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THELLOY DEVELOPMENT GROUP LIMITED

德萊建業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8122)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

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

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

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

HIGHLIGHTS

- The Group recorded total revenue for the year ended 31 March 2016 of approximately HK\$160.7 million, representing approximately 22.4% decline over 2015.
- The Group recorded an audited profit attributable to owners of the Company for the year ended 31 March 2016 of approximately HK\$2.9 million, representing a decrease of profit of approximately 83.9% as compared to 2015.
- The Board do not recommend the payment of final dividends for the year ended 31 March 2016.

AUDITED ANNUAL RESULTS

The directors of Thelloy Development Group Limited (the “Company” and the “Directors” respectively) are pleased to announce the audited results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2016 (the “Year”) together with the comparative audited figures for the year ended 31 March 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue	4	160,673	207,031
Direct cost		(129,098)	(176,953)
Gross profit		31,575	30,078
Other income		316	212
Other gains and losses		(24)	165
Administrative expenses		(14,066)	(8,940)
Listing expenses		(11,752)	—
Finance costs	5	(38)	(203)
Profit before taxation	6	6,011	21,312
Income tax expense	7	(3,151)	(3,516)
Profit and total comprehensive income for the year		2,860	17,796
Earnings per share	9		
Basic (HK cents)		0.40	2.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		<u>853</u>	<u>1,604</u>
Current assets			
Trade receivables	<i>10</i>	51,427	20,693
Other receivables, deposits and prepayments		20,137	12,430
Amounts due from customers for contract work		1,857	—
Tax recoverable		275	—
Amounts due from a related company		—	33,520
Pledged bank deposits		28,110	3,024
Bank balances and cash		<u>29,640</u>	<u>55,598</u>
		131,446	<u>125,265</u>
Current liabilities			
Trade payables	<i>11</i>	26,994	1,215
Other payables and accrued expenses		24,950	52,010
Amounts due to customers for contract work		6,248	10,660
Tax payable		—	6,646
Obligations under finance leases		<u>300</u>	<u>581</u>
		58,492	<u>71,112</u>
Net current assets		<u>72,954</u>	<u>54,153</u>
Total assets less current liabilities		<u>73,807</u>	<u>55,757</u>
Non-current liabilities			
Obligations under finance leases		<u>75</u>	<u>375</u>
Net assets		<u>73,732</u>	<u>55,382</u>
Capital and reserves			
Share capital	<i>12</i>	8,000	18,800
Retained Reserves		<u>65,732</u>	<u>36,582</u>
Total equity		<u>73,732</u>	<u>55,382</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2014	16,000	—	—	27,786	43,786
Profit and total comprehensive income for the year	—	—	—	17,796	17,796
Dividends paid (<i>note 8</i>)	—	—	—	(9,000)	(9,000)
Issue of shares	<u>2,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,800</u>
At 31 March 2015	<u>18,800</u>	<u>—</u>	<u>—</u>	<u>36,582</u>	<u>55,382</u>
Profit and total comprehensive income for the year	—	—	—	2,860	2,860
Dividends paid (<i>note 8</i>)	—	—	—	(35,000)	(35,000)
Effect of reorganisation (<i>note</i>)	(18,800)	—	18,800	—	—
Issue of shares	1,700	53,550	—	—	55,250
Capitalisation issue	6,300	(6,300)	—	—	—
Transaction costs directly attributable to issue of shares	<u>—</u>	<u>(4,760)</u>	<u>—</u>	<u>—</u>	<u>(4,760)</u>
As at 31 March 2016	<u><u>8,000</u></u>	<u><u>42,490</u></u>	<u><u>18,800</u></u>	<u><u>4,442</u></u>	<u><u>73,732</u></u>

Note: Other reserve represents the difference between the share capital of Techoy Construction (as defined in note 2) and that of the Company issued pursuant to a group reorganisation as stated in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 9 October 2015. The address of the Company’s registered office and the principal place of business are PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104 and 2/F, Centre 600, 82 King Lam Street, Lai Chi Kwok, Kowloon, Hong Kong, respectively.

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

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

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Before the completion of the reorganisation as mentioned below (the “Reorganisation”), Techoy Construction Company Limited (“Techoy Construction”) is wholly owned by Mr. Lam Kin Wing Eddie (“Mr. Lam”), the director and controlling shareholder of the Company.

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

1. On 28 May 2015, Cheers Mate Holding Limited (“Cheers Mate”) was incorporated in the British Virgin Islands (the “BVI”) as a limited liability company with an authorised share capital of 50,000 shares with no par value. At the time of incorporation, Cheers Mate was wholly-owned by Mr. Lam.
2. On 28 May 2015, the Company was incorporated as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each under the laws of the Cayman Islands. Upon incorporation of the Company, one share was allotted and issued at par to a nominee company, Mapcal Limited, as the initial subscriber, which was then be transferred to Cheers Mate.
3. On 28 May 2015, Techoy Holding Limited (“Techoy Holding”) was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares with no par value. On 11 June 2015, one share of Techoy Holding was allotted and issued to the Company.
4. On 22 September 2015, through a share swap agreement, Mr. Lam transferred all his shares in Techoy Construction to Techoy Holding in consideration of and exchange for (i) the allotment and issue of a total of 99 shares in Techoy Holding, credited as fully paid to the Company; (ii) the allotment and issue of 99 shares in the Company, credited as fully paid at par, to Cheers Mate; and (iii) the allotment and issue of 99 shares in Cheers Mate, credited as fully paid to Mr. Lam. As a result, Techoy Construction became a direct wholly-owned subsidiary of Techoy Holding.
5. On 22 September 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 shares.

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

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 March 2016 and 2015 and the consolidated statement of financial position as at 31 March 2015 are prepared as if the current group structure had been in existence since 1 April 2014.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Company has applied all new and revised HKFRSs issued by the HKICPA that are effective for the Company’s financial year beginning on 1 April 2015.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
Amendments to HKFRS 10, HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ³

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

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

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standard (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

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

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

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

The directors of the Company are in the process of assessing the impact of HKFRS 15 and consider that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group’s consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Except for above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the construction services provided by the Group to external customers. The Group's operations is solely derived from construction services in Hong Kong during the years ended 31 March 2016 and 2015. 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 set out in note. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's plant and equipment amounting to HK\$853,000 (2015: HK\$1,604,000) as at 31 March 2016 are all located in Hong Kong by physical location of assets.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	42,249	N/A
Customer B	35,500	N/A
Customer C	—*	42,529
Customer D	—*	105,616
Customer E	—*	29,690
	<u>38</u>	<u>203</u>

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

5. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The finance costs represent interest on:		
— bank borrowings wholly repayable within one year	—	150
— obligations under finance leases	38	53
	<u>38</u>	<u>203</u>

6. PROFIT BEFORE TAXATION

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>

Profit before taxation has been arrived at after charging (crediting):

Auditor's remuneration	600	200
Depreciation of plant and equipment	830	664
Operating lease rentals in respect of buildings	1,637	1,302
Directors' remuneration	6,197	3,216
Staff costs		
— salaries and allowances	13,217	18,589
— retirement benefits scheme contributions	557	694
Total staff costs	19,971	22,499
Loss (gain) on written-off/disposal of plant and equipment (included in other gains and losses)	24	(165)
Bank interest income	(286)	(92)

7. INCOME TAX EXPENSE

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>

Hong Kong Profits Tax:		
Current tax	(3,151)	(3,526)
Overprovision in prior years	—	10
	(3,151)	(3,516)

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

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>6,011</u>	<u>21,312</u>
Taxation at the domestic income tax rate of 16.5%	(992)	(3,516)
Tax effect of expense not deductible for the purpose	(2,159)	(18)
Tax effect of income not taxable for tax purpose	—	15
Utilisation of deductible temporary difference previously not recognised	—	(7)
Others	<u>—</u>	<u>10</u>
Income tax expense for the year	<u>(3,151)</u>	<u>(3,516)</u>

8. DIVIDENDS

During the years ended 31 March 2016 and 2015 prior to the Reorganisation, Techoy Construction declared and paid interim dividends of HK\$35,000,000 and HK\$9,000,000 respectively to Mr. Lam.

9. EARNINGS PER SHARE

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

Earnings

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>2,860</u>	<u>17,796</u>

Number of shares

	2016	2015
	<i>'000</i>	<i>'000</i>
Number of shares: Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	<u>711,284</u>	<u>630,000</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 12) had been effective on 1 April 2014.

No diluted earnings per share for both years was presented as there were no potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

10. TRADE RECEIVABLES

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

	2016	2015
	HK\$'000	HK\$'000
0–30 days	45,591	20,370
31–60 days	<u>5,836</u>	<u>323</u>
	<u>51,427</u>	<u>20,693</u>

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 88% (2015: 98%) of trade receivables as at 31 March 2016, that are neither past due nor impaired have no default of payment in the past.

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$5,836,000 (2015: HK\$323,000) which are past due at 31 March 2016, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 45 days (2015: 45 days) as at 31 March 2016.

11. TRADE PAYABLE

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

	2016	2015
	HK\$'000	HK\$'000
Trade payables:		
0–30 days	<u>26,994</u>	<u>1,215</u>

12. SHARE CAPITAL

The share capital as at 1 April 2014 and 31 March 2015 represented the share capital of Techoy Construction. During the year ended 31 March 2015, Techoy Construction increased its share capital by 2,800,000 shares at an aggregate subscription price of HK\$2,800,000.

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

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

Notes:

- (i) On 28 May 2015, the Company incorporated and registered as exempted company in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, 1 subscriber share was allotted and issued to Cheers Mate.
- (ii) On 22 September 2015, to effect the Reorganisation, 99 shares were allotted, issued, credited as fully paid to Cheers Mate.
- (iii) Pursuant to the written resolutions passed by the shareholders on 22 September 2015, the authorised share capital of the Company was increased from HK\$380,000 divided into 380,000,000 ordinary shares to HK\$20,000,000 divided into 2,000,000,000 ordinary shares by creation of additional 1,962,000,000 new ordinary shares which shall, when issued and paid, rank *pari passu* in all aspects with the existing issued ordinary shares.
- (iv) Pursuant to the written resolutions passed by the shareholders on 22 September 2015, a sum of HK\$6,300,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 629,999,900 new shares and for allotment and issue to Cheers Mate (the “Capitalisation Issue”).
- (v) On 9 October 2015, the Company placed 170,000,000 shares at HK\$0.325 per share for a total gross proceeds of HK\$55,250,000.

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

13. RELATED PARTY TRANSACTION

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Management fee received from Popstate Limited	<u>30</u>	<u>120</u>
Operating lease rentals to Popstate Limited	<u>1,302</u>	<u>1,302</u>

Details of the balance with a related company at the end of the reporting period are disclosed in the consolidated statement of financial position.

Compensation of key management personnel

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Short-term benefits	10,604	7,064
Post-employment benefits	<u>126</u>	<u>121</u>
	<u>10,730</u>	<u>7,185</u>

BUSINESS REVIEW AND OUTLOOK

The Group is an established main contractor in Hong Kong principally engaged in property construction services and focusing on providing (i) building construction services; and (ii) repair, maintenance, alternation and addition (“RMAA”) works services. The Group is responsible for the overall management and implementation of its projects. As a main contractor, the Group primarily focuses on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, coordination with the customers or their consultants and the quality control of the works carried by the sub-contractors.

As a main contractor, the Group normally secures its projects through a tendering process. The Group usually identifies Government projects through reviewing the tender invitations from various Government departments published on the Gazette. As for projects from non-Government customers, the Group is generally invited by the customers by way of invitation letters to submit a tender for a potential project. Nevertheless, the Directors believe that, in the future, it is possible that the Group may be invited by customers to simply provide quotations without going through tendering process for projects which are less complex in terms of the sub-contractors involved and the time, scale and resources required, such as RMAA projects.

The Group holds various construction related licenses and qualifications that enable it to bid for and carry out Government and quasi-Government contracts. The Group is listed on the Contractor List and the Specialist List maintained by the Works Branch Development Bureau of the Government (“WBDB”). The Contractor List and the Specialist List are lists of contractors approved by the WBDB who are eligible to tender for Government contracts. The Group is listed as a Group C (confirmed) contractor under the Contractor List maintained by the WBDB in the “Building” category. Group C (confirmed) contractors are the highest ranking contractors in the Contractor List in terms of tender limit, and are eligible to tender for public works contracts of any values exceeding HK\$185.0 million.

The Company’s shares (the “Shares”) were listed on the GEM of the Stock Exchange on the Listing Date by way of placing (“Placing”). 200,000,000 placing Shares (comprising 170,000,000 new Shares offered by the Company and 30,000,000 sale Shares offered by the selling shareholder) were placed at HK\$0.325 per Share pursuant to the Placing. The net proceeds from the Placing were approximately HK\$39.1 million after deduction of listing-related expenses.

The Directors consider that with the support of the Government’s housing policies in the recent years and the Government’s policies to stimulate urban renewal plans and to revitalize old industrial buildings, it will lead to a general increase in the demand for the Group’s services, resulting in more business opportunities being presented to and secured by the Group in the near future. Up to date of this announcement, the Group has been awarded 15 contracts with contract sum of approximately HK\$736 million and during the Year, the Group has recognised revenue of approximately HK\$137 million from the major projects which have commenced but not completed as at 31 March 2016.

Looking forward, the Group will continue to pursue the following key business strategies in order to deliver the business objectives: (i) further developing its building construction and RMAA business by making use of additional financial resources available from the Placing to undertake more projects, as the aggregate number and size of projects that the Group are able to undertake in the business hinges on the amount of its available working capital in view of the time lags that often exist between making payments to the subcontractors and receiving payments from the customers and the possible requirements for surety bonds; (ii) further strengthening its in-house team of engineering staff by recruiting additional qualified and experienced engineers/project managers and site agents in order to cope with its business development and by providing more training opportunities to its engineering staff; and (iii) investing in the building information modeling (“BIM”) software.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased from approximately HK\$207.0 million for the year ended 31 March 2015 to approximately HK\$160.7 million for the Year, representing a drop of approximately 22.4%. Such decrease was mainly due to the completion of certain substantial building construction projects in 2014.

Direct Cost

The Group's direct cost decreased from approximately HK\$177.0 million for the year ended 31 March 2015 to approximately HK\$129.1 million for the Year, representing a decrease of approximately 27.1%. Such decrease was mainly attributable to the completion of certain substantial construction projects in 2014.

Gross Profit

The Group's gross profit amounted to approximately HK\$31.6 million and HK\$30.1 million for the year ended 31 March 2016 and 2015 respectively, representing an increase of approximately 5.0%. Such increase was mainly attributable to the effective cost control measures adopted on final account settlement for a substantial project completed during the Year.

Other Income

The Group's other income amounted to approximately HK\$316,000 and HK\$212,000 for the year ended 31 March 2016 and 2015 respectively, representing an increase of approximately 49.1%, which was mainly due to the increase in bank interest income earned from the bank deposits during the Year.

Listing Expenses

During the Year, the Group recognised non-recurring listing expenses of approximately HK\$11.8 million (2015: Nil) as expenses in connection with the Listing.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$14.1 million and HK\$8.9 million for the years ended 31 March 2016 and 2015 respectively, representing an increase of approximately 58.4%. Such increase was primarily due to the increase in rental expenses, staff costs and professional fees due to business expansion during the Year.

Finance Costs

For the years ended 31 March 2016 and 2015, the Group's finance costs amounted to approximately HK\$38,000 and HK\$203,000 respectively, representing a decrease of approximately 81.3%. Such decrease was mainly due to the full repayment of bank borrowing in January 2015.

Income Tax Expenses

For the years ended 31 March 2016 and 2015, the Group's income tax expense amounted to approximately HK\$3.2 million and HK\$3.5 million respectively, representing a decrease of approximately 8.6%. The decrease was mainly due to the decrease in assessable profit, excluding the effect of tax non-deductible expenses, e.g. the listing expenses.

Profit and Total Comprehensive Income for the Year Attributable to Owners of the Company

The profit and total comprehensive income attributable to owners of the Company decreased from approximately HK\$17.8 million for the year ended 31 March 2015 to approximately HK\$2.9 million for the Year, representing a decrease of approximately HK\$14.9 million. Excluding the listing expenses of approximately HK\$11.8 million, the profit for the Year of the Group would have been approximately HK\$14.7 million and the decrease of profit would be approximately 17.4% compared to the corresponding year ended 31 March 2015.

Final Dividend

The Board did not recommend a payment of a final dividend for the Year (2015: Nil).

Special and Interim Dividends

Techoy Construction Company Limited, the Group's subsidiary, declared and settled special dividends of HK\$33.5 million and HK\$1.5 million in April and July 2015 respectively to Mr. Lam (2015: Nil).

During the year ended 31 March 2016, Techoy Construction declared and paid interim dividends of HK\$nil (2015: HK\$9 million) to Mr. Lam.

Liquidity and Financial Resources

The Group maintained a sound financial position during the Year. As at 31 March 2016, the Group had a bank balances and cash of approximately HK\$29.6 million (31 March 2015: approximately HK\$55.6 million). The total interest-bearing borrowings, including obligations under finance leases only, of the Group as at 31 March 2016 was approximately HK\$0.4 million (31 March 2015: approximately HK\$1.0 million), and the current ratio as at 31 March 2016 was approximately 2.2 (31 March 2015: approximately 1.8).

Gearing Ratio

The gearing ratio of the Group as at 31 March 2016 was approximately 0.5% (31 March 2015: approximately 1.7%), which remained low as the Group was not in need of any material debt financing during the Year. The gearing ratio is calculated as total borrowings divided by total equity as at the respective periods.

Treasury Policy

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

Pledge of Assets

As at 31 March 2016, the Group had pledged bank deposits of approximately HK\$28.1 million (31 March 2015: approximately HK\$3.0 million) to secure the banking facilities granted to the Group. Save for the above, the Group did not have any charges on its assets.

Capital Structure

The Shares of the Company were listed on the GEM on 9 October 2015. There has been no change in capital structure of the Company since 9 October 2015. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitment

As at 31 March 2016, the Group did not have any capital commitment.

Human Resources Management

As at 31 March 2016, the Group had a total of 57 employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

Foreign Currency Risk

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

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

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

CONTINGENT LIABILITIES

As at 31 March 2016, the Group had no material contingent liabilities.

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

Business strategies up to 31 March 2016 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 March 2016
Further developing the Group's building construction and RMAA business	To undertake more building construction and RMAA projects, in particular public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK\$14.2 million reserved for satisfying potential customers' requirement for surety bonds	The Group has used HK\$14.2 million to further develop the Group's business by undertaking more projects
Further strengthening the Group's manpower	To employ additional staff To sponsor the Group's staff to attend technical seminars and/or occupational health and safety courses organised by third parties	The Group has used HK\$0.4 million to recruit more experienced and high calibre staff and sponsored its staff to attend technical seminars and occupational health and safety courses organized by third parties during the Year
Investing in BIM software and provide required staff training	To purchasing the BIM software from third-party providers To arrange for training workshops or courses for the Group's staff members in relation to the BIM software organised by third party	The Group is sourcing the BIM software from third-party providers
Developing "design and build" services	Study the feasibility of setting up the "Design and Build" section Form the new "Design and Build" team from existing staff and recruit new staff (such as designers) where necessary	The Group is in the progress of setting up the "Design and Build" section and has used HK\$0.3 million in this regard
General working capital	To increase working capital in order to secure Government Contracts	The Group has used HK\$4.3 million for the general working capital requirements

USE OF PROCEEDS

The following table set forth the status of the use of proceeds from the placing subsequent to the listing of the Group and up to 31 March 2016:

	Planned use of proceeds as stated in the Prospectus up to 31 March 2016 <i>HK\$ million</i>	Actual use of proceeds up to 31 March 2016 <i>HK\$ million</i>
Further developing the Group's building construction and RMAA business	HK\$14.2	HK\$14.2
Further strengthening the Group's manpower	HK\$0.4	HK\$0.4
Investing in BIM software and provide required staff training	HK\$1.5	—
Developing "design and build" services	HK\$1.5	HK\$0.3
General working capital	HK\$4.3	HK\$4.3

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

SHARE OPTION SCHEME

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

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

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") on 22 September 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Corporate Governance Code. The duties of the Audit Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit Committee comprises the three INEDs, namely Mr. TSE Ting Kwan, who is the chairman of the Audit Committee, Mr. TANG Chi Wang and Mr. WONG Kwong On. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit

Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

SUBSEQUENT EVENT

The Group had no material event subsequent to 31 March 2016, 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") as set out in Appendix 15 of the GEM Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the code provision A.2.1.

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

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

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

Except for the Listing of the Shares on GEM on the Listing Date, the Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

DIRECTORS' SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

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

THE 2016 ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company will be held at 8/F Wheelock House, 20 Pedder Street, Central, Hong Kong on Tuesday, 26 July 2016 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 17 June 2016

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

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

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