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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

(1) PROVISION OF GUARANTEE TO A SUBSIDIARY OF THE JV COMPANY

AND

(2) CAPITAL CONTRIBUTION TO THE JV COMPANY

PROVISION OF THE GUARANTEE

On 5 March 2021, the Company confirmed to the Bank in writing its acceptance to act as the guarantor of the Borrower, pursuant to which the Company agreed to provide the Guarantee in favour of the Bank for the due performance of the repayment obligations by the Borrower (a company owned as to 70% by the JV Company which in turn is owned as to 49% by the Group) under the Facility up to a principal amount of HK\$124,000,000, provided that the liability of the Company in respect of any part of the Guaranteed Indebtedness shall be several with that of other joint venture partners, and be limited to 34.3% of the Guaranteed Indebtedness, representing the effective interest of the Group in the Borrower.

CAPITAL CONTRIBUTION TO THE JV COMPANY

Prior to the provision of the Guarantee and as at the date of this announcement, the Group agreed to provide the Capital Contribution in the aggregate amount of HK\$188,650,000 to the JV Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) for the provision of the Guarantee and the Capital Contribution in aggregate exceeds 25% but all of the applicable percentage ratios are less than 100%, the provision of the Guarantee together with the Capital Contribution constitute 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.

WRITTEN SHAREHOLDER'S APPROVAL

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 provision of the Guarantee and the Capital Contribution. 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 provision of the Guarantee and the Capital Contribution. Written approval of the provision of the Guarantee and the Capital Contribution has been 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 provision of the Guarantee and the Capital Contribution.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the provision of the Guarantee and the Capital Contribution shall be despatched to the Shareholders on or before 26 March 2021.

INTRODUCTION

References are made to the Previous Announcements in relation to, among other things, (i) the formation of the JV Company and the provision of the Initial Contribution; and (ii) the Acquisition of the Property by the Borrower (which was then wholly-owned by the JV Company).

Subsequent to the Acquisition, Speed Data was invited to invest in the Borrower by subscribing certain shares of the Borrower. As at the date of this announcement, the Borrower is owned as to 70% by the JV Company and 30% by Speed Data, respectively, and the JV Company is owned as to 49% by the Group and 51% by Ocean Century, respectively.

On 5 March 2021, the Company confirmed to the Bank in writing its acceptance to act as the guarantor of the Borrower, pursuant to which the Company agreed to provide the Guarantee in favour of the Bank for the due performance of the repayment obligations by the Borrower under the Facility up to a principal amount of HK\$124,000,000, provided that the liability of the Company in respect of any part of the Guaranteed Indebtedness shall be several with that of other joint venture partners, and be limited to 34.3% of the Guaranteed Indebtedness, representing the effective interest of the Group in the Borrower.

PROVISION OF THE GUARANTEE

The principal terms of the Guarantee are as follows:

Parties

- (1) The Bank
- (2) The Company

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Bank and its ultimate beneficial owner(s) are all third parties independent of the Company and its connected persons.

Guarantee Obligations

The Company agreed to provide a guarantee in favour of the Bank for the due performance of the repayment obligations by the Borrower in respect of the Facility up to a principal amount of HK\$124,000,000, provided that the liability of the Company in respect of any part of the Guaranteed Indebtedness shall be several with that of other joint venture partners, and be limited to 34.3% of the Guaranteed Indebtedness, representing the effective interest of the Group in the Borrower.

The terms of the Guarantee have been determined after arm's length negotiation between the Borrower and the Bank having taken into account the prevailing loan facilities of similar terms with that of the Facility, and the tenor of the Facility.

Term of the Guarantee

The term of the Guarantee shall commence from the execution of the Facility Agreement and other finance documents in relation to the Facility to be entered into between the Company and the Bank on the provision of the Guarantee, and end upon full payment of the Guaranteed Indebtedness has been made by the Borrower under the Facility Agreement and other finance documents in relation to the Facility to which the Borrower is a party.

Other guarantees and security for the Facility

In addition to the Guarantee, the security for the Facility includes (i) a legal charge over the Property; (ii) a debenture incorporating a first floating charge over all the assets undertakings of the Borrower; (iii) an equitable mortgage over the entire issued and paid-up share capital of the Borrower; (iv) subordination of all loans and advances from the immediate shareholder(s) of the Borrower; and (v) several personal guarantees provided by Mr. Yeung and Mr. Yip.

CAPITAL CONTRIBUTION TO THE JV COMPANY

Prior to the provision of the Guarantee and as at the date of this announcement, the Group agreed to provide the Capital Contribution in the aggregate amount of HK\$188,650,000 to the JV Company, and such contributions shall be payable upon request of the JV Company from time to time. As at the date of this announcement, out of the Initial Contribution, the Group has provided the capital contribution of HK\$28,248,500 to the JV Company. Details of the formation of the JV Company have been disclosed in the announcement of the Company dated 11 September 2020.

The Capital Contribution was determined after arm's length negotiation between the Group and Ocean Century, taking into account the respective shareholding interests held by the Group and Ocean Century in the JV Company and the funding needs of the JV Company. The Group will finance the Capital Contribution by its internal financial resources and/or bank loans.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE GUARANTEE AND THE CAPITAL CONTRIBUTION

The Group is principally engaged in providing building construction services, repair, maintenance, alternation and addition (RMAA) works services and modular integrated construction services in Hong Kong as a main contractor. The Board believes the Acquisition is an expansion of the Group's business interests in Hong Kong's property market via its shareholding in the JV Company and can achieve synergy with the Group's existing business in building construction. As Such, the provision of the Capital Contribution to the JV Company to finance part of the Acquisition would be beneficial to the long-term business growth of the Group. In addition, the amount of the Capital Contribution is in proportion to the Group's shareholding interest in the JV Company.

In order to finance part of the acquisition cost of the Property, the Borrower shall enter into the Facility Agreement with the Bank, pursuant to which the Bank shall provide the Facility to the Borrower. In consideration of the provision of the Facility, the Company, being one of the beneficial owners of the Borrower, shall provide the Guarantee for the due performance of the repayment obligations of the Borrower under the Facility Agreement. The Directors are of the view that the provision of the Guarantee (which are incidental to the grant of the Facility by the Bank) and the Capital Contribution forms an integral part of redevelopment of the Property by providing funding for part of the acquisition cost and redevelopment cost of the Property.

As the liability of the Company in respect of any part of the Guaranteed Indebtedness shall be several with that of the other joint venture partners, and shall be limited to 34.3% of the Guaranteed Indebtedness, the Guarantee provided by the Company is in proportion to its effective interest in the Borrower. In addition, the ultimate beneficial owners of the other joint venture partners, i.e. Mr. Yeung and Mr. Yip also agreed to provide personal guarantees for the repayment obligations of the Borrower in favour of the Bank under similar terms and conditions, respectively.

As such, the Directors consider that the terms of the provision of the Guarantee and the Capital Contribution are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE COMPANY, THE BANK, THE BORROWER AND THE JV COMPANY

The Company

The Company is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange. The principal business activity of the Company is investment holding. The Group is principally engaged in providing building construction services, repair, maintenance, alternation and addition (RMAA) works services and modular integrated construction services in Hong Kong as a main contractor.

The Bank

The Bank is a company incorporated in Hong Kong and a licensed bank in Hong Kong.

The Borrower

The Borrower is a company incorporated in Hong Kong with limited liability and is principally engaged in property development in Hong Kong. It is owned as to 70% by the JV Company and 30% by Speed Data, respectively. Speed Data is wholly-owned by Mr. Yip.

The JV Company

The JV Company is incorporated in the British Virgin Islands with limited liability and is owned as to 49% by the Group and 51% by Ocean Century (which in turn is wholly-owned by Mr. Yeung), respectively. It is an investment holding company and owned 70% of the shareholding interest of the Borrower as at the date of this announcement.

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for (i) the respective shareholding interest that the Group and Ocean Century holds in the JV Company; and (ii) the shareholding interest that the JV Company holds in the Borrower, each of the Borrower, the JV Company and their respective ultimate beneficial owner(s) are all third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) for the provision of the Guarantee and the Capital Contribution in aggregate exceeds 25% but all of the applicable percentage ratios are less than 100%, the provision of the Guarantee together with the Capital Contribution constitute 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.

WRITTEN SHAREHOLDER'S APPROVAL

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 provision of the Guarantee and the Capital Contribution. 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 provision of the Guarantee and the Capital Contribution. Written approval of the provision of the Guarantee and the Capital Contribution has been 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 provision of the Guarantee and the Capital Contribution.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the provision of the Guarantee and the Capital Contribution shall be despatched to the Shareholders on or before 26 March 2021.

DEFINITIONS

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

“Acquisition”	the acquisition of the Property by the Borrower from Sinociti Limited at the consideration of HK\$310,000,000 pursuant to a sale and purchase agreement dated 3 December 2020
“associates”	has the meaning ascribed to it under the Listing Rules
“Bank”	Fubon Bank (Hong Kong) Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong
“Board”	the board of Directors
“Borrower”	World Partners Limited, a company incorporated in Hong Kong with limited liability which is owned as to 70% by the JV Company and 30% by Speed Data
“Capital Contribution”	the aggregate capital contribution of HK\$188,650,000 to be or has been provided (as the case may be) by the Group to the JV Company (which is inclusive of the Initial Contribution)
“Company”	Thelloy Development Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the main board of the Stock Exchange (stock code: 1546)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Facility Agreement”	the facility agreement to be entered into between, inter alia, the Borrower and the Bank in relation to the Facility

“Facility”	a term loan facility for the principal amount of up to HK\$124,000,000 to be provided by the Bank to the Borrower under the Facility Agreement
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee agreed to be provided by the Company in favour of the Bank in relation to the Facility on 5 March 2021
“Guaranteed Indebtedness”	all moneys advanced by the Bank under the Facility and interest thereon, fees and all other moneys which may from time to time be due from or owing or payable by the Borrower to the Bank under the Facility Agreement
“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
“Initial Contribution”	the initial capital contribution of HK\$44,100,000 by the Group to the JV Company
“JV Company”	Great Glory Developments Limited, a company established in the British Virgin Islands with limited liability which is owned as to 49% by the Group and 51% by Ocean Century
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yeung”	Mr. Yeung Wan Yiu, the ultimate beneficial owner of Ocean Century
“Mr. Yip”	Mr. Yip Man Fan, the ultimate beneficial owner of Speed Data

“Ocean Century”	Ocean Century Ventures Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Yeung
“Previous Announcements”	the announcements of the Company dated 11 September 2020, 28 September 2020 and 16 November 2020
“Property”	a 13-storey industrial building situated at Tsuen Wan, New Territories
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Speed Data”	Speed Data Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Yip
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

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

Hong Kong, 5 March 2021

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.