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 2023

HIGHLIGHTS

- The Group recorded total revenue for the Year of approximately HK$259.1 million, representing a growth of approximately 26.8% as compared to the Previous Year.
- Profit attributable to owners of the Company for the Year was approximately HK$12.7 million, representing an increase of approximately 196.9% as compared to the 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 2023 (the "**Year**") together with the comparative audited figures for the year ended 31 March 2022 (the "**Previous Year**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	NOTES	**2023** ***HK$'000***	2022 *HK$'000*
Revenue	*3*	**259,138**	204,342
Direct costs		**(212,827)**	(164,502)
Gross profit		**46,311**	39,840
Other income and other losses	*4*	**3,455**	529
Impairment losses reversed (recognised) under expected credit loss model, net	*5*	**637**	(332)
Administrative expenses		**(32,939)**	(34,495)
Share of results of a joint venture		**(123)**	(379)
Finance costs	*6*	**(2,601)**	(477)
Profit before tax	*7*	**14,740**	4,686
Income tax expense	*8*	**(2,080)**	(422)
Profit and total comprehensive income for the year		**12,660**	4,264
Earnings per share	*10*		
Basic (HK cents)		**1.58**	0.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**88,032**	85,102
Right-of-use assets		**5,373**	7,879
Investment properties		**–**	–
Interests in joint ventures		**85,552**	81,896
Deposits for acquisition of property, plant and equipment		**–**	1,969
Rental deposits		**522**	962
		179,479	177,808
Current assets			
Trade and other receivables	*11*	**61,381**	9,334
Contract assets		**28,624**	20,176
Amount due from a joint venture		**3,776**	3,896
Tax recoverable		**–**	3,535
Pledged bank deposits		**1,979**	1,039
Cash and cash equivalents		**66,028**	56,557
		161,788	94,537
Current liabilities			
Trade and other payables	*12*	**99,207**	73,297
Contract liabilities		**13,776**	27,238
Lease liabilities		**2,847**	3,414
Tax payable		**1,494**	–
Bank borrowings		**60,000**	15,000
		177,324	118,949
Net current liabilities		**(15,536)**	(24,412)

	NOTES	2023 HK$'000	2022 HK$'000
Total assets less current liabilities		**163,943**	153,396
Non-current liability			
Lease liabilities		**2,544**	4,657
Net assets		**161,399**	148,739
Capital and reserves			
Share capital	*13*	**8,000**	8,000
Reserves		**153,399**	140,739
Equity attributable to owners of the Company		**161,399**	148,739

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Share premium	Other reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note)		
At 1 April 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
Profit and total comprehensive income for the year	–	–	–	12,660	12,660
At 31 March 2023	8,000	42,490	18,800	92,109	161,399

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

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 Group is 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 2023, the Group has net current liabilities of HK$15,536,000 (2022: 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$201,130,000 (2022: HK$156,076,000) as at 31 March 2023, 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018-2020

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

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

Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs after adoption of these amendments.

The Group has analysed the contracts for which the Group has not yet fulfilled all its obligations at 1 April 2022 and determined that none of them would be identified as onerous when applying the revised accounting policy. Therefore, the amendments have had no impact on the consolidated financial statements for the year ended 31 March 2023.

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 (including the June 2020 and December 2021 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2024.

Except for Amendments to HKAS 1 mentioned below, the directors of the Company 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 "2020 Amendments")* and Amendments to HKAS 1 *Non-current Liabilities with Covenants (the "2022 Amendments")*

The 2020 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:

- 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*.

- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. REVENUE

Disaggregation of revenue

	2023	2022
	HK$'000	*HK$'000*
Recognised over time under HKFRS 15:		
Building construction	**96,170**	87,022
Repair, maintenance, alteration and addition ("**RMAA**") works	**101,580**	94,941
Design and build	**61,388**	22,379
Revenue from contracts with customers	**259,138**	204,342
Type of customers		
Government departments	**84,970**	146,096
Private customers	**174,168**	58,246
	259,138	204,342

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:

	2023	2022
	HK$'000	*HK$'000*
Within one year	**311,363**	252,767
More than one year but not more than two years	**437,495**	147,770
More than two years	**464,411**	–
	1,213,269	400,537

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$93,405,000 (2022: HK$92,981,000) as at 31 March 2023 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:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**79,991**	N/A#
Customer B	**64,834**	50,657
Customer C	**51,674**	N/A#
Customer D	**28,773**	N/A#
Customer E	**N/A#**	92,324

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

4. OTHER INCOME AND OTHER LOSSES

	2023	2022
	HK$'000	*HK$'000*
Other income:		
– Bank interest income	**35**	13
– Loan interest income	**1,041**	–
– Management fee income	**–**	55
– Rental income	**693**	257
– Government grants *(note)*	**1,802**	204
	3,571	529
Other losses:		
– Loss on disposal of property, plant and equipment	**(116)**	–
	3,455	529

Note: During the year, the Group recognised government grants of HK$1,695,000 (2022: nil) in respect of COVID-19-related subsidies in Hong Kong under Employment Support Scheme provided by the Hong Kong Government.

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

	2023	2022
	HK$'000	*HK$'000*
Impairment losses (reversed) recognised on:		
– trade receivables	**36**	39
– contract assets	**(661)**	100
– amount due from a joint venture	**(12)**	193
	(637)	332

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**2,470**	360
Lease liabilities	**131**	117
	2,601	477

7. PROFIT BEFORE TAX

	2023	2022
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	**1,150**	1,128
Depreciation of property, plant and equipment	**4,258**	3,727
Depreciation of investment properties	**–**	394
Depreciation of right-of-use assets	**3,599**	3,412
Directors' remuneration	**6,768**	6,902
Staff costs:		
Salaries and allowances	**44,273**	31,531
Contributions to retirement benefits schemes	**1,405**	973
Total staff costs	**52,446**	39,406
Gross rental income from investment properties	**–**	(257)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**–**	42
	–	(215)

8. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	**2,080**	576
Over-provision in prior years	**–**	(154)
	2,080	422

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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, the 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.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period.

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

	2023	2022
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**12,660**	4,264

Number of shares

	2023	2022
	'000	*'000*
Number of ordinary shares for the purpose of calculating basic earnings per share	**800,000**	800,000

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

11. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**56,020**	5,938
Less: Allowance for credit losses	**(86)**	(50)
	55,934	5,888
Rental deposits	**1,087**	1,078
Other deposits	**2,637**	3,284
Other receivables	**15**	–
Prepayments	**2,230**	2,015
	61,903	12,265
Less: Deposits for property, plant and equipment (classified as non-current assets) *(note i)*	**–**	(1,969)
Less: Rental deposits (classified as non-current assets) *(note ii)*	**(522)**	(962)
	61,381	9,334

Notes:

(i) These balances represented 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.

(ii) These balances represented rental deposits placed by the Group in connection with its rented premises. Therefore, these balances are classified as non-current.

As at 1 April 2021, trade receivables from customers net of allowance for credit losses amounted to HK$6,993,000.

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.

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**55,934**	5,888

As at 31 March 2023 and 2022, there are no trade receivables balance which are past due.

12. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**75,197**	56,098
Accrued charges	**4,832**	3,010
Retention payables *(note)*	**18,636**	14,017
Deposits received from suppliers	**79**	64
Deposits received for rental	**463**	108
	99,207	73,297

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:

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**65,932**	53,201
31 – 60 days	**9,265**	2,897
	75,197	56,098

13. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and 31 March 2023	800,000,000	8,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Construction

Hong Kong's economy faced yet another challenging year in 2022 as its GDP shrank by 3.5%. Economic activities were first dampened by the fifth wave of the local epidemic and subsequently by the deteriorated external environment and tightened financial conditions. Following the resumption of normal travel with the Mainland and the rest of the world in early 2023, the Hong Kong economy improved considerably in the first quarter of 2023, led by strong inbound tourism and domestic demand, setting stage for a steady recovery in 2023.

Under the backdrop of a disappointing economic performance in the past year, the construction market has been a relatively resilient industry in Hong Kong, as expenditure on building and construction from the public sector continued to increase. In the latest Policy Address in October 2022, the Chief Executive emphasized that solving the housing problem tops the agenda of the current-term Government. In addition to the transitional housing initiative, the new light public housing development was introduced to deliver 30,000 units in the next five years. The HKSAR Government also remains committed in bringing forward the development of strategic growth areas such as the Northern Metropolis and the Kau Yi Chau Artificial Islands. Benefitting from these initiatives, a sharp increase of construction contracts in the coming years can be anticipated. The Group, leveraging on its licences for and expertise on public projects, is confident to take advantage of the thriving market, but will remain cautiously optimistic in the near term as slower growth in the advanced economies and tight financial conditions might add uncertainties to the global economic outlook.

During the Year, although competition for public works remained severely fierce, the Group managed to secure some new contracts amounting to a total of approximately HK$1.44 billion, all of which are projects for the public sector or quasi-government organizations. Among the new contracts, the Group was awarded the main contract works for a new academic building for the Education University of Hong Kong with contract sum of approximately HK$567 million. Meanwhile, the Group also obtained its first maintenance and repair term contract for the Buildings Department. A new Modular Integrated Construction ("**MiC**") transitional housing project in Cheung Sha Wan for the Christian Family Service Centre was also secured, following our design and build success at Nam Cheong 220, the first MiC transitional housing project in Hong Kong, which was recently awarded the Merit Award (Temporary Building Category) at the Quality Building Award 2022. Bravely taking up the challenge to use MiC back in 2019, this pioneering project has now paved the way for extensive use of MiC for both temporary and permanent buildings in Hong Kong, promoting a greener, safer and better quality construction method.

Riding on the expanded order book and the recognition of progress of existing projects, the Group delivered satisfactory results for the Year. The total revenue of the Group was approximately HK$259.1 million for the Year, up against approximately HK$204.3 million for the Previous Year. The Group also posted an increase in profit to approximately HK$12.7 million for the Year, up against approximately HK$4.3 million for the Previous Year.

To better prepare ourselves for the upcoming opportunities and to embrace the transformation into "Construction 2.0", the Group has been developing its capabilities in MiC design and supplier sourcing, expanding the application of Building Information Modeling ("**BIM**") technology, utilizing laser scanner to improve productivity, and adopting artificial intelligence ("**AI**") for site safety. The Group partnered with a technology venture to develop an AI Lifting Safety Monitoring System which was approved under the HKCA Construction Safety Fund, aiming to enhance safety during lifting operations amid the increasing use of MiC, in line with the policy direction of adopting Smart Site Safety System.

While safety has always been our top priority, we also value the promotion of green practices as a material topic. We are committed to introduce energy-efficient initiatives and strive to achieve our waste and emissions mitigation targets. Our relentless efforts were being recognized by receiving the Hong Kong Green Organization certification. During the Year, we also launched a pilot green bottle campaign in our Sheung Shui site, encouraging workers participation to protect our environment together by recycling plastic bottles and reusing water bottles.

Property

The Group is involved in the property business through its interests in Great Glory Developments Limited (the "**JV Company**", which is owed as to 49% by the Company), which can achieve synergy with the Group's existing business in building construction. The flagship project under the JV Company, through its interest in World Partners Limited (the "**JV Subsidiary**") is to redevelop an industrial building in Tsuen Wan into a commercial property. Following completion of demolition works of the existing building and obtainment of town planning approval in 2022, the project has undergone further stages of design coordination with the first approval of general building plans obtained in April 2023.

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group increased from approximately HK$204.3 million for the Previous Year to approximately HK$259.1 million, representing an increase of approximately 26.8%. The increase was mainly attributable to the increase in revenue from the building construction services from approximately HK$87.0 million for the Previous Year to approximately HK$96.2 million for the Year, representing an increase of approximately 10.5%, and the increase in revenue from design and build services from approximately HK$22.4 million for the Previous Year to approximately HK$61.4 million for the Year, representing an increase of approximately 174.3%, and the increase in revenue from RMAA services from approximately HK$94.9 million for the Previous Year to approximately HK$101.6 million for the Year, representing an increase of approximately 7.0%. The significant increase in revenue from the design and build services was mainly due to revenue recognised for a new contract awarded during the Year.

Direct Costs

The Group's direct costs increased from approximately HK$164.5 million for the Previous Year to approximately HK$212.8 million for the Year, representing an increase of approximately 29.4% 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$46.3 million and HK$39.8 million for the Year and the Previous Year respectively, representing an increase of approximately 16.2%. The increase was mainly in line with the increase of revenue during the Year.

The overall gross profit margin decreased from approximately 19.5% for the Previous Year to approximately 17.9% for the Year.

Other Income and Other Losses

During the Year, the Group's other income mainly consists of bank interest income, loan interest income, rental income and government grants and increased by approximately HK$3.0 million from approximately HK$0.5 million for the Previous Year to approximately HK$3.5 million for the Year, representing an increase of approximately 553.1% which was mainly due to the subsidies of Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government and an increase in interest income from a loan (the "**Loan**") granted to an independent third party.

Details of the Loan were disclosed in the announcements of the Company dated 16 August 2022, 26 August 2022 and 15 December 2022 respectively. As at 31 March 2023, the Loan was fully repaid by the borrower.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$32.9 million and HK$34.5 million for the Year and the Previous Year respectively, representing a decrease of approximately 4.5%. Such decrease was primarily due to the decrease 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$2.6 million and HK$0.48 million respectively, representing an increase of approximately 445.3%. 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$2.1 million and HK$0.4 million, representing an increase of approximately 392.9%, as a result of the increase in taxable profit for the Year.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year increased by approximately HK$8.4 million from approximately HK$4.3 million for the Previous Year to approximately HK$12.7 million for the Year. Such increase was mainly due to (i) an increase in revenue and gross profit revenue from Building Construction, RMAA and design and build services as a result of the commencement of new projects during the Year; (ii) an increase in subsidies from the Employment Support Scheme received under the Anti-epidemic Fund set up by the Hong Kong Government; and (iii) an increase in interest income from the Loan.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position. As at 31 March 2023, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$68.0 million (2022: approximately HK$57.6 million) and the current ratio was approximately 0.91 (2022: approximately 0.78). As at 31 March 2023, bank borrowings of HK$60.0 million (2022: HK$15.0 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% (2022: 1.35% to 1.75%) per annum and denominated in Hong Kong dollars.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2023 was approximately 40.5% (2022: 15.5%). The gearing ratio is calculated as total borrowings and lease liabilities divided by total equity as at the end of the reporting period.

The increase in gearing ratio was due to increase in bank borrowings.

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 2023, the Group had pledged bank deposits of approximately HK$2.0 million (2022: approximately HK$1.0 million), where all properties with carrying amount of approximately HK$79.7 million (2022: approximately HK$82.3 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 2023, the Group did not have any material capital commitment. As at 31 March 2022, the outstanding commitment of the Group payable to third party suppliers regarding purchase of furniture and fixtures was HK$1,607,000.

Other Commitment

On 5 March 2021, in order to finance the land acquisition plan of the JV Company, the Group agreed to provide the additional capital contribution in the aggregate amount of HK$188,650,000 to the JV Company and such contributions shall be payable upon request of the JV Company from time to time. As at 31 March 2023, the outstanding commitment was HK$104,191,000 (2022: HK$107,235,000).

Human Resources Management

As at 31 March 2023, the Group had a total of 99 employees (2022: 69). The increase was mainly due to the award of five new contracts during the Year. 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. The total staff costs (including directors' remuneration) incurred for the Year were approximately HK$52.4 million (2022: HK$39.4 million). In addition, discretionary bonus is granted to eligible employees by reference to the Group's operating results and employees' individual performance. During the Year, the Group also sponsored staff to attend seminars and training courses for professional development.

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 on 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

As at 31 March 2023, the Company held a significant investment, with a value of over 5% of the Company's total assets as at 31 March 2023, in the JV Company. The Group's total investment in the JV Company is HK$188,650,000, and the amount provided up to 31 March 2023 was approximately HK$84,459,000. As at 31 March 2023, the Group owned 49 shares in the JV Company, representing 49% equity interests in the JV Company with a carrying amount of the Group's interests in the JV Company of approximately HK$85,552,000, representing approximately 25.1% of the total assets of the Company as at 31 March 2023. No market value was available for this investment as at 31 March 2023.

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

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

Save as disclosed above, there were no other significant investments held as at 31 March 2023.

During the Year, there were no material acquisitions nor disposals of subsidiaries, associates or joint ventures by the Group.

Future Plans for Materials Investments and Capital Assets

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

Performance Guarantees

As at 31 March 2023, performance guarantees of approximately HK$20.9 million (2022: HK$9.6 million) were issued by certain banks in favour of the Group’s customers as security for the observance of the Group’s obligations under various contracts entered into between the Group and its customers.

As at 31 March 2023, performance guarantee of approximately HK$0.9 million (2022: HK$0.9 million) 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 the JV Subsidiary on 1 April 2021.

The Directors considered the fair value of the financial guarantee is insignificant at the 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 2022 and 2023 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 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 minimising 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 unutilised credit facilities of the Group and the available cash resources as at 31 March 2023, 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 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 (the "**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 terms of reference as revised by the Board with effect from 24 January 2019. The primary duties of the Audit Committee are to, inter alia, review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's 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

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

CORPORATE GOVERNANCE

The Company's corporate governance code are based on the principles and code provisions of the Corporate Governance Code (the "**CG Code**") set out in Part 2 of Appendix 14 to the Listing Rules. The Company is committed to ensuring a quality board and transparency and accountability to shareholders. The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam Kin Wing Eddie ("**Mr. Lam**") serves as the Chairman of the Board and also acts as Chief Executive of the Company, which constitutes a deviation from the code provision C.2.1 of the CG Code.

The Board is of the view that 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 applied the principles and complied with all applicable code provisions in the CG Code during the Year, save for code provision C.2.1 of the CG Code.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the 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 to 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 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 announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the Year as approved by the Board on 26 June 2023. 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.

2023 ANNUAL GENERAL MEETING

The 2023 annual general meeting of the Company (the "**AGM**") will be held on 11 August 2023 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 shareholders' entitlement to attend and vote at the AGM to be held on Friday, 11 August 2023, the register of members of the Company will be closed from Tuesday, 8 August 2023 to Friday, 11 August 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 August 2023.

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, 26 June 2023

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.