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 2024

HIGHLIGHTS

- The Group recorded total revenue for the Year of approximately HK$258.0 million, representing a slight decrease of approximately 0.4% as compared to the Previous Year.

- Profit attributable to owners of the Company for the Year was approximately HK$8.3 million, representing a decrease of approximately 34.6% as compared to the Previous Year.

- The Board does not recommend the payment of a final dividend for the Year.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Thelloy Development Group Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2024 (the "**Year**") together with the comparative audited figures for the year ended 31 March 2023 (the "**Previous Year**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	NOTES	**2024**	2023
		HK$'000	*HK$'000*
Revenue	*3*	**257,992**	259,138
Direct costs		**(227,763)**	(212,827)
Gross profit		**30,229**	46,311
Other income and other losses	*4*	**1,532**	3,455
Impairment losses reversed under expected credit loss model, net	*5*	**142**	637
Administrative expenses		**(34,977)**	(32,939)
Share of profits (losses) of joint ventures		**16,375**	(123)
Finance costs	*6*	**(4,510)**	(2,601)
Profit before tax	*7*	**8,791**	14,740
Income tax expense	*8*	**(512)**	(2,080)
Profit and total comprehensive income for the year		**8,279**	12,660
Earnings per share	*10*		
Basic (HK cents)		**1.03**	1.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	NOTES	**2024** **HK$'000**	2023 HK$'000
Non-current assets			
Property, plant and equipment		**94,571**	88,032
Right-of-use assets		**2,890**	5,373
Interests in joint ventures		**119,793**	85,552
Rental deposits		**548**	522
		217,802	179,479
Current assets			
Trade and other receivables	*11*	**33,200**	61,381
Contract assets		**57,183**	28,624
Amount due from joint ventures		**9,012**	3,776
Tax recoverable		**1,564**	–
Pledged bank deposits		**2,025**	1,979
Cash and cash equivalents		**32,066**	66,028
		135,050	161,788
Current liabilities			
Trade and other payables	*12*	**104,105**	99,207
Contract liabilities		**3,054**	13,776
Lease liabilities		**2,185**	2,847
Tax payable		**–**	1,494
Deferred income		**421**	–
Bank borrowings		**71,000**	60,000
		180,765	177,324
Net current liabilities		**(45,715)**	(15,536)

	NOTES	2024 HK$'000	2023 HK$'000
Total assets less current liabilities		**172,087**	163,943
Non-current liabilities			
Lease liabilities		**635**	2,544
Deferred tax liabilities		**512**	–
Deferred income		**1,262**	–
		2,409	2,544
Net assets		**169,678**	161,399
Capital and reserves			
Share capital	*13*	**8,000**	8,000
Reserves		**161,678**	153,399
Equity attributable to owners of the Company		**169,678**	161,399

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2024

	Share capital	**Share premium**	**Other reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*
At 1 April 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
Profit and total comprehensive income for the year	–	–	–	8,279	8,279
At 31 March 2024	8,000	42,490	18,800	100,388	169,678

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

1. GENERAL

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

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

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

As at 31 March 2024, the Group has net current liabilities of HK$45,715,000. The directors of the Company 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$282,899,000 as at 31 March 2024, which can be utilised if necessary subsequent to the reporting period, the directors of the Company 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies in the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

All subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

This change in accounting policy in the current year had no material impact on the consolidated financial statements and the opening balance of equity as at 1 April 2022 and the cash flows amounts for the year ended 31 March 2022.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other 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 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. REVENUE

Disaggregation of revenue

	2024	2023
	HK$'000	*HK$'000*
Recognised over time under HKFRS 15:		
Building construction	**188,855**	96,170
Repair, maintenance, alteration and addition ("**RMAA**") works	**43,945**	101,580
Design and build	**25,192**	61,388
Revenue from contracts with customers	**257,992**	259,138
Type of customers		
Government departments	**164,640**	84,970
Private customers	**93,352**	174,168
	257,992	259,138

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:

	2024	2023
	HK$'000	*HK$'000*
Within one year	**470,190**	311,363
More than one year but not more than two years	**497,372**	437,495
More than two years	**192,682**	464,411
	1,160,244	1,213,269

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, 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 and rental deposits) amounting to HK$97,461,000 (2023: HK$93,405,000) as at 31 March 2024 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:

	2024	2023
	HK$'000	*HK$'000*
Customer A	**106,902**	64,834
Customer B	**63,388**	79,991
Customer C	**35,709**	N/A#
Customer D	**N/A#**	51,674
Customer E	**N/A#**	28,773

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

4. OTHER INCOME AND OTHER LOSSES

	2024	2023
	HK$'000	*HK$'000*
Other income:		
– Bank interest income	**107**	35
– Loan interest income	**–**	1,041
– Rental income	**994**	693
– Government grants *(note)*	**431**	1,802
	1,532	3,571
Other losses:		
– Loss on disposal of property, plant and equipment	**–**	(116)
	1,532	3,455

Note: For the year ended 31 March 2024, government grants include subsidies from Construction Innovation and Technology Fund (CITF) of HK$431,000 (2023: HK$107,000) for adoption of innovative constructive methods and new technology. For the year ended 31 March 2023, the government grants also included COVID-19-related subsidies of HK$1,695,000 under Employment Support Scheme provided by the Hong Kong Government.

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

	2024	2023
	HK$'000	*HK$'000*
Impairment losses (reversed) recognised on:		
– trade receivables	**2**	36
– contract assets	**(144)**	(661)
– amount due from joint ventures	**–**	(12)
	(142)	(637)

6. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**4,435**	2,470
Lease liabilities	**75**	131
	4,510	2,601

7. PROFIT BEFORE TAX

	2024	2023
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Direct costs *(note)*:		
Raw materials and consumables used	**40,863**	37,958
Subcontractor and other expenses	**147,420**	140,307
	188,283	178,265
Auditor's remuneration	**1,100**	1,150
Depreciation of property, plant and equipment	**4,857**	4,258
Depreciation of right-of-use assets	**2,784**	3,599
Directors' remuneration	**6,650**	6,768
Staff costs:		
Salaries and allowances	**50,171**	44,273
Contributions to retirement benefits schemes	**1,526**	1,405
Total staff costs	**58,347**	52,446

Note: Direct costs includes of approximately HK$39,480,000 (2023: HK$34,562,000) relating to staff costs, which is also included in the staff costs separately disclosed above.

8. INCOME TAX EXPENSE

	2024	2023
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	2,080
Deferred tax:		
Charge for the year	**512**	–
	512	2,080

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 ended 31 March 2024 and 2023, 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

	2024	2023
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company	**8,279**	12,660

Number of shares

	2024	2023
	'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

	2024	2023
	HK$'000	*HK$'000*
Trade receivables	**30,948**	56,020
Less: Allowance for credit losses	**(88)**	(86)
	30,860	55,934
Rental deposits	**1,118**	1,087
Other deposits	**1,011**	2,637
Other receivables	**–**	15
Prepayments	**759**	2,230
	33,748	61,903
Less: Rental deposits (classified as non-current assets) *(note i)*	**(548)**	(522)
	33,200	61,381

Note:

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

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.

	2024	2023
	HK$'000	*HK$'000*
0-30 days	**30,860**	55,934

As at 31 March 2024 and 2023, there are no trade receivables balance which are past due.

12. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**65,649**	75,197
Other payables	**5,244**	–
Accrued charges	**7,221**	4,832
Retention payables *(note i)*	**18,004**	18,636
Deposits received from suppliers	**79**	79
Deposits received for rental	**1,002**	463
Deposits received from customer *(note ii)*	**6,906**	–
	104,105	99,207

Notes:

(i) 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 year from the date of practical completion of the respective contraction contracts.

(ii) Deposits received from customer represented the advance payment received from HKSAR government on the ongoing construction contract, which will be repaid in six months.

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:

	2024	2023
	HK$'000	*HK$'000*
0-30 days	**52,867**	65,932
31-60 days	**11,582**	9,265
61-90 days	**1,200**	–
	65,649	75,197

13. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2022, 31 March 2023 and 31 March 2024	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2022, 31 March 2023 and 31 March 2024	800,000,000	8,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Construction

The Hong Kong economy recorded a moderate growth during the Year, with inbound tourism and private consumption growing under the government's latest initiative to promote a mega event economy. Real Gross Domestic Product (GDP) rose by 2.7% year-on-year in Q1 2024, lending support to a resilient labour market and boosting fixed asset investment. Under the backdrop of a stably recovering economy, the government continues to push forward infrastructure initiatives, increasing public housing supply to meet a target of 308,000 units over the next ten years. The Northern Metropolis and its associated infrastructure projects will be a new engine for Hong Kong's growth over the next 20 years, which will continue to provide boost to the construction activities. Expenditure on building and construction has therefore remained strong, noting a 4.9% increase in 2023.

The Group's strategy is to optimize business opportunities through expanding our core business in public work projects and developing our expertise in sustainable construction amid the transition towards a low carbon economy. Riding on the construction boom and leveraging on the Group's competency, our order book is strengthened by the addition of a major new contract, amounting to approximately HK$518 million, for the construction of Quarry Park at Anderson Road Quarry. During the Year, we have also successfully completed and delivered a number of projects, including the Modular Integrated Construction ("**MiC**") transitional housing project in Cheung Sha Wan and the Alteration and Addition works for North Point Study Centre of the Education University of Hong Kong. Our design and build expertise and adherence to project excellence have led us to many project success and commendations, with our first MiC transitional housing Nam Cheong 220, being named as finalist of the Green Building Award 2023, following the recognition of Merit Award by the Quality Building Award in April 2023.

To embrace the transformation into "Construction 2.0" and to develop our capabilities in greener and safer construction, the Group has continued efforts in developing its capabilities in MiC design-and-build, expanding application of building information modeling (BIM) technology, utilizing laser scanner to improve productivity, and adopting artificial intelligence for site safety. Taking safety as an integral part of our company culture, we have applied innovative technologies to implement the Smart Site Safety System in our new projects. We are also 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 Quality Assurance Agency – Green and Sustainability Contribution Awards, for completing multiple pioneering MiC projects and for promoting safe and ecofriendly construction. We have also recently obtained green financing for our Anderson Quarry Park project.

In the near term, it is expected that geopolitical tensions and a longer period of tight financial conditions in the external environment will affect local economic confidence and activities. In the construction market, there are also a number of challenges impacting construction management, such as labour shortage, aging workforce, rising construction costs, and increasingly stringent regulatory regime on sustainability and safety. Nonetheless, we remain cautiously optimistic in turning these challenges into opportunities. The government introduced the Labour Importation Scheme in 2023, though it might not be directly beneficial to the Group, we welcome the initiative to alleviate the labour shortage problem and to increase construction productivity. Meanwhile, we also remain focused in recruiting and nurturing young talents to develop their expertise in the industry. We will (i) actively adopt innovative technologies to modernize construction procedures, (ii) utilize prefabrication and design for manufacture and assembly (DfMA) approaches to speed up construction time, and (iii) diversify our area of expertise by identifying suitable suppliers to form strategic partnerships. These said strategies and measures will strengthen our capabilities in sustainable construction and enable us to capture opportunities in the coming golden era of the construction industry.

Property

The Group is also involved in the property business through its interests in Great Glory Developments Limited (the "**Great Glory**", which is owed as to 49% by the Group), which can achieve synergy with the Group's existing business in building construction. The flagship project under Great Glory, through its 70% shareholding interest in World Partners Limited ("**World Partners**") is to redevelop an industrial building in Tsuen Wan into a commercial property, which will undergo excavation and lateral support (ELS) and foundation works for the coming years. Great Glory also has interests in various land lots in Yuen Long, where added value was created by obtaining planning approval for senior living development in September 2023.

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group slightly decreased from approximately HK$259.1 million for the Previous Year to approximately HK$258.0 million, representing a decrease of approximately 0.4%. The decrease was mainly attributable to the combined effect of (i) the increase in revenue from the building construction services from approximately HK$96.2 million for the Previous Year to approximately HK$188.9 million for the Year, representing an increase of approximately 96.4%; (ii) a decrease in revenue from design and build services from approximately HK$61.4 million for the Previous Year to approximately HK$25.2 million for the Year, representing a decrease of approximately 59.0%; and (iii) a decrease in revenue from RMAA services from approximately HK$101.6 million for the Previous Year to approximately HK$43.9 million for the Year, representing a decrease of approximately 56.7%. The significant increase in revenue from building construction was mainly due to a project nearly completed during the Year while the drop in revenue from design and build services and RMMA services are due to the completion of several projects on hand during the Year.

Direct Costs

The Group's direct costs increased from approximately HK$212.8 million for the Previous Year to approximately HK$227.8 million for the Year, representing an increase of approximately 7.0% as compared to the Previous Year. Such increase was primarily due to the increase in raw materials, subcontractor and direct staff costs during the Year.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately HK$30.2 million and HK$46.3 million for the Year and the Previous Year respectively, representing a decrease of approximately 34.7%. The decrease was mainly the increase in direct costs as discussed above.

The overall gross profit margin decreased from approximately 17.9% for the Previous Year to approximately 11.7% for the Year. Such drop is mainly attributable to the commencement of a new project with lower profit margin.

Other Income and Other Losses

During the Year, the Group's other income mainly represented bank interest income, rental income and government grants and decreased by approximately HK$2.0 million from approximately HK$3.5 million for the Previous Year to approximately HK$1.5 million for the Year, representing a decrease of approximately 55.7% which was mainly attributable to a decrease in the subsidies of Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government and no loan interest income was recognised after the full repayment of loan during the Previous Year.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$35.0 million and HK$32.9 million for the Year and the Previous Year respectively, representing an increase of approximately 6.2%. Such increase was primarily due to the increase in staff costs during the Year.

Finance Costs

For the Year and the Previous Year, the Group's finance costs amounted to approximately HK$4.5 million and HK$2.6 million respectively, representing an increase of approximately 73.4%. The increase in finance costs was mainly due to the rise in interest rate on bank borrowings during the Year.

Income Tax Expense

For the Year and the Previous Year, the Group's income tax expense amounted to approximately HK$0.5 million and HK$2.1 million, representing a decrease of approximately 75.4%, as a result of the decrease in taxable profit for the Year.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year decreased by approximately HK$4.4 million from approximately HK$12.7 million for the Previous Year to approximately HK$8.3 million for the Year. Such decrease was mainly due to (i) an increase in direct costs and finance costs; and (ii) a decrease in subsidies from the Employment Support Scheme received under the Anti-epidemic Fund set up by the Hong Kong Government.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2023: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position. As at 31 March 2024, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$34.1 million (2023: approximately HK$68.0 million) and the current ratio was approximately 0.75 (2023: approximately 0.91). As at 31 March 2024, bank borrowings of HK$71.0 million (2023: HK$60.0 million) were 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 2.5% (2023: 1.35% to 1.75%) with an effective rate of 6.39% (2023: 4.66%) per annum and denominated in Hong Kong dollars.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2024 was approximately 43.5% (2023: 40.5%). 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 2024, the Group had pledged bank deposits of approximately HK$2.0 million (2023: approximately HK$2.0 million), where all properties with carrying amount of approximately HK$83.0 million (2023: approximately HK$79.7 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.

Other Commitment

On 5 March 2021, in order to finance the land acquisition plan of Great Glory, the Group agreed to provide the additional capital contribution in the aggregate amount of HK$188,650,000 to Great Glory and such contributions shall be payable upon request of the Great Glory from time to time. As at 31 March 2024, the outstanding commitment was HK$86,325,000 (2023: HK$104,191,000).

Human Resources Management

As at 31 March 2024, the Group had a total of 133 employees (2023: 99). The increase was mainly due to the award of one new contract 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$58.3 million (2023: HK$52.4 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 2024, the Company held a significant investment, with a value of over 5% of the Company's total assets as at 31 March 2024, in Great Glory. The Group's total investment in Great Glory is HK$188,650,000, and the amount provided up to 31 March 2024 was approximately HK$102,325,000. As at 31 March 2024, the Group owned 49 shares in Great Glory, representing 49% equity interests in Great Glory with a carrying amount of the Group's interests in Great Glory of approximately HK$119,793,000, representing approximately 33.9% of the total assets of the Company as at 31 March 2024. No market value was available for this investment as at 31 March 2024.

Great Glory 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" above for further details of the progress of the property project under Great Glory. The Board considers that the investments in Great Glory 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 2024.

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 2024, performance guarantees of approximately HK$14.1 million (2023: HK$20.9 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 2024, a performance guarantee of approximately HK$0.9 million (2023: 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 guarantees at the end of the reporting period.

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 INEDs, namely Mr. Tse Ting Kwan, who is the chairman of the Audit Committee, Mr. Tang Chi Wang and Mr. Wong Kwong On. The 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 C1 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 and also acts as the Chief Executive, 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 seven Directors and four of them are Independent Non-Executive Directors ("**INED(s)**") who are qualified professionals and/or experienced individuals. As all major decisions of the Board 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 four INEDs 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.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the INEDs without material interest in that transaction. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

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 C3 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 MESSRS 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 consolidated financial statements of the Group for the Year as approved by the Board on 26 June 2024. 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.

2024 ANNUAL GENERAL MEETING

The 2024 annual general meeting of the Company (the "**AGM**") will be held on 23 August 2024 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, 23 August 2024, the register of members of the Company will be closed from Tuesday, 20 August 2024 to Friday, 23 August 2024, 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, 19 August 2024.

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 upon request and will be available for viewing 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 2024

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 four independent non-executive Directors namely Mr. Tang Chi Wang, Mr. Tse Ting Kwan, Mr. Wong Kwong On and Ms. Yeung Cheuk Chi Vivian.