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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)**

### **SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

Reference is made to the announcement of the Company dated 16 August 2022 in relation to the provision of financial assistance and advance to an entity (the “**Announcement**”). Unless otherwise stated, all the capitalised terms used herein shall have the same meaning as those adopted in the Announcement.

The Board wishes to supplement the following information to the Announcement.

#### **FURTHER INFORMATION OF THE GUARANTOR AND THE BORROWER**

##### **Background of the Guarantor**

The Guarantor is the founder and a director of Cornerstone Properties Holdings Limited, a company principally engaged in investments, development and management of premium real estate projects in Hong Kong. He also has more than 20 years of experience in global financial market.

The Group has commenced business relationship with the Guarantor since September 2020. As disclosed in the announcement of the Company dated 11 September 2020, the Borrower, which is wholly owned by the Guarantor, and the Group has set up the JV Company which is ultimately held as to 49% and 51% by the Company and the Guarantor, respectively.

## **Background of the Borrower and the JV Company**

The only asset held by the Borrower is 51% shareholding interest in the JV Company (the “**Mortgaged Asset**”). The principal business activity of the JV Company is property investment and development.

As disclosed in the announcements of the Company dated 12 November 2020 and 1 April 2021, a 70%-owned subsidiary of the JV Company completed the acquisition of a 13-storey industrial building located in Tsuen Wan, New Territories, Hong Kong (the “**Property**”) on 1 April 2021. As at the date hereof, the Property was demolished and it is the plan of the JV Company to build a new 24-storey commercial building on the land for investment and/or sale purposes.

Based on (i) the market value of the land on which the Property was erected (the “**Land**”), as a cleared development site and on a re-development basis, as assessed by an independent property valuer in a valuation report; and (ii) the latest financial statement of the JV Company, it is estimated that 51% shareholding interest in the JV Company shall be worth approximately HK\$120 million.

The JV Company has been jointly controlled and actively managed by the Group and the Borrower since the formation of the joint venture, and therefore the Group is well versed in the business of the JV Company, as well as the background of the Borrower and the Guarantor.

## **VALUE OF UNDERLYING ASSETS OF SECURITY UNDER THE LOAN**

Since the Board has been keeping abreast of the operation and development of the JV Company and has board representatives in the board of directors of the JV Company, the Board is satisfied with the quality of the underlying assets held by the JV Company and considers that with the loan to value ratio of 25%, the value of the underlying assets held by the Borrower (through the JV Company) shall be sufficient to cover the outstanding principal and interests under the Loan in the event of default on the part of the Borrower and/or the Guarantor.

## **DETERMINATION OF THE INTEREST RATE AND THE FINANCIAL POSITION OF THE GROUP**

The interest rate of 8% charged on the Loan is determined after arm's length negotiations between the Lender and Borrower, having taking into consideration (i) the prevailing market rate; (ii) the assessment on the repayment ability of the Borrower and the Guarantor; and (iii) the quality of the securities (i.e. the "**Mortgaged Asset**") and the underlying interest in the Land, as well as the personal guarantee provided by the Guarantor.

Given the well-established business relationship between the Group and the Borrower/the Guarantor over the years, the Board considers that the Borrower and the Guarantor have a viable business and are financially sound. While the Group is not operating a money lending business and does not have a prevailing interest rate determination policy for providing loans, the current interest rate under the Loan was therefore determined after arm's length negotiations between the Lender and the Borrower, based on the reasons set out above. The Board is of the view that the agreed interest rate under the Loan is fair and reasonable, on normal commercial terms and is in the interest of the Company and its shareholders as a whole.

The Loan will be funded by the internal resources of the Company. As at 31 March 2022, the cash and cash equivalents held by the Group was approximately HK\$56.6 million, with unutilised credit facilities granted from banks to the Group of not less than HK\$150,000,000, which is readily available. Accordingly, there will not be any material adverse impact on the cash and financial position of the Group after the provision of the Loan.

## **REASONS FOR AND BENEFITS OF THE PROVISION OF THE LOAN**

The Group has an established business relationship with the Guarantor since 2020 and is well versed of the background of the Guarantor. More importantly, the Group has been closely cooperating and working together with the Guarantor on the operation and development of the JV Company.

The purpose of the Loan is for the Borrower's general working capital. To the understanding of the Board, as at the date of this announcement, the proceeds from the Loan shall be used for the Borrower's development in new business areas or investment projects but is not intended to be used for the JV Company's business.

As the Group is not engaged in the money lending activity, the Board is mindful about the quality of the securities provided and risk exposure in the event of default. With that in mind, the Board considers that the provision of the Loan is fair and reasonable, on normal commercial terms and is in the interest of the Company and its shareholders as a whole due to the following: –

- (a) the Group has sufficient working capital even after the provision of the Loan to the Borrower;
- (b) if the Borrower and the Guarantor default during the tenure or upon maturity of the Loan, the Group can enforce its security interest over 51% shareholding interest in the JV Company;
- (c) considering that the Mortgaged Asset is worth approximately HK\$120 million and the Group has a thorough understanding of the operation of the JV Company and is confident about its future prospect, the Board believes that the Group is in a position to take up at least part of (if not all of) the Mortgaged Asset should the circumstances require; and
- (d) the interest rate of 8% is justifiable considering that (i) the Group has an established business relationship with the Guarantor and the Borrower; (ii) the Group is satisfied that the Mortgaged Asset is of valuable quality; and (iii) the interest to be generated from the Loan shall be far more than that from placing deposits in commercial banks.

Save as disclosed above, all other information and content set out in the Announcement remain unchanged and shall continue to be valid for all purposes. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 26 August 2022

*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 three independent non-executive Directors namely Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On.*