the year ended 31 March 2017. This substantial increase was primarily attributable to (i) the passing of motion to approve the funds for construction works in the Legislative Council; and (ii) the award of several contracts from Government departments and quasi-Government organisations, including but not limited to (a) the construction of a 30-classroom primary school in Kwun Tong; (b) the construction of a school for social development in Tuen Mun; and (c) the construction of staff quarters in Aberdeen. For the details of the contracts, please refer to the voluntary announcement issued by the Company dated 9 January 2017 in relation to successful tender and award of contracts of the Company.

The Group recorded an increase in revenue derived from RMAA works of approximately 47.0% from approximately HK\$72.8 million for the year ended 31 March 2015 to approximately HK\$107.0 million for the year ended 31 March 2016, and the Group further recorded a substantial increase of approximately 98.7% to approximately HK\$212.6 million for the year ended 31 March 2017. Such increases were primarily attributable to the award of several contracts, including but not limited to the renovation works for the West Wing of the former central Government offices for office use and renovation works for private area/common area of Wai Wah Commercial Centre in Sheung Wan.

The Group has commenced its engagement in Design & Build works which amounted to 9.5% of the Group's total revenue for the year ended 31 March 2017.

The table below sets forth a breakdown of the revenue, gross profit and gross profit margin of the Group by source of projects during the years ended 31 March 2015, 2016 and 2017:

	For the year ended 31 March														
	2015				2016				2017						
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit				
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%			
(1) Government departments and quasi-Government organisations	154,052	74.4	24,539	81.6	15.9	30,673	19.1	20,536	65.0	67.0	261,609	55.9	25,693	52.0	9.8
(2) Private customers	52,979	25.6	5,539	18.4	10.5	130,000	80.9	11,039	35.0	8.5	206,754	44.1	23,721	48.0	11.5
Total:	<u>207,031</u>	<u>100.0</u>	<u>30,078</u>	<u>100.0</u>	<u>14.5</u>	<u>160,673</u>	<u>100.0</u>	<u>31,575</u>	<u>100.0</u>	<u>19.7</u>	<u>468,363</u>	<u>100.0</u>	<u>49,414</u>	<u>100.0</u>	<u>10.6</u>

During the three years ended 31 March 2017, the overall gross profit margin of the Group has remained within the range of 10% to 20%. The gross profit margin of the Group on the projects received from Government departments and quasi-Government organisations has substantially increased from 15.9% for the year ended 31 March 2015 to 67.0% for the year ended 31 March 2016. This increase was primarily attributable to (i) the decrease in direct cost, including the costs incurred for the Government departments and quasi-Government organizations segment, for the year ended 31 March 2016; and (ii) the savings in the final account settlement for the PMQ Project during the year ended 31 March 2016, whereby the details are set out on page 7 of this announcement. The gross profit margin returned to 9.8% for the year ended 31 March 2017 since there were 10 projects in backlog where substantial sub-contractors costs were incurred in order to carry out the works for those on-going projects.

During the three years ended 31 March 2017, the Group experienced changes in the project mix by having a larger proportion of revenue recognised from the Government department and quasi-Government organisations segment for the year ended 31 March 2015, a larger proportion of revenue recognised from the private customers segment for the year ended 31 March 2016, and both segments sharing similar proportion of revenue, in general, for the year ended 31 March 2017. Such changes were mainly attributable to the contracts available for tender in each of the segments which may vary from time to time due to other external factors (e.g. filibuster in the Legislative Council) and thus such change of project mix of the Group was not an anomaly in the industry. Going forward, the Group shall continue to keep track of the tenders in both business segments. For further details of the Group's business strategies, please refer to the section headed "Outlook of the Industry and the Business Strategies — The Group's Business Strategies" in this announcement.

Sub-Contractors of the Group

For the purpose of maximising the cost efficiency and utilising expertise of other specialist contractors, the Group generally sub-contracts the works to the sub-contractors by trade on a back to back basis. During the years ended 31 March 2015, 2016 and 2017, works that the Group delegated to the sub-contractors include demolition, plastering, hoarding, joinery fitting, cladding and building services work. For the years ended 31 March 2015, 2016 and 2017, the Group engaged 40, 62 and 112 sub-contractors respectively, all of whom were located in Hong Kong. During the years ended 31 March 2015, 2016 and 2017, total sub-contracting fees paid by the Group accounted for approximately HK\$123.8 million, HK\$101.4 million and HK\$351.5 million respectively, representing approximately 70.0%, 78.5% and 83.9% of the Group's total direct costs. For the years ended 31 March 2015, 2016 and 2017, the Group's top five largest sub-contractors accounted for approximately 38.1%, 71.5% and 54.5% of the Group's total direct costs respectively.

Projects of the Group

Contracts completed

The following table sets forth a summary of the major projects (i.e. Building Construction, RMAA and Design & Build projects (if any) of contract value exceeding HK\$1.0 million) that the Group has completed during the three years ended 31 March 2017 and up to 30 June 2017:

Building Construction

Particulars of the contract	Customer	Construction period (Note 1)	Contract Value (HK\$'000)	Total amount of works certified (Note 2) (HK\$'000)	Percentage of revenue recognised from variation orders (%)	Amount of	Other revenue	Total revenue
						revenue recognised during the three years ended 31 March 2017 (Note 2) (HK\$'000)	recognised from the project during the three years ended 31 March 2017 (Note 3) (HK\$'000)	recognised during the three years ended 31 March 2017 (Note 4) (HK\$'000)
Decanting works at Kowloon Hospital for the redevelopment of Kwong Wah Hospital	Hospital Authority	May 2014 to May 2015	115,765	109,997	5.3	109,997	270	110,267
Main contract for public rental housing estate at Sha Tau Kok Lot No. 1002 in DD 40 Shun Hing Street Sha Tau Kok, N.T.	HK Housing Society	Jan 2016 to Feb 2017	162,200	150,383	3.7	150,383	456	150,839
Total				<u>260,380</u>		<u>260,380</u>	<u>726</u>	<u>261,106</u>

RMAA

Particulars of the contract	Customer	Construction period (Note 1)	Contract Value (HK\$'000)	Total amount of works certified (Note 2) (HK\$'000)	Percentage of revenue recognised from variation orders (%)	Amount of revenue recognised	Other revenue recognised from the project	Total revenue recognised
						during the three years ended 31 March 2017 (Note 2) (HK\$'000)	during the three years ended 31 March 2017 (Note 3) (HK\$'000)	during the three years ended 31 March 2017 (Note 4) (HK\$'000)
Space reorganisation of a New Entrance on 2/F of Main Library Building of a university	Private customer	April 2015 to June 2016	14,170	14,506	13.3	14,506	17	14,523
Renovation works to private area of a private building in Sheung Wan	Private customer	April 2015 to Aug 2016	19,700	21,703	10.4	21,703	7	21,710
Renovation works to common area of a private building in Sheung Wan	Private customer	April 2015 to Aug 2016	42,799	50,157	16.5	50,157	—	50,157
Installation of stainless steel laundry racks at Kwai Chung Region	Hong Kong Housing Authority	May 2015 to Dec 2016	29,238	22,839	0.0	22,839	289	23,128
Works at a private building in Canton Road	Private customer	July 2015 to Dec 2016	3,479	2,435	0.2	2,435	5	2,440
Installation of stainless steel laundry racks at Kln East Region	Hong Kong Housing Authority	June 2015 to Sept 2016	18,007	15,922	0.0	15,922	319	16,241
Design, supply and installation of gondola suspension system in a university	Private customer	June 2015 to May 2016	6,205	4,544	0.0	4,544	8	4,552
Works at a private building in Tai Kok Tsui	Private customer	Sept 2015 to Sept 2016	24,475	25,177	4.5	25,177	57	25,234
Repair works for VBAS at Block A, Ming Wah Dai Ha, 1-25A Kung Ngam Road, Shau Kei Wan HK	HK Housing Society	Oct 2015 to July 2016	4,117	4,021	0.0	4,021	164	4,185
Conservation works to stone house works in Wong Tai Sin	Private customer	Oct 2015 to April 2017	1,980	1,849	6.6	1,849	—	1,849
Total			<u>164,170</u>	<u>163,153</u>		<u>163,153</u>	<u>866</u>	<u>164,019</u>

Notes:

1. Date for commencement refers to the date for commencement of the project stated in the contract entered into between the Group and its customers or the letter of acceptance, and date of completion refers to the date of substantial completion of the project stipulated on the completion certificate issued by the customer.
2. Amount of revenue recognised represents revenue recognised from the respective customer under the relevant contract and excludes all other revenue recognised from the project as detailed in Notes 3 and 4 below.

3. Other revenue recognised from the project during the three years ended 31 March 2017 primarily comprises (i) penalties levied against our sub-contractors for breach of the work safety and occupational health policies; and (ii) administrative fees and/or storage fees charged against the sub-contractors for facilitating them in procuring raw materials, equipment and/or machineries.
4. Total revenue recognised during the three years ended 31 March 2017 includes both amount of revenue from the respective customer recognised during the three years ended 31 March 2017 and other revenue recognised from the project during the same period.

Contracts in progress as at 30 June 2017

The following tables set forth a summary of the major projects (i.e. each of Building Construction, RMAA and Design & Build projects of contract value exceeding HK\$1.0 million) that are in progress as at 30 June 2017:

Building Construction

Particulars of the contract	Customer	Expected construction period (Note 1)	Contract Value (Note 2) (HK\$'000)	Contingent and/or provisional contract amount (HK\$'000)	Percentage of completion as at 30 June 2017 (Note 3) (%)	Revenue recognised in each of the years ended 31 March			Total revenue recognised during the three years ended 31 March 2017 (Note 4) (HK\$'000)
						2015 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)	
Redevelopment of a private school in Wan Chai	Private customer	April 15 to Sep 17	122,980	19,200	81.6%	—	35,500	40,019	75,519
Construction of a 30-classroom primary school at site KT2b, development at Anderson Road, Kwun Tong	Architectural Services Department	Dec 16 to Aug 18	278,546	98,931	14.2%	—	—	14,778	14,778
Construction of a school for social development for boys in Area 2B, Tuen Mun	Architectural Services Department	Dec 16 to Oct 18	305,877	113,285	12.2%	—	—	10,605	10,605
Construction of staff quarters for Correctional Services Department at Tin Wan, Aberdeen.	Architectural Services Department	Jan 17 to Jan 19	192,200	73,607	9.0%	—	—	5,314	5,314
Construction of a special school for students with mild, moderate and severe intellectual disabilities in Area 108, Tung Chung	Architectural Services Department	June 17 to Mar 19	267,991	48,310	2.9%	—	—	—	—
Total			1,167,594	353,333	—	—	35,500	70,716	106,216

RMAA

Particulars of the contract	Customer	Expected construction period (Note 1)	Contract Value (Note 2) (HK\$'000)	Contingent and/or provisional contract amount (HK\$'000)	Percentage of completion as at 30 June 2017 (Note 3) (%)	Revenue recognised in each of the years ended 31 March			Total revenue recognised during the three years ended 31 March 2017 (Note 4) (HK\$'000)
						2015 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)	
Revitalisation of a private building in Central	Private customer	June 16 to Oct 17	53,587	16,157	49.7%	—	—	13,772	13,772
Alteration and addition works for a private building in Tsim Sha Tsui East, Kowloon.	Private customer	Jan 16 to Sept 17	130,544	4,000	57.7%	—	5,099	47,198	52,297
Renovation works for the West Wing of the former Central Government Offices for office use by the Department of Justice and law-related organisations	Architectural Services Department	Oct 16 to July 18	843,980	267,128	12.9%	—	—	55,504	55,504
Cognita alteration and addition Works in Ho Man Tin, Kowloon, HK	Private customer	Dec 16 to July 18	211,629	8,550	32.3%	—	—	9,487	9,487
Total			1,239,740	295,835	—	—	5,099	125,961	131,060

Design & Build

Particulars of the contract	Customer	Expected construction period (Note 1)	Contract Value (Note 2) (HK\$'000)	Contingent and/or provisional contract amount (HK\$'000)	Percentage of completion as at 30 June 2017 (Note 3) (%)	Revenue recognised in each of the years ended 31 March			Total revenue recognised during the three years ended 31 March 2017 (Note 4) (HK\$'000)
						2015 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)	
Hong Kong-Zhuhai Macao Bridge for the supply and install of metal suspended ceilings	Private customer	May 16 to Dec 17	70,907	—	55.8%	—	—	28,850	28,850
Hong Kong-Zhuhai Macao Bridge-supply and installation of binnacle, booths, kiosk and drywall system	Private customer	June 16 to Dec 17	69,000	—	49.0%	—	—	15,702	15,702
Total			139,907	—	—	—	—	44,552	44,552

Notes:

1. Expected construction period in general refers to the expected construction period as specified in the relevant contract, and if an application for delay or extension of time has been submitted and approved by the customers, such delayed or extended construction period would be taken as the expected construction period.
2. The contract value includes the contingent and/or provisional contract amount. A contingent and/or provisional sum is a sum of money provided in the contract by the customer for costs which cannot be entirely foreseen. Such contingent and/or provisional amount will not be certified nor paid to the Group as it does not relate to any part of the construction works done and is included for its customer's budgeting purpose only. The customer generally set out additional works to be performed and additional costs to be incurred in the form of variation orders.
3. Percentage of completion is calculated based on revenue recognised as at 30 June 2017 divided by contract value.
4. Amount of revenue recognised comprised both revenue recognised from the relevant customer and from the sub-contractors. Revenue recognised from the sub-contractors primarily represents penalties levied against the sub-contractors for breach of the work safety and occupational health policies and administrative fees and/or storage fees charged against the sub-contractors for facilitating them in procuring raw materials, equipment and/or machineries.

The number of projects and the aggregate contract values

The following table sets forth a breakdown of the number of projects the Group and the aggregate contract value by business segment during the three years ended 31 March 2017:

	For the year ended 31 March					
	2015		2016		2017	
	Number of projects	Aggregate contract value (HK\$'000)	Number of projects	Aggregate contract value (HK\$'000)	Number of projects	Aggregate contract value (HK\$'000)
Building Construction	1	122,980	3	400,945	5	1,061,803
RMAA	8	158,073	11	338,661	14	1,405,910
Design & Build	—	—	—	—	2	104,987
Total:	9	281,053	14	739,606	21	2,572,700

Backlog

As at 31 March 2015, 2016 and 2017 and as at 30 June 2017, the Group had a total of 2, 12, 10 and 9 projects of contract value exceeding HK\$1.0 million in the backlog (representing projects that had commenced but not completed at the respective dates) respectively, with revenue derived or estimated to be derived from such projects as follows:

	As at 31 March			As at
	2015	2016	2017	30 June 2017
Number of projects in the backlog	2	12	10	9
Total revenue attributable to such projects	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
— recognised on or before the date indicated	135,645	172,051	156,151	275,023
— recognised or estimated to be recognised in the first financial year subsequent to the date indicated	17,358	312,068	583,590	657,460
— recognised or estimated to be recognised in the second financial year subsequent to the date indicated	4,212	87,423	844,233	735,467
— recognised or estimated to be recognised in the third financial year subsequent to the date indicated	—	15,597	134,481	—
Total:	<u>157,215</u>	<u>587,139</u>	<u>1,718,455</u>	<u>1,667,950</u>

Use of Proceeds

The net proceeds from Placing, after deducting listing related expenses, were approximately HK\$39.1 million. Save for certain deviations in the application of the proceeds in investment in BIM software and provide required staff training since the Board is of the view that it is still premature to adopt such software as (i) most of the customers of the Group do not require the utilisation of such software and (ii) the building construction services industry in Hong Kong does not have mandatory standards which require participants in the industry to adopt such software, the majority of the proceeds had been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The analyses of the actual utilisation of the net proceeds from Placing as at 31 March 2016 and 2017 are set out in the annual reports of the Company for the years ended 31 March 2016 and 2017 respectively. The remaining net proceeds of approximately HK\$5.4 million which had not yet been utilised is expected to be applied in accordance with the future plans

and use of proceeds as set out in the Prospectus from 1 April 2017 onwards. As at the date of this announcement, the Group does not intend to have material changes on its future plans and use of proceeds.

THE KEY FINANCIAL INFORMATION OF THE GROUP

The following table sets forth the selected financial information of the Group for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017:

	For the year ended 31 March			For the three months ended 30 June 2016	For the three months ended 30 June 2017
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	207,031	160,673	468,363	68,555	148,169
Direct Cost	(176,953)	(129,098)	(418,949)	(63,662)	(129,804)
Gross Profit	30,078	31,575	49,414	4,893	18,365
Other Income	212	316	245	19	67
Other gains and losses	165	(24)	—	—	—
Administrative expenses	(8,940)	(14,066)	(19,341)	(4,755)	(5,880)
Listing expenses	—	(11,752)	—	—	—
Finance Costs	(203)	(38)	(160)	(8)	(11)
Profit before taxation	21,312	6,011	30,158	149	12,541
Income tax expenses	(3,516)	(3,151)	(5,191)	(25)	(2,069)
Profit and total comprehensive income for the period attributable to the shareholders of the Company	17,796	2,860	24,967	124	10,472

Revenue

The Group recorded a decrease in its revenue from approximately HK\$207.0 million for the year ended 31 March 2015 to approximately HK\$160.7 million for the year ended 31 March 2016. This decrease was primarily attributable to the substantial decrease in revenue generated from Building Construction works from approximately HK\$134.3 million for the year ended 31 March 2015 to approximately HK\$53.7 million for the year ended 31 March 2016, which in turn was due to the filibuster in the Legislative Council. The Group recorded a substantial increase in its revenue from approximately HK\$160.7 million for the year ended 31 March 2016 to approximately HK\$468.4 million for the year ended 31 March 2017. This substantial increase was primarily attributable to the award of several Sizeable Projects to the Group and the commencement of relevant works during the year ended 31 March 2017.

The Group recorded an increase in its revenue from approximately HK\$68.6 million for the three months ended 30 June 2016 to approximately HK\$148.2 million for the three months ended 30 June 2017. This substantial increase was mainly due to the continuing recognition of revenue from the Sizeable Projects undertaken by the Group during the year ended 31 March 2017.

Direct Cost

The Group recorded a decrease in its direct cost from approximately HK\$177.0 million for the year ended 31 March 2015 to approximately HK\$129.1 million for the year ended 31 March 2016. This decrease was mainly attributable to decrease in sub-contractor costs since the Group undertook fewer projects for Building Construction works (which are generally more labour intensive than RMAA works) during the same period. The Group recorded a substantial increase in its direct cost from approximately HK\$129.1 million for the year ended 31 March 2016 to approximately HK\$418.9 million for the year ended 31 March 2017. This increase was primarily attributable to the substantial increase in sub-contractor costs since the Group has been awarded with and has commenced the works for several Sizeable Projects during the year ended 31 March 2017.

The Group recorded an increase in its direct cost from approximately HK\$63.7 million for the three months ended 30 June 2016 to approximately HK\$129.8 million for the three months ended 30 June 2017. This substantial increase was mainly due to the continuing sub-contractor costs incurred in order to support the sizeable projects undertaken by the Group during the year ended 31 March 2017.

Gross Profit

The gross profit of the Group remained relatively stable at approximately HK\$30.1 million and HK\$31.6 million for the years ended 31 March 2015 and 2016 respectively. The Group recorded an increase in gross profit from approximately HK\$31.6 million for the year ended 31 March 2016 to approximately HK\$49.4 million for the year ended 31 March 2017. This increase was primarily due to the substantial increase in revenue of the Group for the year ended 31 March 2017.

The Group recorded an increase in its gross profit from approximately HK\$4.9 million for the three months ended 30 June 2016 to approximately HK\$18.4 million for the three months ended 30 June 2017. This substantial increase was mainly due to the increase in revenue since the Group has undertaken several Sizeable Projects during the year ended 31 March 2017.

Administrative Expenses

The Group recorded an increase in its administrative expenses from approximately HK\$8.9 million for the year ended 31 March 2015 to approximately HK\$14.1 million for the year ended 31 March 2016. This increase was primarily due to the increase in staff cost since fewer Building Construction contracts were awarded to the Group during that period and hence less employees of the Group were allocated to the project teams where their remuneration was regarded as staff costs under the administration expenses rather than as direct costs. The Group recorded an increase in its administrative expenses from approximately HK\$14.1 million for the year ended 31 March 2016 to approximately HK\$19.3 million for the year ended 31 March 2017. This increase was mainly attributable to the increase in staff cost relating to the appointment of the executive Director, Mr. Chung Koon Man, and recruitment of other new employees to support the continuing growth of business of the Group.

The Group recorded an increase in its administrative expenses from approximately HK\$4.8 million for the three months ended 30 June 2016 to approximately HK\$5.9 million for the three months ended 30 June 2017. This increase was mainly due to the increase in staff cost as mentioned above.

Profit attributable to the shareholders of the Company

The Group recorded a substantial decrease of total profit from approximately HK\$17.8 million for the year ended 31 March 2015 to approximately HK\$2.9 million for the year ended 31 March 2016. This decrease was mainly attributable to the listing expenses of approximately HK\$11.8 million incurred by the Group which was one-off and non-recurring in nature. The Group recorded a substantial increase of total profit from approximately HK\$2.9 million for the year ended 31 March 2016 to approximately HK\$25.0 million for the year ended 31 March 2017. This increase was mainly due to the substantial increase in gross profit during the same period.

The Group recorded a substantial increase in its total profit from approximately HK\$0.1 million for the three months ended 30 June 2016 to approximately HK\$10.5 million for the three months ended 30 June 2017. This substantial increase was primarily attributable to the substantial increase in gross profit during the three months ended 30 June 2017.

Net current assets

The following table sets forth the current assets and current liabilities of the Group as at 31 March 2015, 2016 and 2017 and as at 30 June 2017:

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>			
Current assets				
Trade receivables	20,693	51,427	86,848	113,702
Other receivables, deposits and prepayment	12,430	20,137	30,269	40,277
Amount due from customers for contract work	—	1,857	4,325	1,135
Tax recoverable	—	275	—	—
Amounts due from a related company	33,520	—	—	—
Pledged bank deposits	3,024	28,110	21,002	26,004
Bank balances and cash	<u>55,598</u>	<u>29,640</u>	<u>84,901</u>	<u>42,666</u>
	125,265	131,446	227,345	223,784
Current liabilities				
Trade payables	1,215	26,994	54,660	14,117
Other payables and accrued expenses	52,010	24,950	32,290	33,321
Amounts due to customers for contract work	10,660	6,248	38,885	62,619
Tax payable	6,646	—	2,908	4,190
Obligations under finance leases	581	300	75	—
Bank borrowings	<u>—</u>	<u>—</u>	<u>486</u>	<u>1,000</u>
	71,112	58,492	129,304	115,247
Net current assets	<u>54,153</u>	<u>72,954</u>	<u>98,041</u>	<u>108,537</u>

The Group has shown a steady increase in net current assets of approximately HK\$54.2 million, HK\$73.0 million and HK\$98.0 million as at 31 March 2015, 2016 and 2017 respectively. The increase in the net current assets was mainly due to (i) a steady increase in trade receivables; (ii) a steady increase in other receivables, deposits and prepayment; (iii) an increase in amount due from customers for contract work; (iv) the increase in pledged bank deposits as at 31 March 2016 and 2017 compared with that as at 31 March 2015; (v) the increase in cash and cash equivalents as at 31 March 2017 compared with that as at 31 March 2015 and 2016; and (vi) a steady decrease in obligations under finance leases. This change in net current assets was partially offset by (i) a steady increase in trade payables; (ii) the increase in amounts due to customers for contract work as at 31 March 2017 compared with that as at 31 March 2015 and 2016; and (iii) an increase in bank borrowings as at 31 March 2017.

As at 30 June 2017, the net current assets of the Group was approximately HK\$108.5 million, which is generally consistent with the increasing trend of net current assets as at 31 March 2015, 2016 and 2017 respectively. The decrease in cash and cash equivalents as well as trade payables as at 30 June 2017 compared to the position as at 31 March 2017 was primarily due to the settlement of trade payables using the cash of the Group.

Trade receivables and amount due from customers for contract work as at 30 June 2017

The Group recorded trade receivables of approximately HK\$86.8 million and HK\$113.7 million as at 31 March 2017 and 30 June 2017 respectively. This increase was in line with the increase in revenue during the same period as the Group has undertaken several sizeable projects as discussed earlier. As at 30 June 2017, approximately 86.8% of the trade receivables as at 31 March 2017 were subsequently settled.

The Group recorded amount due from customers for contract work of approximately HK\$4.3 million and HK\$1.1 million as at 31 March 2017 and 30 June 2017 respectively. The amounts due from customers for contract work are usually affected by the volume and value of construction works the Group performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

Other payables and accrued expenses

The Group recorded a substantial decrease in other payables and accrued expenses from approximately HK\$52.0 million for the year ended 31 March 2015 to approximately HK\$25.0 million for the year ended 31 March 2016. Such decrease was mainly attributable to the decrease in retention payables (the amount the Group withhold from progress payments to its sub-contractors in the range of 5%–10% of the respective payment amount) since less sub-contractors were engaged during the same period which in turn was due to fewer projects undertaken by the Group being affected by the filibuster of the Legislative Council during that time. The Group recorded an increase in other payables and accrued expenses from approximately HK\$25.0 million for the year ended 31 March 2016 to approximately HK\$32.3 million for the year ended 31 March 2017 and a further increase to approximately HK\$33.3 million for the three months ended 30 June 2017. Such increase was mainly due to (i) increase in accrued expenses where such cost was incurred for construction works performed by the sub-contractors but no invoices are received from them; and (ii) increase in retention payables, since the Group has engaged more sub-contractors during the same period.

RECENT DEVELOPMENT

General

The Directors confirmed that they are not aware of any recent industry or regulatory changes that may materially impact the Company's business and financial performance subsequent to the listing of the Company on GEM on 9 October 2015.

Project undertaken by the Group subsequent to the year ended 31 March 2017

The Group has entered into a contract with the Architectural Services Department on 7 July 2017 in relation to the construction works for a special school for students with mild, moderate and severe intellectual disabilities in area 108, Tung Chung and the total contract value is approximately HK\$268.0 million and the construction period of the works spans 640 calendar days from the commencement date.

As the main contractor under the contract, the works to be executed by the Group consist of (1) the construction of a 3-storey school and boarding block with assembly hall, rooftop basketball court and associated facilities; (2) construction of piled foundations together with pile caps, strap beams, tie beams and footings; (3) external works including boundary walls, planters, paving works and landscaping works; (4) soil and surface water drainage systems, run-in & run-out construction and footway reinstatement works; and (5) building services installation and lift installation.

Design & Build

The Group has expanded its business operation by introducing an additional business segment in Design & Build. The Group has entered into two contracts on 30 June 2016 and 21 September 2016 respectively, pursuant to which the Group shall act as the sub-contractor to assist the main contractor in performing the works required in the main contract. Under the main contract, the works mainly include the construction of a passenger clearance building, drop off deck/area, footbridges, and district cooling system, etc. for Hong Kong boundary crossing facilities. Sub-contracted works to be performed by the Group include (1) the design, supply and installation of binnacles, booths and kiosks, and (2) the supply and installation of metal suspended ceiling works and ribbon skylight cladding work, including all necessary testing and commissioning for the passenger clearance building and auxiliary buildings and the structures in accordance with the contract requirements. The total contract value under the two contracts exceeds HK\$100.0 million where approximately HK\$44.6 million has been recognised as revenue in the year ended 31 March 2017.

A typical Design & Build contract involves both the preparation of a construction design according to the specifications set out in the tender documents, as well as the carrying out of the actual construction works. For certain Design & Build contracts where a preliminary design proposal is provided by the customer, the contractor is

allowed to submit an alternative design proposal or otherwise make appropriate adjustments to the conformed design in order to comply with the technical requirements and enhance cost efficiency.

As the Group has only commenced its business in the Design & Build segment in 2016, the Board intends to develop and expand this business segment stepwise. For further details of the Group's business strategies in relation to this segment, please refer to the section headed "Outlook of the Industry and the Business Strategies — The Group's Business Strategies" to this announcement.

The Board believes that, save for the additional staff to be employed such as designers and engineers with the relevant expertise in formulating construction designs, the business model and operation procedures for the Group's Design & Build services are substantially similar to those of the Group's Building Construction and RMAA works services.

The Board does not resist undertaking projects where the Group will act as sub-contractor shall such business opportunities arise provided that the projects are in the interests of the Group and its Shareholders taken as a whole with regard to the nature of and the benefits resulting from those projects. However, the Board has no intention to alter the business model of the Group where it shall continue to serve as the main contractor of all or most of the projects.

OUTLOOK OF THE INDUSTRY AND THE BUSINESS STRATEGIES

Outlook of the Construction Industry

The Board is of a view that the Government's initiative to increase public housing supply, commercial land supply as well as the infrastructure projects can continue to support the growth of the construction industry in Hong Kong. The Government has announced several major construction projects, which will keep the industry active in the coming years. For instance, the Housing Authority and the Hong Kong Housing Society (HKHS) aims to produce about 94,500 public housing units over the next five years, and the railway network expansion is expected to be completed between 2016 to 2021. Several other railway projects are planned to commence in 2018 and are expected to be completed between 2023 to 2031.

In addition, according to the 2017 Policy Address, the Government will continue to support the development of housing, land use and transportation in Hong Kong, including but not limited to the construction of the Central Kowloon Route and the works of the Hong Kong Boundary Crossing Facilities and the Hong Kong Link Road which will connect with the Hong Kong-Zhuhai-Macao Bridge.

Accordingly, the Board takes a positive view of the construction industry in Hong Kong in the forthcoming years.

The Group's Business Strategies

The Group intends to strengthen its market position in the industry and increase its market share by pursuing the following strategies:

(1) *Continue to strengthen the Group's market position in the industry and expand its market share in Hong Kong with further development in the private customers segment*

The Group plans to strengthen the Group's position in the industry by continuously seeking opportunities in each of the Building Construction, RMAA and Design & Build segments in Hong Kong. Furthermore, the Group intends to further develop its business in the private customers segment by expanding the customer base for the following reasons. First, during the three years ended 31 March 2017, the Group recorded a substantially increase in revenue derived from the private customers segment of approximately 145.4% from the year ended 31 March 2015 to the year ended 31 March 2016 and of approximately 59.0% from the year ended 31 March 2016 to the year ended 31 March 2017. Second, as mentioned previously, the filibuster in the Legislative Council may affect the number of projects available for tendering of the public customers (e.g. Government) and in turn may have an adverse impact on the business of the Group. In view of this, the Board believes that the business with the private customers can serve as a stable source of income to the Group. By leveraging on the Group's accumulated experiences and success in private projects, the Board believes that the Group will be able to capture a larger market share in Hong Kong in the private customers segment. Concurrently, the Group will also continue its endeavours to secure contracts with public customers through tendering shall such projects are beneficial to the Group and its Shareholders taken as a whole.

(2) *Further strengthening the Group's manpower*

The Board believes that a strong team of staff members equipped with the relevant industry knowledge and experience is crucial to the continuing success of the Group. In order to cater the growing demand for the businesses of the Group and in particular to supplement the expansion in Design & Build segment, the Group intends to expand its labour resources by recruitment of additional staff, in particular experienced or skilled staff members such as project managers, site agents, designers and engineers with the relevant expertise in formulating construction designs. The Group intends to provide in-house training and to sponsor its staff to attend technical seminars and occupational health and safety courses organised by third parties so as to raise the standard and quality of services.

(3) Continue to develop the Group's business in Design & Build segment

As the Group has only commenced its business in the Design & Build segment in 2016, in order to secure contracts and increase its market share, it is expected that the Group will generally target smaller Design & Build contracts in the near future. Upon the strengthening of the Group's experience and capability in the Design & Build segment, in the following years, the Group will gradually target larger Design & Build contracts and will submit higher tender prices with a view to optimise the Group's profits. Furthermore, in line with the business model of the Group, the Group will continue its endeavors to secure contracts where the Group will act as the main contractor of Design & Build projects.

MATERIAL RISKS ASSOCIATED WITH THE BUSINESS MODEL OF THE GROUP

The Board considers that the material risks associated with the business model of the Group include the following:

The Group's projects are generally non-recurring in nature and there is no assurance that the Group will be able to enter into projects which can generate substantial revenue in the future

All or vast majority of the projects undertaken by the Group are one-off projects and are mostly on a case by case basis. As such, the revenue derived from such projects is not recurring in nature and the Group cannot guarantee that its customers will provide the Group with new business after completion of the current projects. Further, the Group has to go through tendering process to secure new projects. There is no assurance that the Group will be able to enter into projects that can generate substantial revenue to the Group in the future.

The cash flows may fluctuate due to the payment practice applied to the projects

As at 31 March 2015, 2016 and 2017, the cash and cash equivalents of the Group were approximately HK\$55.6 million, HK\$29.6 million and HK\$84.9 million respectively. As a main contractor, the Group normally incurs net cash outflows at the early stage of carrying out the works when the Group is required to pay the setting up expenditures in advance of payments from the customers. The customers will pay progress payments after the works commence and such works and payments are certified by the architects of the customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

The Group undertakes a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If the Group takes up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, the corresponding cash flow position of the Group may be adversely affected.

The customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment is paid to the Group on time and in full, or that retention money is fully released to the Group after the expiry of the defect liability period

The Group normally receives progress payment from the customers on a monthly basis, with reference to the value of the works completed in the preceding month. Generally, the value of the works completed is assessed by the architects of the customers who will issue an interim certificate certifying the work progress in the preceding month.

In line with industry practice, there is generally a contract term for the customer to secure the Group's due performance by holding up retention money from the progress payment. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of the progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5-10%, subject to a limit of retention fund of not more than 5% of the total contract sum. In general, the retention money will be released to the Group after expiry of the defect liability period subject to the confirmation from the architect of the customers regarding satisfaction with our works.

There can be no assurance that the progress payment is paid to us on time and in full, or the retention money or any future retention money will be remitted by the customers to the Group on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the three years ended 31 March 2017. Any failure by the customers to make remittance on time and in full may have an adverse effect on the future liquidity position of the Group.

The Group relies on a limited number of major customers

During the three years ended 31 March 2017, revenue derived from the five largest customers of the Group amounted to approximately 96.1%, 74.6% and 77.1% of the total revenue respectively. The five largest customers of the Group during the three years ended 31 March 2017 have maintained business relationship with us for a period ranging from one year to 22 years.

There is no assurance that the Group can diversify the composition of the customer base and the losing of any one of the largest customers could have an adverse impact on our operations and profits.

The Group determines the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved. Inaccurate estimation may adversely affect the Group's financial results

Construction contracts are normally awarded through tendering. The Group has to estimate the time and costs involved in a project in order to determine the tender price. There is no assurance that the actual time and costs of the project would not exceed the estimation.

The time taken and the cost actually involved in completing a project undertaken by the Group may be adversely affected by many factors, such as shortage and cost escalation of labour and materials, adverse weather conditions, additional variations to the construction plans requested by its customers or because of technical construction needs, dispute with sub-contractors, accidents, changes in the Government's level of spending and unforeseen problems and circumstances. Any one of the above factors may lead to delays in completion of construction or other works or cost overruns. Shall the construction be delayed as a result of these factors, the revenue of the Group would also be affected since the revenue is recognised based on the stage of completion of the contracts. During the three years ended 31 March 2017, the Directors do not note any material delay or cost overrun.

Failure to obtain permits or approvals from Government agencies or authorities in carrying out any particular construction or other work project in a timely manner can increase the cost or delay the progress of a project as well. Failure to complete construction in accordance with specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the project concerned. Such delays or failures to complete may cause the Group's revenue or profitability to be lower than expected.

The works of construction projects are labour intensive and the Group relies on a stable supply of labour to carry out its projects

The works of construction projects are essentially labour intensive works. Due to aging of the existing workforce and the reluctance of youngsters to join the construction industry, it is expected that the problem of labour shortage will prevail for a long period of time in Hong Kong.

During the three years ended 31 March 2017, the Group has not encountered any material difficulties in recruiting labour to work for its projects in Hong Kong. However, there is no guarantee that the supply of labour will be stable. In the event

that the Group or its sub-contractors fail to retain the existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of the existing or future projects and/or there is a significant increase in the costs of labour, the Group may not be able to complete its projects on schedule and within budget and its operations and profitability may be adversely affected.

The Group's business could be adversely affected by the Government's level of spending on public works

During the three years ended 31 March 2015, 2016 and 2017, approximately 74.4%, 19.1% and 55.9% of the Group's revenue was generated from provision of services to the Government departments and quasi-Government organisations. As some public works projects are non-recurring in nature, the level of Government's spending budget may vary from year to year. Furthermore, any filibuster in the Legislative Council may delay the passing of the motions in approving the funds for construction works and thus may reduce the number of projects available for tender during that relevant time. Consequently, any change or significant delay in the level of spending on public works by the Government may affect the business and operation results of the Group. Should the Government reduces its level of spending on public works (as a result of its own initiative or being affected by filibuster) and the Group fails to secure business from other sectors, the business and profitability of the Group could be adversely affected.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2017

On 10 August 2017, the Company announced the unaudited consolidated quarterly results and the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2017. For details, please refer to the said announcement and the first quarterly report for the three months ended 30 June 2017 published on 10 August 2017 and 14 August 2017, respectively.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 22 September 2015. The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules.

As at the date of this announcement, no share option had been granted under the Share Option Scheme, and the total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 80,000,000 Shares.

The Shares to be issued upon exercise of option which may be granted pursuant to the Share Option Scheme will be transferred and listed on the Main Board.

CONTINUING CONNECTED TRANSACTION

Renewed Tenancy Agreement

On 28 February 2017, Techoy Construction (as tenant) and Popstate (as landlord) entered into a tenancy agreement (the “Renewed Tenancy Agreement”), pursuant to which the Parties agreed to renew the tenancy agreement dated 13 March 2015 entered into between the same parties, the details of which are disclosed in the Prospectus. Pursuant to the Renewed Tenancy Agreement, the Group agreed to rent the Properties for a term of two years commencing on 13 March 2017 at an aggregate monthly rent of HK\$108,500 (exclusive of utility charges, building management fee and tax), which was agreed after arm’s length negotiations between the parties with regard to the prevailing market rates. The monthly rent is payable in advance on the first day of each and every successive calendar month. The total annual rent payable by us under the tenancy agreement shall be HK\$1,302,000 per annum.

For the years ended 31 March 2015, 2016 and 2017, the aggregate amount of rents paid by the Group to Popstate for the lease of the Properties amounted to approximately HK\$1,302,000 in each of the period.

The Board considers that the transactions contemplated under the Renewed Tenancy Agreement are on normal commercial terms which are fair and reasonable and the entering into of the Renewed Tenancy Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. As all relevant percentage ratios in respect of the annual consideration payable by the Group in respect of the lease are less than 5%, and the total consideration is less than HK\$3,000,000, this continuing connected transaction is a de minimis transaction and is fully exempted from Shareholders’ approval, annual review and all disclosure requirements pursuant to Rule 14A.76(1)(c) of the Main Board Listing Rules.

REASONS FOR THE TRANSFER OF LISTING

The Board believes that the Transfer of Listing will enhance the corporate profile of the Group, and improve the trading liquidity of the Shares and the Group’s recognitions by potential investors. The Board considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

As at the date of this announcement, the Board has no intention to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 9 October 2015, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8122) will be 25 October 2017. Dealings in the Shares on the Main Board (Stock code: 1546) will commence at 9:00 a.m. on 26 October 2017.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in board lots of 8,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company in the Cayman Islands is Maples Fund Services (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 25 July 2017 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by laws or regulations of the Cayman Islands or the Articles to be held; or
- (c) the date on which such authority is revoked or varied by an ordinary resolution of Shareholders in general meeting.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends respectively. The Directors are of the view that potential investors and Shareholders will continue to have access to relevant information of the Company following the reporting requirements under the Main Board Listing Rules.

CONTROLLING SHAREHOLDER'S AND DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

As at the date of this announcement, the Controlling Shareholders of the Company are Mr. Lam Kin Wing Eddie (“Mr. Lam”) and Cheers Mate Holding Limited, being a wholly-owned corporation by Mr. Lam, respectively, where such controlled corporation is the beneficial owner of 580,000,000 Shares.

To the best knowledge of the Directors, as at the date of this announcement, none of the Directors or the Controlling Shareholders of the Company, nor their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed pursuant to Rule 9A.09 (10) of the Main Board Listing Rules.

PUBLIC FLOAT

The Directors confirm that at least 25% of the total issued shares of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

BIOGRAPHICAL INFORMATION OF THE DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Save as disclosed herein, each of the following Directors and senior management:

- (a) does not hold any other directorship in listed public companies in the last three years;
- (b) does not have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed pursuant to Part XV of the SFO; and

- (c) does not hold any other positions with the Company or any of its subsidiaries nor does he/her has any other relationship with any Directors, senior management, substantial shareholder or controlling shareholder of the Company.

In addition, there are no other matters that need to be brought to the attention of the Shareholders nor is there other information required to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Main Board Listing Rules in respect of each of the following Directors.

Executive Directors

Mr. Lam Kin Wing Eddie, aged 58, is an executive Director, the Chairman and chief executive of the Company. He is also a member of the remuneration committee of the Board. Mr. Lam is also the Controlling Shareholder and a director of all subsidiaries of the Company. He joined the Group as a director in March 1995 and is responsible for overall business strategy and major business decisions of the Group. He was the president of the Hong Kong Institute of Construction Managers between 2014 to 2016. Currently, he is the chairman of the Building, Civil Engineering and Built Environment Training Board of Vocational Training Council, the director of Hong Kong Quality Assurance Association, and First Vice President of Hong Kong Construction Association.

Mr. Lam has over 40 years of experience in the building construction industry of Hong Kong and possesses extensive experience in planning, operating and managing construction projects of various sizes and nature. Prior to joining the Group, Mr. Lam worked in Hsin Chong Construction Co., Ltd, Gammon Building Construction Limited and Shiu On Building Contractors Ltd. from September 1977 to April 1993.

Mr. Lam qualified as a chartered builder and a registered professional surveyor (quantity surveying) in Hong Kong in March 1985 and in January 2004. He was admitted as a member of the Hong Kong Institute of Construction Managers in May 1997 and became its fellow in December 2006, a member of the Chartered Institute of Building in March 1985 and became its fellow in September 2010. Mr. Lam was also admitted as a member of the following institutions:

- (i) The Royal Institution of Chartered Surveyors (admitted in September 2002); and
- (ii) The Hong Kong Institute of Surveyors (admitted in August 2003).

Mr. Lam has entered into a service agreement with the Company for an initial term of three years commencing from 9 October 2015, determinable by either party by giving not less than six months' prior written notice, and he is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles.

As at the date of this announcement, Mr. Lam is deemed to be interested in 580,000,000 Shares, representing 72.5% of the issued share capital of the Company, through a controlled corporation.

Mr. Lam is entitled to a basic salary of HK\$1,920,000 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group. The emoluments of Mr. Lam are determined by the Board based on the recommendation of the remuneration committee of the Board and with regard to the prevailing market conditions and his duties and responsibilities as an executive Director.

Mr. Shut Yu Hang (“Mr. Shut”), aged 52, is an executive Director. He joined the Group as a construction manager in August 1998 and was promoted as a general manager in January 2008 and is responsible for general management and day-to-day operation of the Group.

Mr. Shut has over 29 years of experience in the building construction industry of Hong Kong. Mr. Shut was admitted as a graduate member of The Institution of Structural Engineers in November 1994, and a member of the Hong Kong Institute of Construction Managers in November 2014, and a member and recognised as Registered Construction Manager of the Hong Kong Institute of Construction Manager in November 2014 and 17 March 2017 respectively. Further, Mr. Shut was appointed as a committee member of the Contractors Registration Committee Panel and the Contractors Registration Committee by the Buildings Department in January 2011 for a term of two years, and was subsequently re-appointed in January 2015 for a term of two years.

Mr. Shut has entered into a service agreement with the Company for an initial term of three years commencing from 9 October 2015, determinable by either party by giving not less than six months’ prior written notice, and he is subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Articles.

Mr. Shut is entitled to a basic salary of HK\$1,284,000 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group. The emoluments of Mr. Shut are determined by the Board based on the recommendation of the remuneration committee of the Board and with regard to the prevailing market conditions and his duties and responsibilities as an executive Director.

Mr. Chung Koon Man (“Mr. Chung”), aged 58, was appointed as an executive Director on 14 April 2016. He is a member of each of the remuneration committee and nomination committee of the Board. He graduated from the University of London in 1983 and is a member of The Hong Kong Institution of Engineer; fellow member of

the Hong Kong Institute of Construction Managers and member of The Institution of Structural Engineers United Kingdom. Prior to joining the Company, Mr. Chung served for over 30 years in various construction corporations in Hong Kong and overseas. Mr. Chung was the deputy managing director and the technical director of China Resources Construction Company Limited (currently known as CR Construction Company Limited) from January 2008 to January 2014 as well as the deputy managing director of China Resources Property Limited from May 2011 to February 2016. In addition, Mr. Chung was appointed as the director of Hong Kong Quality Assurance Agent from December 2015 to November 2017, and extended his services on the Advisory Committee of Civil and Environmental Engineering of the Hong Kong Polytechnic University from November 2016 to October 2018. Mr. Chung was appointed as a non-executive director of CaSO Environmental Group Limited on 16 August 2017, which is a company primarily engaged in the supply and installation of block wall systems in Hong Kong and Macau.

Mr. Chung has entered into a service agreement with the Company for an initial term of three years commencing from 14 April 2016, determinable by either party by giving not less than six months' prior written notice, and he is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles.

Mr. Chung is the beneficial owner of 2,000,000 Shares, representing 0.25% of the issued share capital of the Company.

Mr. Chung is entitled to a basic salary of HK\$2,760,000 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group. The emoluments of Mr. Chung are determined by the Board based on the recommendation of the remuneration committee of the Board and with regard to the prevailing market conditions and his duties and responsibilities as an executive Director.

Independent Non-Executive Directors

Mr. Tse Ting Kwan ("Mr. Tse"), aged 42, was appointed as an independent non-executive Director on 22 September 2015. He is the chairman of the audit committee of the Board and a member of each of nomination committee and the remuneration committee of the Board. Mr. Tse has over 19 years of experience in auditing, finance and accounting. He is currently the financial controller of Chinese People Holdings Company Limited, a company whose shares are listed on the Main Board (Stock Code: 681), and he is responsible for all accounting, finance and tax matters. In addition, since October 2012, Mr. Tse has been working as an independent non-executive director of Imperium Group Global Holdings Limited (formerly known as JF Household Furnishings Limited), a company whose shares are listed on the Main Board (stock code: 776). Mr. Tse holds a bachelor degree of Business Administration

from the Lingnan College (now renamed as the Lingnan University) in November 1997. He is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tse has been appointed for a term of 3 years and is subject to retirement and re-election at annual general meeting of the Company in accordance with the Articles.

Mr. Tse is entitled to receive a fixed director's fee and bonus amounted to HK\$180,000 per annum. Mr. Tse is also eligible to participate in the share option scheme of the Company. The emoluments of Mr. Tse are determined by the Board with reference to his duties and responsibilities with the Company and the Company's remuneration policy and are subject to review by the Board from time to time.

Mr. Wong Kwong On (“Mr. Wong”), aged 58, was appointed as an independent non-executive Director on 22 September 2015. He is the chairman of the remuneration committee of the Board and a member of the audit committee of the Board.

Mr. Wong has various experience in the building and civil construction industry of Hong Kong. From May 1990 to May 1995, Mr. Wong worked as a quantity surveyor for the following construction companies:

- (i) Shui On Construction Company Limited (from May 1990 to March 1991);
- (ii) Gitanes Engineering Company Limited (from March 1991 to November 1991); and
- (iii) Shui On Civil Contractors Limited (from November 1991 to February 1992 and from January 1993 to May 1995).

His responsibilities as a quantity surveyor included contract administration and provision of contractual advice to projects which he was involved in.

From January 2001 to May 2011, he became the director of Consultant Associates (H. K.) Limited, a construction claim consultant company. Since May 2011, Mr. Wong started practising as a solicitor of Chan & Associates and since June 2013, he has been working as the principal of the law firm Wong & Lawyers (formerly known as Chan & Associates) and is responsible for overseeing the operation of the firm.

Mr. Wong was admitted, a member of The Hong Kong Institute of Surveyors in March 1986, a member of the Chartered Institute of Building in August 1994, a fellow member of the Chartered Institute of Arbitrators in January 1995 and a solicitor of the High Court of Hong Kong in June 2000.

Mr. Wong obtained an Associateship in Building Technology and Management in November 1983 and a Diploma in Management Studies in November 1988 from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University), a Postgraduate Certificate in Hong Kong Law from the City Polytechnic of Hong Kong (now renamed the City University of Hong Kong) in November 1992, a Master of Arts in Arbitration and Dispute Resolution in November 1995 from City University of Hong Kong, a Bachelor of Laws from the University of Wolverhampton in October 1996 and a Postgraduate Certificate in Laws in June 1998 from the University of Hong Kong.

Mr. Wong has been appointed for a term of 3 years and is subject to retirement and re-election at annual general meeting of the Company in accordance with the Articles.

Mr. Wong is entitled to receive a fixed director's fee and bonus amounted to HK\$180,000 per annum. Mr. Wong is also eligible to participate in the share option scheme of the Company. The emoluments of Mr. Wong are determined by the Board with reference to his duties and responsibilities with the Company and the Company's remuneration policy and are subject to review by the Board from time to time.

Mr. Tang Chi Wang ("Mr. Tang"), aged 39, was appointed as an independent non-executive Director on 22 September 2015. He is a chairman of the nomination committee and a member of the audit committee of the Board.

Mr. Tang has over 19 years of experience in the building construction industry in Hong Kong. Since April 2012, he has been working as the executive director of Advise Building Consultancy Limited and is responsible for overseeing the operation of the firm.

Mr. Tang is a fellow member of The Hong Kong Institute of Surveyors, Hong Kong Institute of Construction Managers, The Chartered Association of Building Engineers, The Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. He is also a member of the Royal Institution of Surveyors and the Chartered Institute of Building, and a general mediator of mediator panels of Hong Kong Mediation Accreditation Association Limited, an accredited mediator of panel of mediators of Hong Kong Mediation Centre, a mediator of The Hong Kong Institute of Architect and The Hong Kong Institute of Surveyors joint panel of mediators and a mediator of list of mediators of Hong Kong Institute of Construction Managers.

Mr. Tang obtained a diploma in Building Studies from the Morrison Hill Technical Institute (now renamed the Hong Kong Institute of Vocational Education (Morrison Hill)) in August 1996, a Higher Diploma in Surveying from the City University of Hong Kong in November 1999, a Bachelor of Science (Honours) degree in Building Surveying from the University of Northumbria at Newcastle in June 2000, a postgraduate diploma in Arbitration from The College of Estate Management in

January 2005, a Bachelor of Laws (Honours) from the University of London in August 2008 and a Master of Public Administration from the Hong Kong Baptist University in November 2011.

Currently, Mr. Tang is the President of The Hong Kong Institute of Construction Managers, Honorary Treasurer of Building Surveying Division of The Hong Kong Institute of Surveyors and Vice Chairman of Hong Kong Lo Pan Kwong Yuet Tong. Over the years, he has been actively serving the community and construction industry by participating different Boards and Committees. He is the Juror of Quality Building Award 2018, member of Buildings Appeal Tribunal Panel, member of Construction Workers Registration Appeal Board Panel, member of Building, Civil Engineering and Built Environment Training Board of Vocational Training Council, member of Immigration Tribunal, member of Registration of Persons Tribunal, member of Obscene and Indecent Articles Panel of Adjudicators, and member of Independent Police Complaints Council Observer Scheme.

In the past, Mr. Tang was the President of Hong Kong Mediation Centre and Director of Joint Mediation Helpline Office. He was the member of Organising Committee of Quality Building Award 2012, 2014 and 2016, and was elected as Chairman of Jury Sub-Committee of Quality Building Award 2016.

Mr. Tang has been appointed for a fix term of 3 years and is subject to retirement and re-election at annual general meeting of the Company in accordance with the Articles.

Mr. Tang is entitled to receive a fixed director's fee and bonus amounted to HK\$180,000 per annum. Mr. Tang is also eligible to participate in the share option scheme of the Company. The emoluments of Mr. Tang are determined by the Board with reference to his duties and responsibilities with the Company and the Company's remuneration policy and are subject to review by the Board from time to time.

Senior Management

Mr. Tsang Tsan Sum (“Mr. Tsang”), aged 46, is currently a quantity surveying manager of the Group. He joined the Group in October 1996 as a site quantity surveyor and was promoted as a quantity surveyor manager in January 2008. Prior to joining our group, Mr. Tsang worked as an assistant site quantity surveyor for Chong & Li Associates from June 1995 to March 1996 and was responsible for (i) site measurement; (ii) contract administration and (iii) payment application. He then worked as a quantity surveyor for South Pacific Engineering Limited from June 1996 to September 1996.

Mr. Tsang was admitted as a member of the Chartered Institute of Building in January 2003, an associate of The Australian Institute of Quantity Surveyors in August 2007 and a member of the Chartered Association of Building Engineers in January 2014.

Mr. Tsang obtained a Higher Diploma in Building from the City University of Hong Kong in December 1996 and a Bachelor of Applied Science in Construction Management and Economics from the Curtin University of Technology in conjunction with the Professional Development Centre in April 2001.

Ms. Choi Yuen Fong (“Ms. Choi”), aged 47, is currently an administration and personnel manager of the Company. She joined the Group in March 1997. Prior to joining the Group, Ms. Choi worked as a secretary for Newey & Eyre (Hong Kong) Ltd. (now renamed Tamco Electrical & Electronics (H. K.) Ltd.) from April 1992 to March 1997.

Ms. Choi obtained an Advanced Diploma in Administrative Management from The Institute of Administrative Management in February 1997, a Diploma in Accounting from The University of Hong Kong School of Professional and Continuing Education in November 2000 and a Master of Science in Administrative and Information Management from the Napier University in collaboration with The University of Hong Kong School of Professional and Continuing Education in January 2007.

Ms. Chan Lap Yee (“Ms. Chan”), aged 55, is currently an estimating manager of the Company. She joined the Group in May 1997 as an estimator and was later promoted as a senior estimator in January 2013. Prior to joining the Group, Ms. Chan worked as a quantity surveyor for Lee Shing Yue Construction Co., Ltd. from March 1985 to August 1986, a quantity surveyor for Hsin Chong Construction Co., Ltd. from September 1986 to January 1990 and an estimator for Sun Fook Kong Construction Limited from January 1990 to May 1997.

Ms. Chan was admitted as a member of the Association of Cost Engineers in August 1993. She obtained a bachelor degree in Civil Engineering from the National Chung Hsing University in June 1984 and a Diploma in Surveying — Quantity Surveying from the College of Estate Management in February 1999.

Ms. Chan Kwai Fong (“Ms. Chan”), aged 45, is currently an accounting manager of the Company. She joined the Group in March 1998. Prior to joining the Group, Ms. Chan worked as an assistant accountant in Ameroll Metal Products Co., Ltd. from April 1991 to August 1993, an accounting clerk in Superior Trading Company from September 1993 to March 1995 and a senior accounts clerk in Freyssinet Hong Kong Ltd. from March 1995 to March 1998, performing accounting duties which include keeping accounts payable records and preparing corresponding payments, keeping accounts receivable records and chasing payments, preparing journals, preparing monthly and ad hoc management reports and schedules and handling full set of books of a subsidiary of Freyssinet Hong Kong Ltd.

Ms. Chan was awarded a LCCI Level 3 Certificate in Accounting in March 1997 and a LCCI Level 3 Certificate in Cost Accounting in February 1998.

Mr. Lo Ming Fai (“Mr. Lo”), aged 46, is currently a project manager of the Company. He joined the Group on 3 January 2012. Prior to joining the Group, Mr. Lo worked as a graduate engineer of Shui On Construction Co. Ltd. from July 1994 to June 1998 and was later promoted as an engineer from July 1998 to April 1999. From April 1999 to May 2001, Mr. Lo worked as an engineer of Shui On Building Contractors Ltd. From May 2001 to March 2003, Mr. Lo worked as an engineer of Pacific Extend Ltd., and was redesignated as a site agent from April 2003 to March 2007 and subsequently became a works manager from April 2007 to November 2011.

Mr. Lo obtained a Bachelor of Science in Building Technology and Management from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in November 1994. In addition, Mr. Lo was admitted as a member of the Hong Kong Institute of Construction Managers in February 2014.

Company Secretary

Mr. Fung Nam Shan (“Mr. Fung”), aged 40, appointed as a company secretary on 13 November 2015. Mr. Fung is currently an independent non-executive director of Energy International Investments Holdings Limited (listed on the Main Board (stock code: 0353)), the company secretary and authorised representative of Seamless Green China (Holdings) Limited (listed on GEM (stock code: 8150)), a company secretary of Camsing International Holding Limited (listed on the Main Board (stock code: 2662)) and the company secretary and authorised representative of Yat Sing Holdings Limited (listed on Main Board (stock code: 3708)). He was the joint company secretary of Future Bright Mining Holdings Limited (currently listed on the Main Board (stock code: 2212)) during the period from 4 November 2015 to 14 October 2016. He was the company secretary and authorised representative of China Ocean Fishing Holdings Limited (listed on GEM (stock code: 8047)) during the period from 20 May 2015 to 16 May 2017. Mr. Fung served Zhejiang Chang’an Renheng Technology Co., Ltd. (listed on GEM (stock code: 8139)) as the financial controller and secretary from April 2013 to March 2014. Mr. Fung was employed as the financial controller and company secretary of South China Land Limited (listed on GEM (stock code: 8155)) from February 2010 to April 2013. Mr. Fung served for a property development group as the financial controller from 2009 to 2010. He worked for PricewaterhouseCoopers as an audit manager during which he accumulated experience in auditing, accounting and taxation in Hong Kong and the People’s Republic of China. He has been one of the marketing committee members of The Hong Kong Youth Hostels and also a member of its charity walk organising committee since 2012.

He holds a bachelor’s degree in accounting awarded by the University of Newcastle, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and a CPA member of the Australian Institute of Certified Public Accountants.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at www.thelloy.com and of the Stock Exchange at www.hkexnews.hk:

- (a) the Directors' report and the annual report of the Company for the year ended 31 March 2017;
- (b) the third quarterly report of the Company for the nine months ended 31 December 2016;
- (c) the interim report of the Company for the six months ended 30 September 2016;
- (d) the first quarterly report of the Company for the three months ended 30 June 2017;
- (e) the Articles;
- (f) any prospectuses issued by the Company;
- (g) any circulars to shareholders issued by the Company in the immediately preceding full financial year; and
- (h) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Architectural Services Department”	Architectural Services Department of the Government
“Articles”	the amended and restated articles of association of the Company
“BIM”	building information modelling, a process which involves the generation and management of digital representations of physical and functional characteristics of buildings and structures to be built
“Board”	the board of Directors

“Building Construction”	one of the business segments of the Group, where the works that the Group normally deal with are structural and engineering works which include building, piling, demolition and site formation
“Buildings Department”	the Buildings Department of the Government
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operation procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“Company”	Thelloy Development Group Limited (德萊建業集團有限公司), a company incorporated in the Cayman Islands and the Shares of which are listed on GEM
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and Main Board Listing Rules
“Design & Build”	one of the business segments of the Group being added in the year ended 31 March 2017 where the Group acted as the sub-contractors of two projects and the details of which is disclosed in the section headed “Recent Development — Design & Build” in this announcement
“Director(s)”	the director(s) of the Company
“Gazette”	the official publication of the Government for, among other things, statutory notices for public tenders
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Housing Authority”	Hong Kong Housing Authority of the Government
“Legislative Council”	the Legislative Council of Hong Kong
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Placing”	the placing of 200,000,000 Shares for the listing of the Shares on GEM as set out in the Prospectus
“PMQ Project”	a project in relation to conservation and revitalisation of the Former Police Married Quarters by transforming it into the currently-known PMQ, a creative industry landmark on Hollywood Road, Hong Kong, details of which are disclosed in the Prospectus
“Properties”	Unit A to F, 2nd Floor, Centre 600, No. 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong together with car park L4, P4 and P5 therein;
“Prospectus”	the listing document on the Company dated 30 September 2015
“Popstate”	Popstate Limited (本林有限公司), a company incorporated under the laws of Hong Kong with limited liability on 3 January 1990 which is not a member of the Group and is wholly owned by Mr. Lam Kin Wing Eddie and accordingly a connected person (as defined under the GEM Listing Rules and Main Board Listing Rules) of the Company

“RMAA”	one of the business segments of the Group, being repair, maintenance, alteration and addition, where the works that the Group normally deal with include: changes in facilities configuration; fabrication, modification, removal or installation of hardware and equipment’ erection, relocation or removal of doors, windows and partitions; changes in type of finishes and flooring materials; restoration, upgrade or otherwise improve the general condition of facilities; and general upkeep of existing facilities, facility components, grounds and utility systems
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 22 September 2015
“Shareholder(s)”	holder(s) of the Share(s)
“Sizeable Projects”	several sizeable Building Construction and RMAA projects undertaken by the Group during the year ended 31 March 2017, including but not limited to the following projects: <ul style="list-style-type: none"> (i) the construction of a 30-classroom primary school in Kwun Tong; (ii) the construction of a school for social development in Tuen Mun; (iii) the construction of staff quarters in Aberdeen; (iv) the renovation works for the West Wing of the former central Government offices for office use; and (v) cognita alteration and addition works in Ho Man Tin
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Techoy Construction”	Techoy Construction Company Limited (德材建築工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 2 July 1982 and an indirect wholly owned subsidiary of the Company
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“WBDB”	Works Branch Development Bureau (發展局工務科) of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function
“%”	per cent

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

Hong Kong, 16 October 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 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.

This announcement will remain on the GEM’s website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This announcement will also be published on the website of the Company at www.thelloy.com.