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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 EXTENSION OF LOAN

EXTENSION OF LOAN

Pursuant to the Loan Agreement dated 16 August 2022, the Lender agreed to provide the Loan in favour of the Borrower in the amount of HK\$30,000,000 for a term of four months at an interest rate of 8% per annum.

On 15 December 2022, the Borrower made a partial repayment of HK\$20,000,000 (together with the interests incurred under the Loan Agreement) to the Lender and therefore the Outstanding Principal was reduced to HK\$10,000,000. On the same date, the Lender entered into the Supplemental Agreement with the Borrower, pursuant to which:

- (1) the repayment date for the existing outstanding principal of the Loan shall be extended for a period of three months; and
- (2) the interest rate for the Outstanding Principal shall be amended to 11.4% per annum with effect from 16 December 2022.

LISTING RULES IMPLICATIONS

This announcement is made pursuant to Rule 14.36 of the Listing Rules, as the entering into of the Supplemental Agreement constitutes a material variation to the terms and conditions of the Loan Agreement which was previously announced by the Company on 16 August 2022 and 26 August 2022 respectively.

On the other hand, as the applicable percentage ratio(s) in respect of the extension of the Loan under the Supplemental Agreement exceed(s) 5% but all are less than 25%, the extension of the Loan 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.

References are made to the announcements of the Company dated 16 August 2022 and 26 August 2022 in relation to the provision of financial assistance and advance to an entity (the “**Announcements**”). Unless otherwise stated, all the capitalised terms used herein shall have the same meaning as those adopted in the Announcements.

SUPPLEMENTAL AGREEMENT

Pursuant to the Loan Agreement dated 16 August 2022, the Lender agreed to provide the Loan in favour of the Borrower in the amount of HK\$30,000,000 for a term of four months at an interest rate of 8% per annum.

On 15 December 2022, the Borrower made a partial repayment of HK\$20,000,000 (together with the interests incurred under the Loan Agreement) to the Lender and therefore the outstanding principal under the Loan Agreement (the “**Outstanding Principal**”) was reduced to HK\$10,000,000. On the same date, the Lender entered into a supplemental agreement (the “**Supplemental Agreement**”) with the Borrower, pursuant to which:

- (1) the repayment date for the Outstanding Principal of the Loan shall be extended for a period of three months; and
- (2) the interest rate for the Outstanding Principal shall be amended to 11.4% per annum with effect from 16 December 2022.

Save as disclosed in this announcement, all other material terms of the Loan Agreement and the securities obtained for guaranteeing the repayment obligations of the Borrower as disclosed in the Announcements remain unchanged. For the detailed terms of the Loan Agreement and the securities provided by the Borrower and the Guarantor, please refer to the Announcements.

REASONS FOR AND BENEFIT FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

The terms of the Supplemental Agreement, including the increased interest rate applicable, were arrived at after arm's length negotiations between the Lender and the Borrower having taken into account the prevailing market interest rates and practices.

The Supplemental Agreement was entered into by the Lender having regard to (i) the fact that the Borrower had duly repaid HK\$20,000,000 being the partial repayment of the principal and the interests incurred under the Loan Agreement; (ii) the increased interest rate of 11.4% following the general increase in the cost of capital in the financial market; (iii) the extension of the repayment date of the Outstanding Principal and increased interest rate will bring additional interest income to the Group and (iv) the existing underlying securities and the reduced loan-to-value ratio, being the Outstanding Principal of HK\$10,000,000 divided by the value of the collateral in the amount of HK\$120,000,000, of 8.3%. In view of the above, the Board considers that the terms for the extension of the Loan are fair and reasonable, on normal commercial terms and is in the interest of the Company and its Shareholders as a whole.

INFORMATION ON THE COMPANY, THE LENDER, THE BORROWER, THE JV COMPANY AND THE GUARANTOR

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, alteration and addition (RMAA) works services and modular integrated construction services in Hong Kong as a main contractor.

The Lender

The Lender is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal business activity of the Lender is investment holding.

The Borrower and the JV Company

The Borrower is incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Guarantor. The principal business activity of the Borrower is investment holding.

The only asset held by the Borrower is the Mortgaged Asset (i.e. 51% shareholding interest in the JV Company). 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 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, as a cleared development site and on a re-development basis, as previously 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 its formation, 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.

The Guarantor

The Guarantor is an individual owning the entire issued share capital of the Borrower. He is principally engaged in the business of property development. 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.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the investments in the JV Company by the Borrower, the Borrower and its ultimate beneficial owner, i.e. the Guarantor, are all third parties independent of the Company and its connected persons.

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On the other hand, as the applicable percentage ratio(s) in respect of the extension of the Loan under the Supplemental Agreement exceed(s) 5% but all are less than 25%, the extension of the Loan 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.

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

Hong Kong, 15 December 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.