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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

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

The Company has obtained the written Shareholders’ approval for the provision of the Guarantee and the Capital Contribution pursuant to Rule 14.44 of the Listing Rules from Cheers Mate Holding Limited who holds more than 50% of the issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders’ meeting will be held to approve the provision of the Guarantee and the Capital Contribution pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

26 March 2021

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DEFINITIONS

In this circular, the following terms and expressions shall have the meanings set out below unless the context requires otherwise:

“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)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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, <i>inter alia</i> , the Borrower and the Bank in relation to the Facility

DEFINITIONS

“Facility”	a term loan facility for the principal amount of up to HK\$124,000,000, with an interest rate of Hong Kong Interbank Offered Rate plus 2.15% p.a. and maturing at the earlier of (i) four years from the date the Facility Agreement, or (ii) six months after the issuance of certificate of compliance of the Property, to be provided by the Bank to the Borrower under the Facility Agreement
“Grandway”	Grandway Inc. Development Limited (創威興業發展有限公司), an indirect wholly-owned subsidiary of the Company
“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
“Latest Practicable Date”	21 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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

DEFINITIONS

“Mr. Yip”	Mr. Yip Man Fan, the ultimate beneficial owner of Speed Data
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Ocean Century”	Ocean Century Ventures Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Yeung
“One Puffin”	One Puffin Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company
“Previous Announcements”	the announcements of the Company dated 11 September 2020, 28 September 2020, 16 November 2020 and 5 March 2021
“Property”	a 13-storey industrial building situated at Tsuen Wan, New Territories
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Lam Kin Wing Eddie (*Chairman*)

Mr. Shut Yu Hang

Mr. Chung Koon Man

Registered office:

PO Box 309

Ugland House

Grand Cayman

Cayman Islands, KY1-1104

Independent non-executive Directors:

Mr. Tang Chi Wang

Mr. Tse Ting Kwan

Mr. Wong Kwong On

Head office and principal

place of business in Hong Kong:

2/F, Centre 600

82 King Lam Street, Lai Chi Kok

Kowloon, Hong Kong

26 March 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

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

AND

(2) CAPITAL CONTRIBUTION TO THE JV COMPANY

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; (ii) the Acquisition of the Property by the Borrower (which was then wholly-owned by the JV Company); and (iii) the provision of the Guarantee and the Capital Contribution.

LETTER FROM THE BOARD

Subsequent to the Acquisition and on 18 January 2021, Speed Data, the JV Company and the Borrower entered into an agreement pursuant to which (i) Speed Data was invited to invest in the Borrower by subscribing 90 shares of the Borrower at the subscription price of HK\$1 per share of the Borrower; (ii) Speed Data shall provide funding to the Borrower by way of shareholder's loan in the amount of approximately HK\$17,213,000 on the date of subscription of the shares in the Borrower (which is in proportion to the 30% shareholding interest held by Speed Data in the Borrower); and (iii) the JV Company and Speed Data shall provide funding to the Borrower by way of shareholders' loans in the amount of HK\$112,000,000 and HK\$48,000,000, respectively, on or before 25 March 2021. Save for (i) the above funding as agreed among the parties to the agreement as abovementioned; (ii) the subscription price of HK\$1 per share of the Borrower paid by the JV Company for the subscription of 210 shares of the Borrower; and (iii) the shareholder's loan already provided by the JV Company to the Borrower (which is in proportion to the 70% shareholding interest held by the JV Company in the Borrower), as at the Latest Practicable Date, each of the JV Company and Speed Data has not provided any other capital injection to the Borrower. As at the Latest Practicable Date, 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.

The purpose of this circular is, among other things, to provide you with (i) further details of the provision of the Guarantee and the Capital Contribution; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules.

PROVISION OF THE GUARANTEE

The principal terms of the Guarantee are as follows:

Parties

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

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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.

Each of Mr. Yeung and Mr. Yip agreed to provide a personal 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 each of Mr. Yeung and Mr. Yip in respect of any part of the Guaranteed Indebtedness shall be several with that of other joint venture partners, and be limited to 35.7% and 30.0% of the Guaranteed Indebtedness, respectively, representing the effective interest of Mr. Yeung and Mr. Yip in the Borrower, respectively.

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 which will be owned by the Borrower upon completion of the Acquisition on 1 April 2021; (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.

LETTER FROM THE BOARD

CAPITAL CONTRIBUTION TO THE JV COMPANY

Immediately prior to the provision of the Guarantee and on 5 March 2021, it was resolved and approved by the Board that 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 Latest Practicable Date, 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.

In proportion to its shareholding interest in the JV Company, Ocean Century also agreed to the capital contribution in the aggregate amount of HK\$196,350,000 (inclusive of the initial capital contribution of HK\$45,900,000 as disclosed in the announcement of the Company dated 11 September 2020). To the best knowledge, information and belief of the Directors, it is expected that the Group's and Ocean Century's respective shareholding percentage in the JV Company will remain unchanged upon the completion of part of or all of the Capital Contribution.

FINANCIAL IMPACT OF THE PROVISION OF THE GUARANTEE AND THE CAPITAL CONTRIBUTION

Provision of the Capital Contribution

The JV Company is an investment holding company holding 70% shareholding interest in the Borrower as at the Latest Practicable Date. The principal business of the Borrower is property development and its current principal business is the redevelopment of the Property into a new 23-storey industrial building to be held for sale, which is expected to take around four years to complete. Demolition of the Property is expected to commence in June 2021 and last for approximately five months, which will be followed by nine months of foundation works and 24 months of superstructure works. Subject to any unforeseen circumstances, the total funds required for the redevelopment of the Property is currently estimated to be approximately HK\$674 million, including but not limited to the acquisition costs, consultancy fees, interest costs and construction costs, which will be payable as progress payments in accordance with the redevelopment schedule of the Property.

LETTER FROM THE BOARD

The Capital Contribution shall be payable upon request of the JV Company from time to time and as at the Latest Practicable Date, the Group has provided the capital contribution of HK\$28,248,500 to the JV Company, which the Group is expected to record (i) an increase in asset in the investment in joint venture in the amount of HK\$28,248,500; and (ii) an increase of net debts by HK\$28,248,500 calculated by a decrease in cash on hand and/or an increase in debt. Provided the full amount of the Capital Contribution is made over a period of around four years base on the latest redevelopment schedule of the Property, it is expected that the Group will record as a whole (i) an increase in asset in the investment in joint venture in the amount of HK\$188,650,000; and (ii) an increase of net debts by HK\$188,650,000 calculated by a decrease in cash on hand and/or an increase in debt.

The JV Company is recently set up and the Company considers that there will not be any material effect on the earnings of the Group immediately upon provision of the Capital Contribution. Any profit or loss of the JV Company after the provision of the Capital Contribution shall be shared or borne by the Group and Ocean Century in proportion to their respective equity interests in the JV Company, and recorded as profit or loss of investment in joint venture in the financial statements of the Group.

Provision of the Guarantee

The provision of the Guarantee will not have any immediate effect on the earnings, assets and liabilities of the Company. However, if the Borrower fails to make payment of any Guaranteed Indebtedness, or fails to observe and perform its other obligations and undertakings under the Facility Agreement and other finance documents to which the Borrower is a party, the Company, as the guarantor, will be responsible for up to the maximum amount of HK\$42,532,000, being 34.3% of the total liability of the Borrower under the Facility Agreement, and such amount of liability will be recorded in the Group's statement of financial position. Save as disclosed above, the Directors are of the view that the provision of the Guarantee under the Guarantee Agreement will not have any material effect on the earnings, assets and liabilities of the Group.

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.

LETTER FROM THE BOARD

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.

The Capital Contribution is expected to be made by batch over a period of around four years from time to time based on the latest redevelopment schedule of the Property, which will be financed by cash on hand of the Group and/or bank borrowings (or a combination of both), and would be decided by the Board after considering which options are more favourable to the Group's operations at that point in time. Furthermore, as at the Latest Practicable Date, the Group had undrawn bank facilities of approximately HK\$187 million, and assuming the bank facilities have not been drawdown or revoked, it will be sufficient to cover the remaining amount of the Capital Contribution of approximately HK\$160,401,500 should the Group opt to fund the Capital Contribution solely by way of bank borrowings.

It is expected that the Group's cash on hand and bank facilities are able to cater for both the Capital Contribution and the capital needs of the Group's existing building construction business. In terms of financing the capital needs of its existing business, the Group is expected to continue to have access to diverse funding sources, including but not limited to revenue derived from its customers, project financing upon award of individual construction contracts, trade receivables and other bank credits/facilities.

As such, the Directors consider that while the provision of the Guarantee and the Capital Contribution is not in the ordinary and usual course of business of the Company, it facilitates the redevelopment of the Property and would be beneficial to the long-term business growth of the Group, and 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.

LETTER FROM THE BOARD

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 Latest Practicable Date.

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 and his close associates 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 Latest Practicable Date, 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.

RECOMMENDATION

As the Directors (including the independent non-executive Directors) are of the view that the provision of the Guarantee and the Capital Contribution are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, the Directors would recommend the Shareholders to vote in favour of the resolution if the Company were to convene a general meeting for the approval of the provision of the Guarantee and the Capital Contribution.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Thelloy Development Group Limited
Lam Kin Wing Eddie
Chairman and Executive Director

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for the years ended 31 March 2018, 2019 and 2020 and the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020, together with the relevant notes thereto are disclosed in the following documents, which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.thelloy.com):

- the annual report of the Company for the year ended 31 March 2018 (pages 56 to 95):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0703/ltn201807032194.pdf>
- the annual report of the Company for the year ended 31 March 2019 (pages 54 to 105):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0711/ltn20190711287.pdf>
- the annual report of the Company for the year ended 31 March 2020 (pages 54 to 113):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0713/2020071300376.pdf>
- the interim report of the Company for the six months ended 30 September 2020 (pages 2 to 18):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1202/2020120200947.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had (i) HK\$15,000,000 borrowings, which are bank borrowings secured by a corporate guarantee from the Company; (ii) a legal charge of Offices A, B, C, D, E and F on 19th Floor, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong and corporate guarantees provided by the Company and Grandway for a revolving loan in the amount of HK\$110,000,000, which were not drawn down as at 31 January 2021; and (iii) lease liabilities amounting to approximately HK\$900,000 which were secured by rental deposits amounting to approximately HK\$76,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, at the close of business on 31 January 2021, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (iii) mortgages and charges; and (iv) any material contingent liabilities or guarantees.

3. WORKING CAPITAL

After due and careful enquiry, taking into account (i) the internal financial resources available to the Group including internally generated funds and available banking facilities; and (ii) the provision of the Guarantee and the amount of Capital Contribution to be provided in the next 12 months, the Directors are of the opinion that the working capital available to the Group is sufficient for its requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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.

As disclosed in the interim report 2020 of the Company for the six months ended 30 September 2020, despite the far-reaching effects brought about by COVID-19 to the overall economy, the Group continued to focus on its core contract works business and maintained its competitive advantage through its registered general building contractor licences and certain crucial qualifications of its subsidiaries. In 2020, the Group has successfully completed the first Modular Social Housing project in Hong Kong and has further invested resources in Modular Integrated Construction (“MiC”) so as to well-equip itself to remain competitive amid the upcoming challenges in the market.

Looking forward, while keep focusing on its existing business, the Group will look for appropriate projects that are in line with the overall strategy of the Group. The Group will strengthen its market position in the industry and increase its market share by (i) further developing the private sector market; (ii) strengthening the Group’s manpower in order to cater for the growing demand for the businesses of the Group; (iii) targeting design and build projects with a smaller contract sum, including those involving MiC elements; and (iv) allocating resources in research and development, innovation and technology relevant to MiC and building construction.

With the Group’s expertise in building construction and MiC, the Group is continuously looking out for opportunities in real estate development projects of various kinds and scale, and on 12 November 2020, the Borrower entered into a provisional agreement for sale and purchase pursuant to which it agreed to acquire the Property, which is intended to be redeveloped into a new 23-storey industrial building to be held for sale. The sale and purchase agreement in relation to the Acquisition was entered into on 3 December 2020 and completion is set on 1 April 2021. Such business strategy, leveraged on the synergy with the Group’s existing building construction business, opens up a channel for the Group to diversify its business.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Lam Kin Wing Eddie ("Mr. Lam")	Interest in controlled corporation (<i>Note</i>)	580,000,000 (L)	72.50%
Mr. Chung Koon Man	Beneficial owner	2,000,000 (L)	0.25%

(L) denotes long position.

Note: Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate Holding Limited. By virtue of the SFO, Mr. Lam is deemed to be interested in 580,000,000 Shares held by Cheers Mate Holding Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders' interests

So far as the Directors and chief executive of the Company are aware, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests and/or short positions in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company
Cheers Mate Holding Limited ^(Note 1)	Beneficial owner	580,000,000 (L)	72.50%
Ms. Cheng Pui Wah Theresa ^(“Ms. Cheng”) ^(Note 2)	Interest of spouse	580,000,000 (L)	72.50%

(L) denotes long position.

Notes:

- Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate Holding Limited. By virtue of the SFO, Mr. Lam is deemed to be interested in 580,000,000 Shares held by Cheers Mate Holding Limited. As at the Latest Practicable Date, Mr. Lam is a director of Cheers Mate Holding Limited, a company which had an interest in the Shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- Ms. Cheng is the spouse of Mr. Lam. By virtue of the SFO, Ms. Cheng is deemed to be interested in the same number of the Shares in which Mr. Lam is deemed to be interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group which is not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING BUSINESS

To the best knowledge, information and belief of the Directors, none of the Directors or their respective close associates were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, that requires to be disclosed under the Listing Rules.

5. INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the date of this circular, Mr. Lam has a material interest in a tenancy agreement dated 8 March 2021 entered into between Popstate Limited (a company wholly-owned by Mr. Lam) (“**Popstate**”) and Techoy Construction Company Limited (a wholly-owned subsidiary of the Company) (“**Techoy**”), pursuant to which Popstate (as landlord) agreed to lease a premise to Techoy (as tenant) for a term from 13 March 2021 to 12 March 2022 at a monthly rental of HK\$108,500.

Save as disclosed above, as at the date of this circular, (i) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, subsisting as at the date of this circular, which is significant in relation to the businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the issue of this circular and were or might be material:

- (i) an agreement dated 8 April 2019 entered into among Techoy Modular Construction Co., Ltd., Nova Deko Modular Building Co., Ltd. ("**Nova Deko**") and Nova Techoy Modular Construction Company Limited in relation to a formation of a joint venture between the Group and Nova Deko;
- (ii) a provisional agreement dated 20 September 2019 entered into between Thelloy Assets Holding Limited (as purchaser) ("**Thelloy Assets**") and Tang Lai Ping (as Vendor) ("**Ms. Tang**") in relation to the sale and purchase of the entire issued share capital of Grandway and the loan owed by Grandway to Ms. Tang ("**Grandway Sale Loan**") at the consideration of HK\$90,629,000;
- (iii) a formal agreement dated 22 October 2019 entered into between Thelloy Assets and Ms. Tang in relation to the sale and purchase of the entire issued share capital of Grandway and the Grandway Sale Loan at the consideration of HK\$90,629,000;
- (iv) a surrender agreement dated 8 November 2019 entered into between the then tenant (as tenant) and Grandway (as landlord) in relation to the surrender of Unit A on 19th Floor, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong on 9 November 2019;
- (v) a surrender agreement dated 28 April 2020 entered into between the then tenant (as tenant) and Grandway (as landlord) in relation to the surrender of Unit C on 19th Floor, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong on 8 June 2020; and
- (vi) a subscription and shareholders' agreement dated 11 September 2020 entered into among One Puffin, Ocean Century and the JV Company in relation to a formation of the JV Company, pursuant to which, among other things, One Puffin shall subscribe 49 shares of the JV Company at US\$1 per share, and commit to provide the Initial Contribution.

8. GENERAL

- (i) The registered office of the Company is PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104. Its head office and principal place of business in Hong Kong is 2/F, Centre 600, 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.
- (ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The company secretary of the Company is Mr. Fung Nam Shan, who is a member of the Hong Kong Institute of Certified Public Accountants and a CPA member of the Australian Institute of Certified Public Accountants.
- (iv) In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's head office and principal place of business in Hong Kong at 2/F, Centre 600, 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (i) the memorandum and articles of association of the Company;
- (ii) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix;
- (iii) the annual reports of the Company for the years ended 31 March 2019 and 2020; and
- (iv) this circular.