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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)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GRANDWAY INC. DEVELOPMENT LIMITED

Financial Adviser to the Company



僑匯國際金融有限公司
Jun Hui International Finance Limited

THE ACQUISITION

The Board wishes to announce that on 20 September 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Provisional Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Share and the Sale Loan at the Consideration of HK\$90,629,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Acquisition exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Written approval of the Acquisition will be obtained from Cheers Mate Holding Limited, being the controlling Shareholder holding 580,000,000 shares of the Company (representing approximately 72.50% of the issued share capital of the Company) as at the date of this announcement, and such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. As such, the Company is not required to convene an extraordinary general meeting for approving the Acquisition.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Acquisition shall be despatched to the Shareholders on or before 15 October 2019. If additional time is required for preparing the financial information of the Target and the valuation report of the Property, the Company may apply for a waiver from strict compliance of Rule 14.41(a) of the Listing Rules.

Completion is subject to the fulfilment or waiver of various conditions precedent and therefore the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

On 20 September 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Provisional Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Share and the Sale Loan at the Consideration of HK\$90,629,000.

THE PROVISIONAL AGREEMENT

The principal terms of the Provisional Agreement are summarised as follows:

Date

20 September 2019

Parties

(i) The Purchaser

(ii) The Vendor

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target, and the Sale Loan, with all the benefits thereof together with all rights attached thereto free from all encumbrances and third party rights.

As at the date of this announcement, the Target is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the Property situated at The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong.

Consideration

The Consideration for the sale and purchase of the Sale Share and the Sale Loan shall be HK\$90,629,000, and shall be paid in cash by the Purchaser to the Vendor in the following manner:

- (i) an initial deposit of HK\$4,531,450 shall be paid upon signing of the Provisional Agreement;
- (ii) a further deposit of HK\$4,531,450 shall be paid on or before 18 October 2019; and
- (iii) the remaining balance of the Consideration in the amount of HK\$81,566,100 shall be paid upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the market price of comparable properties in nearby locations. A valuation report of the Property will be prepared by an independent property valuer and will be included in the circular.

The Consideration will be financed by internal resources of the Group.

Conditions precedent

Completion shall be subject to and conditional upon the fulfilment of the following:

- (i) the Purchaser having completed its due diligence investigation on the business, financial, legal and all other aspects of the Target and reasonably satisfied with the results thereof;
- (ii) the Vendor, shall at the Vendor's own cost, procure the Target to prove and give a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong);

- (iii) the Formal Agreement incorporating terms and conditions set out in the Provisional Agreement and the customary terms, conditions, warranties, representations, promises and indemnities adopted in transactions similar to the one contemplated in the Provisional Agreement based on the terms and conditions set out in the Provisional Agreement as to be mutually agreed by the parties, has been duly signed by the parties or is ready to be signed by the parties;
- (iv) there is no adverse change in the physical condition of the Property; and
- (v) all the representations, undertakings and warranties given by the Vendor under the Provisional Agreement and the Formal Agreement are and shall remain true, accurate, correct and complete and not misleading in all respects up to Completion.

If any of the foregoing conditions is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Provisional Agreement whereupon the Vendor shall return all the deposit paid to the Purchaser forthwith. Neither party shall have any claim against each other. The Vendor and the Purchaser shall negotiate in good faith and use all their reasonable endeavours to enter into the Formal Agreement on or before 18 October 2019.

As at the date of this announcement, none of the conditions precedent have been fulfilled.

Completion

Subject to satisfaction of the conditions precedent to the Provisional Agreement, Completion shall take place on or before the Completion Date.

INFORMATION OF THE TARGET AND THE PROPERTY

The Target is a company incorporated in Hong Kong with limited liability on 18 March 2017, and its principal business activity is property investment. The Vendor is the legal and beneficial owner of the entire issued share capital of the Target. As at the date of this announcement, the Target is a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the Property situated at The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong.

The Property is situated in the Cheung Sha Wan district in Kowloon. It comprises six units in a commercial building at The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong with a total gross floor area of approximately 7,490 sq. ft., five of which are currently leased to four tenants who are all Independent Third Parties, with the lease terms to be ended in 2020 or 2021 (as the case may be), while the remaining one unit is vacant. The Company has no intention to lease out or renew the existing tenancies upon the end of the respective lease terms after the Acquisition, and the Company intends to acquire the Property for office use. Based on the unaudited management accounts of the Target, its net liability as at 31 March 2019 was approximately HK\$5,304,000. The Vendor shall procure repayment of all amounts owing by the Target under the existing mortgage (if any) on or before the Completion Date.

Save and except the aforementioned tenancies, the Target has not carried on any business since its incorporation. Set out below are certain financial information based on the audited report of the Target for the period from 18 March 2017 (the date of its incorporation) to 31 March 2018 and the unaudited management accounts of the Target for the year ended 31 March 2019:

	For the period from 18 March 2017 to 31 March 2018 <i>HK\$'000</i> (audited) (approximately)	For the year ended 31 March 2019 <i>HK\$'000</i> (unaudited) (approximately)
Net loss before taxation	2,876	2,428
Net loss after taxation	2,876	2,428

The Vendor shall warrant to the Purchaser that, among others, the Target shall on Completion have no outstanding borrowing or indebtedness, whether actual or contingent, other than the Sale Loan and any rental deposit received, prepayment received (including but not limited to rental received in advance) and accrued accounts payable as shown in the accounts of the Target made up to the Completion Date, pursuant to the Provisional Agreement.

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target will be consolidated to the financial statements of the Group.

INFORMATION OF THE VENDOR

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendor is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in providing building construction services, and repair, maintenance, alternation and addition (RMAA) works services in Hong Kong as main contractor. The Purchaser is a limited liability company incorporated under the laws of the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in investment holding.

To cater for the growing demand of its businesses with strengthening manpower, the Group has been identifying suitable office premises to cope with its operational needs in long run, and it intends to acquire the Property through the Target as its self-owned office after Completion and relocate its staff to the new office in phases. The Directors consider that the Acquisition is beneficial to the Group as the Property is expected to provide more office space to accommodate the Group's future development and allow it to save rental costs from a long-term perspective.

Taking into account the above factors, the Directors consider that the terms of the Provisional Agreement are on normal commercial terms and are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Acquisition exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Written approval of the Acquisition will be obtained from Cheers Mate Holding Limited, being the controlling Shareholder holding 580,000,000 shares of the Company (representing approximately 72.50% of the issued share capital of the Company) as at the date of this announcement, and such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. As such, the Company is not required to convene an extraordinary general meeting for approving the Acquisition.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Acquisition shall be despatched to the Shareholders on or before 15 October 2019. If additional time is required for preparing the financial information of the Target and the valuation report of the Property, the Company may apply for a waiver from strict compliance of Rule 14.41(a) of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Provisional Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Thelloy Development Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1546)

“Completion”	completion of the Acquisition
“Completion Date”	the date on which Completion shall take place, which shall be on or before 17 January 2020
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$90,629,000, being the aggregate consideration for the Sale Share and the Sale Loan under the Acquisition
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal agreement for sale and purchase of the Sale Share and the Sale Loan to be entered into between the Purchaser and the Vendor on or before 18 October 2019
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected to the Company and any of its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Property”	Office A, B, C, D, E, F on 19th Floor, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong
“Provisional Agreement”	the provisional agreement for sale and purchase of the Sale Share and the Sale Loan entered into between the Purchaser and the Vendor on 20 September 2019
“Purchaser”	Thelloy Assets Holding Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company
“Sale Loan”	being all such sum of money advanced by way of loan by the Vendor to the Target and due and owing by the Target to the Vendor as at Completion
“Sale Share”	one ordinary share of the Target, representing the entire issued share capital of the Target at Completion
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Grandway Inc. Development Limited (創威興業發展有限公司), a property holding company with the sole purpose of holding 100% of the legal and beneficial interest of the Property situated at The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong
“Vendor”	Tang Lai Ping, a natural person and an Independent Third Party

“sq. ft.” square feet

“%” per cent.

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

Hong Kong, 20 September 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.