

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

THELLOY DEVELOPMENT GROUP LIMITED

德萊建業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1546)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

HIGHLIGHTS

- The Group recorded total revenue for the Year of approximately HK\$204.3 million, representing a growth of approximately 34.6% as compared to the Previous Year.
- Profit attributable to owners of the Company for the Year was approximately HK\$4.3 million, representing a decrease of approximately 79.8% as compared to Previous Year.
- The Board does not recommend the payment of a final dividend for the Year.

AUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Thelloy Development Group Limited (the “**Company**”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022 (the “**Year**”) together with the comparative audited figures for the year ended 31 March 2021 (the “**Previous Year**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
	NOTES	HK\$'000	HK\$'000
Revenue	3	204,342	151,829
Direct costs		<u>(164,502)</u>	<u>(132,322)</u>
Gross profit		39,840	19,507
Other income and expenses and other gains and losses	4	529	22,360
Impairment loss (recognised) reversed under expected credit loss model, net	5	(332)	16,085
Administrative expenses		(34,495)	(32,138)
Share of results of a joint venture		(379)	(120)
Finance costs	6	<u>(477)</u>	<u>(337)</u>
Profit before taxation	7	4,686	25,357
Income tax expense	8	<u>(422)</u>	<u>(4,234)</u>
Profit and total comprehensive income for the year		<u><u>4,264</u></u>	<u><u>21,123</u></u>
Earnings per share	10		
Basic (HK cents)		<u><u>0.53</u></u>	<u><u>2.64</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

	<i>NOTES</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		85,102	43,046
Right-of-use assets		7,879	1,828
Investment properties		–	43,680
Interests in joint ventures		81,896	74,574
Deposits for acquisition of property, plant and equipment		1,969	–
Rental deposits		962	–
		<u>177,808</u>	<u>163,128</u>
Current assets			
Trade and other receivables	<i>11</i>	9,334	8,958
Contract assets		20,176	8,922
Amount due from a joint venture		3,896	3,195
Tax recoverable		3,535	–
Pledged bank deposits		1,039	1,039
Bank balances and cash		56,557	91,302
		<u>94,537</u>	<u>113,416</u>
Current liabilities			
Trade and other payables	<i>12</i>	73,297	41,285
Contract liabilities		27,238	56,377
Lease liabilities		3,414	1,720
Provisions		–	231
Tax payable		–	2,267
Bank borrowings		15,000	30,000
		<u>118,949</u>	<u>131,880</u>
Net current liabilities		<u>(24,412)</u>	<u>(18,464)</u>

		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities		<u>153,396</u>	<u>144,664</u>
Non-current liability			
Lease liabilities		<u>4,657</u>	<u>189</u>
Net assets		<u>148,739</u>	<u>144,475</u>
Capital and reserves			
Share capital	<i>13</i>	8,000	8,000
Reserves		<u>140,739</u>	<u>136,475</u>
Equity attributable to owners of the Company		<u>148,739</u>	<u>144,475</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	8,000	42,490	18,800	54,062	123,352
Profit and total comprehensive income for the year	–	–	–	21,123	21,123
At 31 March 2021	8,000	42,490	18,800	75,185	144,475
Profit and total comprehensive income for the year	–	–	–	4,264	4,264
At 31 March 2022	8,000	42,490	18,800	79,449	148,739

Note: Other reserve represents the difference between the nominal value of the share capital of Techoy Construction Company Limited (“**Techoy Construction**”) and that of the Company pursuant to group reorganisation in prior years.

1. GENERAL

Thelloy Development Group Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 28 May 2015 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 October 2015. Its immediate and ultimate holding company is Cheers Mate Holding Limited, a company incorporated in the British Virgin Islands (the “**BVI**”). The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104. The principal place of business of the Company has been changed from 2/F, Centre 600, 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong to 19/F, The Globe, 79 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong with effect from 16 May 2022.

The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in property construction services in Hong Kong.

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

As at 31 March 2022, the Group has net current liabilities of HK\$24,412,000. The Directors have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements.

Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from banks to the Group of HK\$156,076,000 as at 31 March 2022, which can be utilised if necessary subsequent to the reporting period, the Directors are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2021 ²

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

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

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (a) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (b) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to the construction contracts.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE

Disaggregation of revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Recognised over time under HKFRS 15:		
Building construction	87,022	21,776
Repair, maintenance, alteration and addition (“RMAA”) works	94,941	110,139
Design and build	<u>22,379</u>	<u>19,914</u>
Revenue from contracts with customers	<u><u>204,342</u></u>	<u><u>151,829</u></u>
Type of customers		
Government departments	146,096	66,124
Private customers	<u>58,246</u>	<u>85,705</u>
	<u><u>204,342</u></u>	<u><u>151,829</u></u>

Performance obligations for contracts with customers

The Group provides building construction, RMAA works and design and build services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method. The stage of completion is determined as the proportion of the costs incurred for the works (i.e. overhead costs, subcontracting costs, materials costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services to the extent that the amount can be measured reliably and its recovery is considered probable.

The Group’s construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones based on surveyors’ assessment are reached. A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group’s right to consideration for the services performed because the rights are conditioned on the Group’s future performance in achieving specified milestones based on surveyors’ assessment. The contract assets are transferred to trade receivables when the rights become unconditional. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) and the expected timing of recognising revenue are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	252,767	155,022
More than one year but not more than two years	147,770	12,946
	400,537	167,968

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies adopted by the Group. Accordingly, only entity-wide disclosures, major customers and geographical information are presented.

Geographical information

The Group's revenue are all derived from Hong Kong based on the location of services delivered. The Group's non-current assets (exclude interests in joint ventures, deposits for acquisition of property, plant and equipment and rental deposits) amounting to HK\$92,981,000 (2021: HK\$88,554,000) as at 31 March 2022 are all physically located in Hong Kong.

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	92,324	60,181
Customer B	50,657	N/A [#]
Customer C	N/A[#]	41,746

[#] The customer did not contribute over 10% of total sales of the Group during the relevant year.

4. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income:		
– Bank interest income	13	113
– Management fee income	55	547
– Rental income	257	1,150
– Government grants (<i>note i</i>)	<u>204</u>	<u>6,574</u>
	529	8,384
Other gains and losses:		
– Gain on settlement of arbitration (<i>note ii</i>)	–	19,275
– Loss on written-off of leasehold improvements	–	(30)
– Impairment loss on investment properties	<u>–</u>	<u>(1,982)</u>
	–	17,263
Other expenses:		
– Legal and professional fee (<i>note ii</i>)	<u>–</u>	<u>(3,287)</u>
	<u>529</u>	<u>22,360</u>

Notes:

- (i) During the year, the Group recognised government grants of nil (2021: HK\$6,574,000) in respect of COVID-19-related subsidies, of which nil (2021: HK\$6,243,000) relates to Employment Support Scheme provided by the Hong Kong Government.
- (ii) During the year ended 31 March 2021, the Group entered into a settlement agreement with the customer in connection with the disputes under the two subcontracts. Pursuant to the settlement agreement, the customer agreed to pay the Group for a sum of HK\$35.5 million for the settlement and the amount was received in full by the Group during the year ended 31 March 2021. Accordingly, a reversal of impairment loss on trade receivables, contract assets and other receivables in an amount of HK\$5,236,000, HK\$7,391,000 and HK\$3,599,000 respectively and a gain of HK\$19,275,000 was recognised during the year ended 31 March 2021. Based on the advices from the independent legal advisors, the arbitration was settled and legal and professional fee in an amount of HK\$2,483,000 in relation to this arbitration had been recognised in profit or loss during the year ended 31 March 2021.

5. IMPAIRMENT LOSSES RECOGNISED (REVERSED) UNDER EXPECTED CREDIT LOSS MODEL, NET

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment losses recognised (reversed) on:		
– trade receivables	39	(5,358)
– contract assets	100	(6,643)
– other receivables	–	(3,599)
– amount due from a joint venture	193	(485)
	<u>332</u>	<u>(16,085)</u>
	<u>332</u>	<u>(16,085)</u>

6. FINANCE COSTS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on:		
Bank borrowings	360	287
Lease liabilities	117	50
	<u>477</u>	<u>337</u>
	<u>477</u>	<u>337</u>

7. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,128	900
Depreciation of property, plant and equipment	3,727	2,282
Depreciation of investment properties	394	1,886
Depreciation of right-of-use assets	3,412	1,731
Directors' remuneration	6,902	7,382
Staff costs:		
Salaries and allowances	31,531	36,900
Contributions to retirement benefits schemes	973	1,273
Total staff costs	<u>39,406</u>	<u>45,555</u>
Gross rental income from investment properties	257	1,150
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>(42)</u>	<u>(167)</u>
	<u>215</u>	<u>983</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	<u>422</u>	<u>4,234</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

	2022	2021
	HK\$'000	HK\$'000
Profit before taxation	<u>4,687</u>	<u>25,357</u>
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	(773)	(4,184)
Tax effect of expense not deductible for tax purpose	(381)	(371)
Tax effect of income not taxable for tax purpose	12	1,058
Tax effect of super deduction for research and development expenses (<i>Note</i>)	1,021	–
Tax effect of tax losses not recognised	(638)	(902)
Utilisation of tax losses previously not recognised	18	–
Over-provision in prior years	154	–
Effect of two-tiered tax rate in Hong Kong	<u>165</u>	<u>165</u>
Income tax expense	<u><u>(422)</u></u>	<u><u>(4,234)</u></u>

Note: In Hong Kong, the qualifying research and development expenditures classified as Type B expenditure under section 16B of the Inland Revenue Ordinance are eligible for 300% tax deduction for the first HK\$2 million and 200% deduction for the remainder.

As at 31 March 2022, the Group has estimated unused tax losses of HK\$20,640,000 (2021: HK\$16,882,000) available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend of the year (2021: Nil).

10. EARNINGS PER SHARE

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

Earnings

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>4,264</u>	<u>21,123</u>

	Number of shares	
	2022 <i>'000</i>	2021 <i>'000</i>
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>800,000</u>	<u>800,000</u>

No diluted earnings per share is presented as there is no potential ordinary share in issue for both years.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	5,938	7,004
<i>Less: Allowance for credit losses</i>	<u>(50)</u>	<u>(11)</u>
	5,888	6,993
Rental deposits	1,078	91
Other deposits	3,284	881
Other receivables	–	449
Prepayments	<u>2,015</u>	<u>544</u>
	12,265	8,958
<i>Less: Deposits for fixed assets</i> (classified as non-current assets) (<i>note 1</i>)	<u>(1,969)</u>	–
<i>Less: Rental deposits (classified as non-current assets) (note 2)</i>	<u>(962)</u>	–
	<u><u>9,334</u></u>	<u><u>8,958</u></u>

Notes:

Note 1: These balances represent non-refundable deposits placed by the Group in connection with fixed asset invoiced but not delivered as at 31 March 2022. Therefore, these balances are classified as non-current assets.

Note 2: These balances represent rental deposits placed by the Group in connection with its rented premises. The relevant leases will expire after one year from the end of the reporting period, or if the remaining lease term is less than one year, the Group has intention to renew the leases upon expiry. Therefore, these balances are classified as non-current assets.

As at 1 April 2020, trade receivables from customers net of allowance for credit losses amounted to HK\$30,787,000.

The credit period granted by the Group to its customers is 30 days from the date of invoices on progress payments of contract work. An ageing analysis of trade receivables net of allowance of credit losses is presented based on the invoice date at the end of the reporting period.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	5,888	6,738
31 – 90 days	–	255
	<u>5,888</u>	<u>6,993</u>

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of nil (2021: HK\$255,000) which are past due.

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	56,098	18,512
Accrued charges	3,010	2,941
Retention payables (<i>note</i>)	14,017	19,089
Deposits received from suppliers	64	49
Deposits received for rental	108	194
Accrued legal and professional fee	–	500
	<u>73,297</u>	<u>41,285</u>

Note: Retention payables to sub-contractors of contract work will be released by the Group after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from one to two years from the date of practical completion of the respective contraction contracts.

The credit period granted to the Group on subcontracting of contract work services is 30 to 45 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	53,201	15,451
31 – 60 days	2,897	3,061
	<u>56,098</u>	<u>18,512</u>

13. SHARE CAPITAL

	Number of shares	Share capital
		<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2020, 31 March 2021 and 31 March 2022	<u>800,000,000</u>	<u>8,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Construction

In 2021, Hong Kong's economy has recovered visibly starting from the second quarter alongside with the revival of global economic activity and stable local epidemic situation. However, the overall market saw a marked deterioration in the first quarter of 2022 due to the fifth wave of local COVID-19 outbreak and resultant restrictive measures. Under this economic backdrop, the Hong Kong construction industry saw a gradual rebound in activities in the later half of 2021, but sentiment quickly worsened in Q1 2022 due to difficulties from the epidemic-induced border closures, mandatory quarantine and delay in obtaining government approvals.

The Group's main business focuses on providing professional construction and management services in Hong Kong as a main contractor with works such as (i) building construction services; (ii) repair, maintenance, alteration and addition (“**RMAA**”) works services; and (iii) design and build services. During the Year, the availability of new building works and construction projects in the private sector have remained low. The construction industry was relying heavily on public funded projects, in which market competition for such contracts have also remained fierce. Capitalizing on the Group's experience, licenses and targeted tendering approach, the Group managed to secure a number of new projects during the Year, including Construction of Public Vehicle Park at Sheung Shui Area 4 and 30 Site 2 Phase 1, and Alternation and Addition Works at Cyberport. A new contract of enhancement works for a Study Center in North Point was also awarded in April 2022 immediately after the end of the reporting period.

The Group continued to focus on the strategic development of its MiC construction services business, and have secured two new MiC site accommodation projects followed by two design and build MiC projects for Aberdeen Police Station and Long Valley Nature Park during the Year. A new design and build MiC contract for transitional housing in Cheung Sha Wan was also awarded in April 2022 immediately after the end of the reporting period. To further maintain our competitiveness in MiC construction, the Group has also invested in research and development of innovative MiC designs during the Year. The Group was also actively embracing and adopting new construction technologies, including but not limited to Building Information Modelling (“**BIM**”) and 3D scanning and printing, which aim to drive forward productivity and enhance project delivery outcomes.

Looking forward, the operating environment for the Group may remain challenging in the short term due to uncertainties from ongoing pandemic situation, intensified geopolitical tensions, potential supply chain disruptions, and elevated energy and commodity prices. Despite the worsened economic prospects, the Group remained relatively optimistic on the future of the construction sector of Hong Kong. The Government has proposed to set aside HK\$100 billion to expedite the implementation of infrastructure works within the Northern Metropolis in the 2022-23 Budget Speech, while increasing public and private housing supply remains the Government’s top priority, with the supply of transitional housing units also being increased from 15,000 to 20,000 in the 2021 Policy Address. Gradual development of these policy initiatives should render sufficient support to construction demand over the medium to long term.

Property

World Partners Limited (the “**JV Subsidiary**”), a non wholly-owned subsidiary of Great Glory Developments Limited (the “**JV Company**”, which is owed as to 49% by the Group), successfully completed the acquisition of a property in Tsuen Wan, Hong Kong (the “**Acquisition**”) during the Year for redevelopment. The Acquisition is an expansion of the Group’s business interests in Hong Kong’s property market and can achieve synergy with the Group’s existing business in building construction. Demolition works of the existing building has been successfully completed in January 2022, while town planning approval has also been obtained in the same month for a commercial redevelopment with plot ratio and building height relaxation. The Group will continue to look out for opportunities to partner with property investors and developers on real estate development projects, so as to diversify and maintain the sustainable development of the Group’s business.

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group increased from approximately HK\$151.8 million to approximately HK\$204.3 million as compared to the year ended 31 March 2021 (the “**Previous Year**”), representing an increase of approximately 34.6%. The increase was mainly attributable to the increase in revenue from the building construction services from approximately HK\$21.8 million for the Previous Year to approximately HK\$87.0 million for the Year, representing an increase of approximately 299.6%, and the increase in revenue from design and build services from approximately HK\$19.9 million for the Previous Year to approximately HK\$22.4 million for the Year, representing an increase of approximately 12.4%, and partially offset by the decrease in revenue from RMAA services of approximately HK\$15.2 million from approximately HK\$110.1 million for the Previous Year to approximately HK\$94.9 million for the Year. The significant increase in revenue from the building construction services was mainly due to revenue recognised for new contract awarded during the Year.

Direct Costs

The Group’s direct costs increased from approximately HK\$132.3 million for the Previous Year to approximately HK\$164.5 million for the Year, representing an increase of approximately 24.3% as compared to the Previous Year. Such increase was in line with the increase of revenue during the Year.

Gross Profit and Gross Profit Margin

The Group’s gross profit amounted to approximately HK\$39.8 million and HK\$19.5 million for the years ended 31 March 2022 and 2021 respectively, representing an increase of approximately 104.2%. The increase was mainly attributable to the effective cost control measures adopted on the final account settlement for a substantial project completed during the Year.

The overall gross profit margin increased from approximately 12.8% for the Previous Year to approximately 19.5% for the Year.

Other Income and Expenses and Other Gains and Losses

The Group's other income mainly consists of management fee income, rental income and government grant and decreased by approximately HK\$21.9 million from approximately HK\$22.4 million for the Previous Year to approximately HK\$0.5 million during the Year, representing a decrease of approximately 97.6%, which was mainly due to the subsidies of Employment Support Scheme ("ESS") under the Anti-epidemic Fund set up by the Hong Kong Government and gain on settlement of arbitration, which were both recognized for the Previous Year, were absent in the Year.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$34.5 million and HK\$32.1 million for the Year and the Previous Year respectively, representing an increase of approximately 7.3%. Such increase was primarily due to the increase in research and development cost incurred on innovative MiC designs for high rise development during the Year.

Finance Costs

For the Year and the Previous Year, the Group's finance costs amounted to approximately HK\$477,000 and HK\$337,000 respectively. The increase in finance costs was mainly due to the increase in interests on bank borrowings and lease liabilities during the Year.

Income Tax Expense

For the Year and the Previous Year, the Group's income tax expense amounted to approximately HK\$0.4 million and HK\$4.2 million, representing a decrease of approximately 90.0%, as a result of the decrease in taxable profit for the Year.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year decreased by approximately HK\$16.8 million from approximately HK\$21.1 million for the Previous Year to approximately HK\$4.3 million for the Year. Such decrease was mainly due to (i) the subsidiaries under the ESS and the gain on settlement of arbitration, which were both recognized for the Previous Year, were absent in the Year; and (ii) a substantial reduction of the reversal of the impairment loss under expected credit loss model during the Year.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2021: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position. As at 31 March 2022, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$57.6 million (2021: approximately HK\$92.3 million) and the current ratio was approximately 0.78 (2021: approximately 0.86). As at 31 March 2022, bank borrowings of HK\$15.0 million (2021: HK\$30.0 million) was secured by the Group's pledged bank deposits and properties, repayable within one year, borne floating interest rate at Hong Kong Interbank Offered Rate plus a spread of range from 1.35% to 1.75% (2021: 1.35% to 3.00%) per annum and denominated in Hong Kong dollars.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2022 was approximately 15.5% (2021: 22.1%). The gearing ratio is calculated as total borrowings and lease liabilities divided by total equity as at the end of the reporting period.

Treasury Policy

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

Pledge of Assets

As at 31 March 2022, the Group had pledged bank deposits of approximately HK\$1.0 million (2021: approximately HK\$1.0 million), where all properties in carrying amount of approximately HK\$82.3 million (2021: approximately HK\$85.5 million) have been pledged to secure the banking facilities granted to the Group.

Capital Structure

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

Capital Commitment

As at 31 March 2022, the Group agreed to provide the capital commitment in the aggregate amount of HK\$1,607,000 to third party suppliers regarding purchase of furniture and fixtures and shall be payable in next year. As at 31 March 2022, the outstanding commitment was HK\$1,607,000 (2021: nil).

Other Commitment

On 5 March 2021, in order to finance the land acquisition plan of Great Glory, the Group agreed to provide the additional capital contribution in the aggregate amount of HK\$188,650,000 to Great Glory and such contributions shall be payable upon request of Great Glory from time to time. As at 31 March 2022, the outstanding commitment was HK\$107,235,000 (2021: HK\$113,956,000).

Human Resources Management

As at 31 March 2022, the Group had a total of 69 employees (2021: 79). To ensure that the Group can attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance. The Group also sponsored staff to attend seminars and training courses.

Foreign Currency Risk

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

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

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

Performance Guarantees

As at 31 March 2022, performance guarantees of approximately HK\$9.6 million (2021: HK\$0.4 million) were issued by certain banks in favour of the Group's customers as security for the observance of the Group's obligation under various contracts entered into between the Group and its customers.

As at 31 March 2022, performance guarantee of approximately HK\$0.9 million (2021: Nil) was issued by a bank in favour of the Group's landlord as security for a premise leased by the Group.

Save as disclosed, the Group had no other material performance guarantee at the end of the reporting period.

Contingent Liabilities

On 5 March 2021, the Group provided a guarantee to a bank in respect of bank facility to the JV Subsidiary up to a maximum amount of HK\$124,000,000, provided that the liability of the Group in respect of any part of the guaranteed indebtedness shall be several with that of other joint venture partners, and be limited to 34.3% of the guaranteed indebtedness, representing the effective interest of the Group in the JV Subsidiary. The bank facilities has been fully drawn down by JV Subsidiary on 1 April 2021.

The Directors considered the fair value of the financial guarantee is insignificant at date of inception and at the end of the reporting period.

IMPACT OF COVID-19 PANDEMIC

The Group was able to recognise net profits for the years ended 31 March 2021 and 2022 notwithstanding the impact brought along by the COVID-19 pandemic. The Directors expect (i) the continuing improvement of the performance of the building construction segment of the Group, especially from the projects awarded by the Hong Kong Government departments; and (ii) close monitoring of the expenses incurred during the operations of the Group and implementation of cost control measures where necessary would be conducive in minimizing the impact of the COVID-19 pandemic to the Group. The Group will closely monitor the development of the COVID-19 pandemic and continue to assess its impact on the Group's finances and operations.

Taking into account the unutilized credit facilities of the Group and the available cash resources as at 31 March 2022, the Board is of the view that it is in a sound financial and liquidity position.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally approved by the Company pursuant to the written resolutions of the then sole shareholder of the Company on 22 September 2015. The Share Option Scheme remained valid and effective following the transfer of listing of its shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 26 October 2017 and will be implemented in full compliance with the requirements under Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

AUDIT COMMITTEE

The Company has set up an audit committee (the “**Audit Committee**”) on 22 September 2015 with its terms of reference as revised by the Board with effect from 26 October 2017. The duties of the Audit Committee are to review relationship with the Company’s external auditor, review the Company’s financial information, oversee the Company’s financial reporting system and internal control procedures and oversee the Company’s continuing connected transactions. The Audit Committee comprises all three independent non-executive Directors, namely Mr. TSE Ting Kwan, who is the chairman of the Audit Committee, Mr. TANG Chi Wang and Mr. WONG Kwong On. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

SUBSEQUENT EVENT

Subsequent to the end of the reporting period and up to the date of this announcement, some of the Group’s projects have been delayed due to temporary suspension of certain projects by its clients or suspension of production and delivery from some of its material suppliers due to the impact brought along by COVID-19. Hence, the Group’s financial performance and financial position has inevitably been affected. The management of the Group will continuously monitor the situation of COVID-19 and will take appropriate measures when necessary.

Save as disclosed above, the Group had no material event subsequent to the end of the reporting period and up to the date of this announcement.

CORPORATE GOVERNANCE

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

The Board is of the view that vesting both roles in Mr. Lam will allow for more effective planning and execution of business strategies. The Board has a total of six Directors and three of them are independent non-executive Directors who are qualified professionals and/or experienced individuals. As all major decisions are made in consultation with all the members of the Board which meet on a regularly quarterly basis to review the operations of the Group, and shall be approved by majority approval of the Board, with the three independent non-executive Directors on the Board scrutinising important decisions and offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Company complied with all code provisions in the CG Code in the Year, save for code provision C.2.1 (equivalent to previous code provision A.2.1).

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

The Company and its subsidiaries did not redeem any of its shares listed and traded on the Main Board of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares during the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as code of conduct governing Directors securities transaction. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to amend and restate the existing memorandum and articles of association of the Company (the “**Memorandum and Articles of Association**”). Pursuant to the Consultation Conclusions on Listing Regime for Overseas Issuers published by The Stock Exchange of Hong Kong Limited in November 2021, the Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections for issuers. As such, the Board proposes to amend the Memorandum and Articles of Association for the purposes of, among others, (i) bringing the Memorandum and Articles of Association in line with amendments made to the Listing Rules and the applicable laws and procedures of the Cayman Islands; and (ii) making certain minor housekeeping amendments to the Memorandum and Articles of Association for the purpose of clarifying existing practice and making consequential amendments in line with the amendments to the Memorandum and Articles of Association (collectively, the “**Amendments**”). Details of the proposed Amendments will be set out in the circular to be despatched to the Shareholders in due course.

The proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company (“**AGM**”). A circular containing, inter alia, particulars relating to the proposed Amendments together with a notice of the AGM will be despatched to the Shareholders in due course.

ANNUAL GENERAL MEETING

The AGM will be held at 1/F., 180-182 Hennesy Road, Wanchai, Hong Kong on Monday, 22 August 2022 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Monday, 22 August 2022, the register of members of the Company will be closed from Wednesday, 17 August 2022 to Monday, 22 August 2022, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 August 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 23 June 2022

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. Lam Arthur Chi Ping, and three independent non-executive Directors namely Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On.