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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: 1546)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

HIGHLIGHTS

- The Group recorded total revenue for the year ended 31 March 2019 of approximately HK\$835.2 million, representing a decrease of approximately 8.4% over 2018.
- Profit attributable to owners of the Company for the year ended 31 March 2019 was approximately HK\$37.5 million, representing a decrease of approximately 38.7% as compared to 2018.
- The Board recommended the payment of a final dividend of HK2.5 cents per share in respect of the year ended 31 March 2019, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

AUDITED ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Thelloy Development Group Limited (the “Company”) are pleased to announce the audited results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2019 (the “Year”) together with the comparative audited figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	835,175	911,517
Direct costs		<u>(746,817)</u>	<u>(808,344)</u>
Gross profit		88,358	103,173
Bank interest income		1,977	359
Impairment loss on financial assets and contract assets		(14,397)	–
Administrative expenses		(30,773)	(27,700)
Other expenses		–	(1,242)
Finance costs	4	<u>(242)</u>	<u>(67)</u>
Profit before taxation	5	44,923	74,523
Income tax expense	6	<u>(7,415)</u>	<u>(13,305)</u>
Profit and total comprehensive income for the year		<u>37,508</u>	<u>61,218</u>
Earnings per share	8		
Basic (<i>HK cents</i>)		<u>4.69</u>	<u>7.65</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		<u>563</u>	<u>907</u>
Current assets			
Trade receivables	<i>9</i>	52,347	74,128
Other receivables, deposits and prepayments		2,629	49,183
Amounts due from customers for contract work		–	14,853
Contract assets		13,500	–
Tax recoverable		8,107	–
Pledged bank deposits		6,146	26,044
Bank balances and cash		274,005	238,102
		<u>356,734</u>	<u>402,310</u>
Current liabilities			
Trade payables	<i>10</i>	115,439	67,891
Other payables and accrued expenses		69,502	64,678
Amounts due to customers for contract work		–	118,596
Contract liabilities		28,760	–
Tax payable		–	8,135
Bank borrowing		5,000	–
		<u>218,701</u>	<u>259,300</u>
Net current assets		<u>138,033</u>	<u>143,010</u>
Net assets		<u>138,596</u>	<u>143,917</u>
Capital and reserves			
Share capital	<i>11</i>	8,000	8,000
Reserves		130,596	135,917
Equity attributable to owners of the Company		<u>138,596</u>	<u>143,917</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	8,000	42,490	18,800	29,409	98,699
Profit and total comprehensive income for the year	–	–	–	61,218	61,218
Dividends paid (<i>note 7</i>)	–	–	–	(16,000)	(16,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	8,000	42,490	18,800	74,627	143,917
Adjustments	–	–	–	(12,829)	(12,829)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2018 (restated)	8,000	42,490	18,800	61,798	131,088
Profit and total comprehensive income for the year	–	–	–	37,508	37,508
Dividends paid (<i>note 7</i>)	–	–	–	(30,000)	(30,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	<u>8,000</u>	<u>42,490</u>	<u>18,800</u>	<u>69,306</u>	<u>138,596</u>

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”). 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 and the principal place of business are PO Box 309, Uglan House, Grand Cayman, Cayman Islands, KY1-1104 and 2/F, Centre 600, 82 King Lam Street, Lai Chi Kok, 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. BASIS FOR PREPARATION AND APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as disclosed below, the application of the new and 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.

HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18, HKAS 11 and the related interpretations.

The Group recognises revenue from property construction services which arise from contracts with customers.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	Carrying amount previously reported at 31 March 2018 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Remeasurement <i>HK\$'000</i>	Carrying amount under HKFRS 15 at 1 April 2018* <i>HK\$'000</i>
Current assets					
Trade receivables	(a)	74,128	(55,710)	–	18,418
Other receivables, deposits and prepayments	(b)	49,183	(39,812)	–	9,371
Amounts due from customers for contract work	(a)	14,853	(14,853)	–	–
Contract assets	(a), (b) & (c)	–	54,665	(15,763)	38,902
Current liabilities					
Other payables and accrued expenses	(a)	64,678	11,893	–	76,571
Amounts due to customers for contract work	(a)	118,596	(118,596)	–	–
Contract liabilities	(a) & (c)	–	50,993	(2,230)	48,763
Tax payable	(c)	8,135	–	(2,231)	5,904
Capital and reserves					
Reserves	(c)	135,917	–	(11,302)	124,615

* *The amounts in this column are before the adjustments from the application of HKFRS 9.*

Notes:

- (a) At 1 April 2018, HK\$55,710,000, HK\$14,853,000, HK\$11,893,000 and HK\$50,993,000 of amounts due from/to customers for contract work were reclassified to trade receivables, contract assets, other payables and accruals and contract liabilities, respectively.
- (b) At 1 April 2018, retention receivables of HK\$39,812,000 arising from the construction contracts are conditional on the satisfaction of the quality of construction work performed by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from other receivables, deposits and prepayments to contract assets.
- (c) In order to faithfully represent the depiction of the Group's performance in transferring control of good or services promised to its customer, the Group would adopt input method to measure its progress by reference to the actual costs incurred relative to the total expected costs upon initial application of HKFRS 15 on 1 April 2018. HK\$13,533,000 adjusted from opening retained earnings, with the corresponding adjustments of HK\$15,763,000 and HK\$2,230,000 to contract assets and contract liabilities, respectively. Tax payable also decreased by HK\$2,231,000 as a result of these adjustments.

The following tables summarise the impact of applying HKFRS 15 on the consolidated statement of financial position at 31 March 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	<i>Notes</i>	As reported <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	Amount without application of HKFRS 15 <i>HK\$'000</i>
Current assets				
Trade receivables	(a)	52,347	45,389	97,736
Other receivables, deposits and prepayments	(b)	2,629	24,975	27,604
Amounts due from customers for contract work	(a) & (c)	–	1,864	1,864
Contract assets	(a) & (b)	13,500	(13,500)	–
Tax recoverable	(c)	8,107	(1,639)	6,468
Current liabilities				
Amounts due to customers for contract work	(a) & (c)	–	77,343	77,343
Contract liabilities	(a) & (b)	28,760	(28,760)	–
Capital and reserves				
Reserves	(c)	<u>130,596</u>	<u>8,506</u>	<u>139,102</u>

Impact on the consolidated statement of profit or loss

				Amount without application of HKFRS 15
	Notes	As reported HK\$'000	Adjustment HK\$'000	HK\$'000
Revenue	(c)	835,175	(19,759)	815,416
Direct costs	(c)	(746,817)	16,371	(730,446)
Gross profit		88,358	(3,388)	84,970
Profit before taxation		44,923	(3,388)	41,535
Income tax expense	(c)	(7,415)	592	(6,823)
Profit and total comprehensive income for the year		<u>37,508</u>	<u>(2,796)</u>	<u>34,712</u>

Notes:

- (a) HK\$45,389,000, HK\$1,913,000 and HK\$42,148,000 were reclassified to trade receivables and amounts due from/to customers for contract work from contract assets and contract liabilities, respectively.
- (b) Retention receivables of HK\$24,975,000 was reclassified to other receivables, deposits and prepayments from contract assets and contract liabilities.
- (c) Under HKAS 11, the Group recognises revenue and costs from construction contracts by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue, which results in a reduction in revenue and costs by HK\$19,759,000 and HK\$16,371,000, respectively, with the corresponding adjustment of HK\$10,146,000 to amounts due from/to customers for contract work. Income tax expense also decreased by HK\$592,000.

HKFRS 9 “Financial Instruments”

In the current year, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and contract assets, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Trade receivables <i>HK\$'000</i>	Other receivables, deposits and prepayments <i>HK\$'000</i>	Contract assets <i>HK\$'000</i>	Deferred tax assets <i>HK\$'000</i>	Reserves <i>HK\$'000</i>
Closing balance as at 31 March 2018					
– HKAS 39	74,128	49,183	–	–	135,917
Effect arising from initial application of HKFRS 15	(55,710)	(39,812)	38,902	–	(11,302)
Effect arising from initial application of HKFRS 9 – impairment under ECL model	(574)	(226)	(1,029)	302	(1,527)
Opening balance as at 1 April 2018	<u>17,844</u>	<u>9,145</u>	<u>37,873</u>	<u>302</u>	<u>123,088</u>

Note: The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets, on an individual basis.

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and deposits, pledged bank deposits and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

At 1 April 2018, additional credit loss allowance of HK\$1,829,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective assets. Deferred tax assets also increased by HK\$302,000 as a result of the additional loss allowance charged.

Impact on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 <i>HK\$'000</i> (audited)	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 April 2018 <i>HK\$'000</i> (restated)
Non-current assets				
Deferred tax assets	–	–	302	302
Current assets				
Trade receivables	74,128	(55,710)	(574)	17,844
Other receivables, deposits and prepayments	49,183	(39,812)	(226)	9,145
Amounts due from customers for contract work	14,853	(14,853)	–	–
Contract assets	–	38,902	(1,029)	37,873
Current liabilities				
Other payables and accrued expenses	64,678	11,893	–	76,571
Amounts due to customers for contract work	118,596	(118,596)	–	–
Contract liabilities	–	48,763	–	48,763
Tax payable	8,135	(2,231)	–	5,904
Capital and reserves				
Reserves	<u>135,917</u>	<u>(11,302)</u>	<u>(1,527)</u>	<u>123,088</u>

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 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁵
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2021.

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

⁵ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3. REVENUE AND SEGMENT INFORMATION

Revenue

	2019
	<i>HK\$'000</i>
Recognised over time under HKFRS 15:	
Building construction	400,790
Repair, maintenance, alteration and addition works	429,373
Design and build	5,012
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Revenue from contracts with customers	835,175
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Government departments	756,192
Private customers	78,983
	<hr/>
	835,175
	<hr/> <hr/>

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 of the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered. The Group's plant and equipment amounting to HK\$563,000 (2018: HK\$907,000) as at 31 March 2019 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	753,983	441,505
Customer B	N/A*	189,074
Customer C	N/A*	97,406
	<u>753,983</u>	<u>728,000</u>

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

4. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on:		
Bank borrowings	242	60
Obligations under finance leases	—	7
	<u>242</u>	<u>67</u>

5. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,250	1,000
Depreciation of plant and equipment	250	450
Loss on disposal of plant and equipment	88	–
Operating lease rentals in respect of buildings	2,898	1,774
Directors' remuneration	14,545	8,136
Staff costs:		
Salaries and allowances	90,219	72,767
Retirement benefits schemes contributions	3,226	2,961
Total staff costs	<u>107,990</u>	<u>83,864</u>

6. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	(7,234)	(13,366)
Overprovision in prior years	<u>121</u>	<u>61</u>
	(7,113)	(13,305)
Deferred taxation	<u>(302)</u>	<u>–</u>
	<u>(7,415)</u>	<u>(13,305)</u>

7. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends recognised as distribution and paid during the year:		
Interim dividend – HK1.25 cents per ordinary share for 2019 (2018: HK2 cents for 2018)	10,000	16,000
Final dividend – HK2.5 cents per ordinary share for 2018 (2018: nil)	<u>20,000</u>	<u>–</u>
	<u><u>30,000</u></u>	<u><u>16,000</u></u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2019 of HK2.5 cents (2018: final dividend in respect of the year ended 31 March 2018 of HK2.5 cents) per ordinary share, in an aggregate amount of HK\$20,000,000 (2018: HK\$20,000,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

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

Earnings

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u><u>37,508</u></u>	<u><u>61,218</u></u>

Number of shares

	2019 <i>'000</i>	2018 <i>'000</i>
Number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>800,000</u></u>	<u><u>800,000</u></u>

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

9. TRADE RECEIVABLES

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 is presented based on the invoice dates at the end of the reporting period.

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	52,347	68,745
91 to 360 days	–	2,077
Over 360 days	–	3,306
	<u>52,347</u>	<u>74,128</u>

10. TRADE PAYABLES

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	73,496	67,891
31 to 60 days	41,925	–
61 to 90 days	18	–
	<u>115,439</u>	<u>67,891</u>

11. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 31 March 2019	<u>800,000,000</u>	<u>8,000</u>

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

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

13. PERFORMANCE GUARANTEE

At 31 March 2019, performance guarantee of approximately HK\$7,423,000 (2018: HK\$34,632,000) are given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers for construction work. The Group has contingent liabilities to indemnify the banks or insurance company for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee are secured by the project proceeds and will be released upon completion of the contract work.

The Directors do not consider it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the year ended 31 March 2019 (the “Year”), the Group continued to focus on its core contract works business, which includes (i) building construction, (ii) repair, maintenance, alteration and addition (“RMAA”) works services and (iii) design and build services. Leveraging on the Group’s registered general building contractor license and certain crucial qualifications including but not limited to (i) Group C (confirmed) Approved Contractor for Public Works – Building Category; (ii) Approved Suppliers of Materials and Specialist Contractors for Public Works – Repair and Restoration of Historic Building Category (for “Western Style Buildings only”); (iii) Housing Authority List of Building Contractor – Building (New Works) Category; and (iv) Housing Authority List of Building Contractors – Maintenance Works Category. The Group continuously awarded a new project for the design, supply and construction of a minimum of 89 social housing units utilising the modular integrated construction method.

The Group will keep focusing on its existing business and looking for appropriate projects that cope with the overall strategy of the Group. The Group will strengthen its market position in the industry and increase its market shares by 1) further developing the private customers; 2) strengthening the Group’s manpower in order to cater the growing demand for the businesses of the Group; and 3) targeting design and build projects with smaller contract sum in the near future.

Leveraged on the Group’s expertise in building construction, the Group has been actively looking for opportunities to partner up with property investors and developers to work on real estate development projects. The move not only acts as one of the means for the Group to further develop its private customers segment in the construction market, but also opens up a channel for the Group to diversify its business.

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group decreased from approximately HK\$911.5 million to approximately HK\$835.2 million as compared to the year ended 31 March 2018 (the “Previous Year”), which is driven by both decrease in revenue from the RMAA services and design and build services. Revenue from building construction services for the Year increased from approximately HK\$224.8 million to approximately HK\$400.8 million. However, the revenue from RMAA services, during the Year, decreased from approximately HK\$589.2 million to approximately HK\$429.4 million and the design and build services decreased from approximately HK\$97.5 million to HK\$5.0 million during the Year.

Direct Costs

The Group’s direct costs decreased from approximately HK\$808.3 million for the year ended 31 March 2018 to approximately HK\$746.8 million for the Year, representing an decrease of approximately 7.6%. Such decrease was in line with the decrease of revenue during the Year.

Gross Profit and Gross Profit Margin

The Group’s gross profit amounted to approximately HK\$88.4 million and HK\$103.2 million for the years ended 31 March 2019 and 2018 respectively, representing a decrease of approximately 14.4%. The decrease was mainly attributable to the decrease in revenue and the number of projects undertaken by the Group during the Year as compared to the Previous Year.

The overall gross profit margin remained stable at approximately 11.3% for the Previous Year to 10.6% for the year ended 31 March 2019.

Bank Interest Income

The Group’s bank interest income amounted to approximately HK\$1,977,000 and HK\$359,000 for the years ended 31 March 2019 and 2018 respectively, which was mainly due to the increase in bank deposits and interest rate during the Year.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$30.8 million and HK\$27.7 million for the years ended 31 March 2019 and 2018 respectively, representing an increase of approximately 11.1%. Such increase was primarily due to the increase in staff costs to support business growth.

Other Expenses

Other expenses in 2018 represented the professional fee incurred for the Transfer of Listing in 2018.

Finance Costs

For the years ended 31 March 2019 and 2018, the Group's finance costs amounted to approximately HK\$242,000 and HK\$67,000 respectively. The increase in finance costs was mainly due to the increase in bank borrowings during the Year.

Income Tax Expense

For the years ended 31 March 2019 and 2018, the Group's income tax expense amounted to approximately HK\$7.4 million and HK\$13.3 million, represented a decrease of approximately 44.3%, as a result of the decrease in taxable profit and the introduction of the two-tiered profits tax rates regime in Hong Kong for the Year.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year decreased by approximately HK\$23.7 million from approximately HK\$61.2 million for the year ended 31 March 2018 to approximately HK\$37.5 million for the Year. Such decrease was mainly due to the impairment loss recognised on financial assets and contract assets during the Year.

Dividends

The Board recommends the payment of a final dividend of HK2.5 cents per share in respect of the Year to the Shareholders (2018: HK2.5 cents). The proposed final dividend will be payable on 17 September 2019, following the approval of the Shareholders at the annual general meeting of the Company to be held on 15 August 2019 (the “AGM”), to the Shareholders whose names appear on the register of members of the Company on 27 August 2019, being the record date for determining Shareholder’s entitlement to the proposed final dividend.

Together with the interim dividend of HK1.25 cents per share paid during the Year, the full year dividend amounts to HK3.75 cents (2018 full year: HK4.5 cents).

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 15 August 2019, the register of members of the Company will be closed from Monday, 12 August 2019 to Thursday, 15 August 2019, 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (as from 11 July 2019, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong) for registration not later than 4:30 p.m. on Friday, 9 August 2019.

For the purpose of ascertaining Shareholders’ entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 22 August 2019 to Tuesday, 27 August 2019, both days inclusive. No transfer of shares of the Company will be registered during the period. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (as from 11 July 2019, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong) not later than 4:30 p.m. on Wednesday, 21 August 2019.

Liquidity and Financial Resources

The Group maintained a sound financial position. As at 31 March 2019, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$280.2 million (2018: approximately HK\$264.1 million) and the current ratio was approximately 1.6 (2018: approximately 1.6). As at 31 March 2019, bank borrowings of HK\$5 million was unsecured, repayable within one year, bore floating interest rate and denominated in Hong Kong dollars (2018: no borrowings).

Gearing Ratio

The gearing ratio of the Group as at 31 March 2019 was approximately 3.6% (2018: Not applicable) 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 year ended.

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 2019, the Group had pledged bank deposits of approximately HK\$6.1 million (2018: approximately HK\$26.0 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

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 2019, the Group had no material capital commitment (2018: Nil).

Human Resources Management

As at 31 March 2019, the Group had a total of 223 employees (2018: 224). 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. 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 Guarantee

As at 31 March 2019, performance guarantees of approximately HK\$7.4 million (2018: HK\$34.6 million) were issued by certain banks to the Group's customers on behalf of the Group and approximately HK\$1.9 million (31 March 2018: HK\$7.2 million) of these guarantees were secured by pledged bank deposits of the Group. Save as disclosed, the Group had no other material contingent liabilities at the end of the reporting period (2018: Nil).

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 will remain 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 (the "Transfer of Listing") and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board 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 the 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 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 Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "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 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 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 THE COMPANY'S LISTED SECURITIES

The Company 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 in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at 1/F., 180-182 Hennessy Road, Wanchai, Hong Kong on Thursday, 15 August 2019 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.

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.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "Branch Share Registrar"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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

Hong Kong, 24 June 2019

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.