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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)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

On 11 September 2020, One Puffin (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with Ocean Century and the JV Company, pursuant to which (i) One Puffin agrees to subscribe the OP Subscription Shares at US\$1 per OP Subscription Share and commit to provide the OP Contribution in the amount of HK\$44,100,000; and (ii) Ocean Century agrees to subscribe the OC Subscription Shares at US\$1 per OC Subscription Share and commit to provide the OC Contribution in the amount of HK\$45,900,000. Upon Completion, the JV Company will be owned as to 49% by One Puffin and 51% by Ocean Century, respectively.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the entering into of the Agreement exceeds 5% but is less than 25%, the entering into of the Agreement constitutes a discloseable transaction for the Company and is subject to announcement requirement but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 11 September 2020, One Puffin (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with Ocean Century and the JV Company, pursuant to which (i) One Puffin agrees to subscribe the OP Subscription Shares and commit to provide the OP Contribution; and (ii) Ocean Century agrees to subscribe the OC Subscription Shares and commit to provide the OC Contribution. Upon Completion, the JV Company will be owned as to 49% by One Puffin and 51% by Ocean Century, respectively.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date

11 September 2020

Parties

- (1) One Puffin
- (2) Ocean Century
- (3) The JV Company

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, Ocean Century, the JV Company and their respective ultimate beneficial owners are all third parties independent of the Company and its connected persons.

The Subscriptions

As at the date of this announcement, the JV Company is owned as to 100% by Ocean Century. Pursuant to the Agreement, One Puffin agrees to subscribe the OP Subscription Shares at US\$1 per OP Subscription Share and Ocean Century agrees to subscribe the OC Subscription Shares at US\$1 per OC Subscription Share, respectively. The OP Subscription Price and the OC Subscription Price shall be payable by One Puffin and Ocean Century, respectively, on the Completion Date.

Upon Completion, the JV Company would become a joint venture of the Company and its financial results would be incorporated into the Company's consolidated financial statements using the equity method of accounting.

Conditions precedent to the Subscriptions

The Subscriptions are conditional upon the satisfaction or, where applicable, waiver by One Puffin, of the following conditions precedent:

- (i) the representations and warranties given by Ocean Century and the JV Company remaining true and accurate, and not misleading, in all material respects as at Completion; and
- (ii) all other relevant requirements under the Listing Rules, laws and regulations and/or all necessary approvals and processes of the relevant authorities for the entry into and implementation of the Agreement and the transactions contemplated thereunder having been obtained, fulfilled and/or complied with.

One Puffin may in its absolute discretion at any time waive condition precedent (i).

Contribution by One Puffin and Ocean Century

The total initial capital contribution of One Puffin and Ocean Century to the JV Company shall be HK\$90,000,000, of which: (i) the OP Contribution of HK\$44,100,000 shall be provided by One Puffin; and (ii) the OC Contribution of HK\$45,900,000 shall be provided by Ocean Century, and such contributions shall be payable upon request of the JV Company from time to time.

The OP Contribution and the OC Contribution was determined after arm's length negotiation between One Puffin and Ocean Century, taking into account the respective shareholding interests held by One Puffin and Ocean Century in the JV Company and the funding needs of the JV Company. The Directors are of the opinion that the amount of the OP Contribution is fair and reasonable and was determined after arm's length negotiations between the parties and is in the interests of the Company and the Shareholders as a whole. The Group will finance the contribution of One Puffin in the JV Company by its internal financial resources and/or bank loans.

Business of the JV Company

The JV Company shall carry on the business of property investment and development in Hong Kong and such other jurisdictions as may be agreed between the Parties from time to time.

In managing the business of the JV Company, Ocean Century shall take the lead in sourcing external financing to meet the operational needs of the JV Company, while One Puffin shall take the lead in the planning and the development of the property development projects.

Management of the JV Company

The affairs of the JV Company shall be managed by its board of directors, which shall consist initially of not more than four members. Each of One Puffin and Ocean Century shall have the right to nominate two members to the board. The chairman of the board of the JV Company shall be a director nominated and appointed by Ocean Century.

Financing

The operations of the JV Company shall be financed by: (i) the OP Contribution and the OC Contribution; (ii) borrowings from banks or other institutional lenders; and (iii) shareholder's loans.

Dividend distribution

The maximum amount which shall be declared as a dividend shall be the maximum amount of profits available, subject to reasonable and proper reserves being retained for capital expenditure and working requirements of the JV Company.

REASONS FOR AND BENEFIT OF THE FORMATION OF THE JOINT VENTURE

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. To diversify its revenue stream, the Directors are of the view that the entering into of the Agreement is an expansion of the Group's business interests in Hong Kong's property market and contributes to the business growth of the Group. In addition, the Group's experience and expertise in the construction industry facilitates the operation of and brings synergy to the JV Company.

The terms of the Agreement are negotiated on an arm's length basis between the parties, and the OP Contribution and the OC Contribution are in proportion to One Puffin's and Ocean Century's respective shareholding interest in the JV Company.

As such, the Directors consider that the terms of the Agreement are entered into 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 GROUP, ONE PUFFIN, OCEAN CENTURY AND THE JV COMPANY

The Group and One Puffin

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 main contractor.

One Puffin is incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business activity of One Puffin is investment holding.

Ocean Century

Ocean Century is incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Yeung. The principal business activity of Ocean Century is investment holding.

The JV Company

The JV Company is recently incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ocean Century as at the date hereof. As at the date of this announcement, the JV Company is not engaged in any business activity. Upon Completion, the JV Company shall be principally engaged in the business of property investment and development in Hong Kong and such other jurisdictions as may be agreed between the Parties from time to time.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the entering into of the Agreement exceeds 5% but is less than 25%, the entering into of the Agreement constitutes a discloseable transaction for the Company and is subject to announcement requirement but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the subscription and shareholder’s agreement dated 11 September 2020 entered into among One Puffin, Ocean Century and the JV Company in respect of, among other things, the Subscriptions, the OP Contribution and the OC Contribution
“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 on the main board of the Stock Exchange (stock code: 1546)
“Completion”	completion of the Subscriptions by One Puffin and Ocean Century
“Completion Date”	the third business day after the day on which the relevant conditions in respect of the Subscriptions have been fulfilled or waived or such date as the Parties may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“JV Company”	Great Glory Developments Limited, a company established in the British Virgin Islands with limited liability which is owned as to 100% by Ocean Century as at the date of this announcement, and will be owned as to 49% by One Puffin and 51% by Ocean Century upon Completion
“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
“Ocean Century”	Ocean Century Ventures Limited, a company incorporated in the British Virgin Islands with limited liability, and wholly-owned by Mr. Yeung
“OC Contribution”	the initial capital contribution of HK\$45,900,000 by Ocean Century to the JV Company
“OC Subscription”	the subscription by Ocean Century for the OC Subscription Shares on the terms and subject to the conditions set out in the Agreement
“OC Subscription Price”	US\$50, being the total subscription price payable by Ocean Century for the OC Subscription (representing a subscription price of US\$1 per OC Subscription Share)
“OC Subscription Share(s)”	50 shares of the JV Company
“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

“OP Contribution”	the initial capital contribution of HK\$44,100,000 by One Puffin to the JV Company
“OP Subscription”	the subscription by One Puffin for the OP Subscription Shares on the terms and subject to the conditions set out in the Agreement
“OP Subscription Price”	US\$49, being the total subscription price payable by One Puffin for the OP Subscription (representing a subscription price of US\$1 per OP Subscription Share)
“OP Subscription Share(s)”	49 shares of the JV Company
“Parties”	One Puffin, Ocean Century and the JV Company
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the OP Subscription and the OC Subscription
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 11 September 2020

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.