
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sunray Engineering Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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Sunray Engineering Group Limited

新威工程集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8616)

**MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE PROPERTY**

The Company has obtained an irrevocable and unconditional written approval for the Acquisition from a Shareholder holding more than 50% of the issued share capital of the Company. Accordingly, no general meeting of Shareholders will be convened to approve the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules. This circular is being despatched to the Shareholders for information only.

26 May 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, the following expressions shall have the respective meanings set opposite thereto unless the context requires otherwise:

“Acquisition”	the acquisition of the Property pursuant to the Formal Agreement
“Announcement”	the announcement of the Company dated 15 April 2021
“Board”	the board of Directors
“Company”	Sunray Engineering Group Limited (新威工程集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the sum of HK\$43,000,000, being the purchase price of the Property
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement dated 30 April 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Independent Valuer”	International Valuation Limited, an independent qualified valuer appointed by the Company for the purpose of the Acquisition
“Latest Practicable Date”	24 May 2021, being the latest practicable date for ascertaining certain information in this circular prior to its printing
“Lease”	the lease of the Property by the Purchaser to the Vendor for a term of six months commencing on 1 July 2021 and ending on 31 December 2021

DEFINITIONS

“Preliminary Sale and Purchase Agreement”	the preliminary sale and purchase agreement dated 15 April 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Property”	Flats A & B on 5/F, International Industrial Building, 501-503 Castle Peak Road, Kowloon, Hong Kong
“Purchaser”	Sunray Engineering (HK) Company Limited (新威工程(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Wellsum Development Co., Ltd., a company incorporated in Hong Kong with limited liability
“%”	per cent.

LETTER FROM THE BOARD



Sunray Engineering Group Limited

新威工程集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8616)

Executive Directors:

Mr. Lam Ka Wing

(Chairman and Chief Executive Officer)

Ms. Wong Pui Yee Edith

Independent Non-executive Directors:

Ms. Cho Mei Ting

Mr. Ho Ka Kit

Mr. Ng Kwun Wan

Registered office:

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Caymans Islands

Headquarters and Principal

Place of Business in Hong Kong:

Unit 803-804, 8/F

Laford Centre

838 Lai Chi Kok Road

Cheung Sha Wan

Kowloon, Hong Kong

26 May 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE PROPERTY

INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition.

On 15 April 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Preliminary Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Property at a consideration of HK\$43,000,000 subject to the terms and conditions set out therein. It is a term of the Preliminary Sale and Purchase Agreement that the Purchaser agreed to lease back the Property to the Vendor for a term of six months commencing on 1 July 2021 and ending on 31 December 2021. The Formal Agreement was entered into between the Purchaser and the Vendor on 30 April 2021.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and other information required under the GEM Listing Rules.

THE ACQUISITION

The Formal Agreement

On 30 April 2021, the Purchaser and the Vendor entered into the Formal Agreement which supersedes the Preliminary Sale and Purchase Agreement and contains substantially the same material terms of the Preliminary Sale and Purchase Agreement. The principal terms of the Formal Agreement are as follows:

Asset to be acquired

The Property is a non-residential unit situated at Flats A & B on 5/F, International Industrial Building, 501-503 Castle Peak Road, Kowloon, Hong Kong. The Property has been and is currently being used by the Vendor. The Property will be delivered to the Purchaser in vacant possession upon expiry of the Lease on 31 December 2021.

The market value of the Property as at 31 March 2021 as appraised by the Independent Valuer was HK\$43,800,000. The valuation report of the Property is set out in Appendix II to this circular.

The Property is sold on an “as is” basis.

Consideration

The Consideration shall be in a sum of HK\$43,000,000, which shall be settled by the Purchaser in the following manner:

- (a) a sum of HK\$2,150,000, being the initial deposit, has been paid to the Vendor’s solicitor as stakeholder on the signing of the Preliminary Sale and Purchase Agreement;
- (b) a sum of HK\$2,150,000, being the further deposit, has been paid to the Vendor’s solicitor as stakeholder on the signing of the Formal Agreement; and
- (c) a sum of HK\$38,700,000, being the balance of the Consideration, shall be paid upon Completion, that is, on or before 30 June 2021.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to the prevailing market value of comparable properties available in the vicinity. The Consideration shall be funded by the internal resources of the Group and/or external bank borrowings.

Lease back

Immediately following Completion, the Purchaser and the Vendor shall enter into a lease agreement pursuant to which the Purchaser shall lease the Property to the Vendor for a term of six months commencing on 1 July 2021 and ending on 31 December 2021, at a monthly rent of HK\$100,000 (inclusive of rates, government rent and management fee).

LETTER FROM THE BOARD

Agency fee

The property agent shall be entitled to receive HK\$430,000 from the Vendor and HK\$430,000 from the Purchaser as commission which shall be paid on or before 30 June 2021.

Completion

Completion shall take place on or before 30 June 2021.

Stamp duty

All ad valorem stamp duty payable in relation to the Acquisition shall be borne by the Purchaser.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of building protection works and supply of building protection products.

The existing warehouse of the Group in Hong Kong is a leased property and is subject to the certain risks associated with the leased property, such as early termination or non-renewal of the tenancy agreement by the landlord and possible increase in rental expenses. In addition, the Group maintains certain level of stock at third party warehousing facilities in Hong Kong. To cope with the business development of the Group, the Company seeks a larger premises to secure more spacious area for its machinery and goods storage.

Having considered, among others, (i) the Acquisition is for the long-term establishment of a stabilised premises that could consolidate the Group's stock in one property; (ii) the Group can eliminate the rental cost of the leased warehouse as well as any renovation expenses, time costs and efforts that would have been incurred for relocation; and (iii) the Property will be used as the Group's self-owned premises not only for storage but also testing of building protection products which would improve the efficiency of its operation, the Directors consider that the Acquisition is beneficial to the Group.

The Property will remain as an asset of the Group in the balance sheet and it will be refurbished after delivery of vacant possession by the Vendor upon expiry of the Lease on 31 December 2021.

After taking into account the above factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Preliminary Sale and Purchase Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PURCHASER AND THE VENDOR

The Purchaser is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of building protection works in Hong Kong.

LETTER FROM THE BOARD

The Vendor is a company incorporated in Hong Kong with limited liability. It is principally engaged in the garment business and is the legal and beneficial owner of the Property. The Vendor is owned as to 99% by Joyful Inc. and 1% by Fung Sau Chun, Anita. Joyful Inc. is a non-resident domestic company incorporated in Nevis and subsequently redomiciled in the Marshall Islands, and is owned as to 50% by Lee Kam Wai and 50% by Fung Sau Chun, Anita.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets and Liabilities

It is expected that upon Completion, there will be an increase in total assets of approximately HK\$21.5 million, comprising an increase in property, plant and equipment of approximately HK\$45.3 million (representing the sum of the Consideration and other estimated transaction costs such as stamp duty, commission and legal fees incurred for the Acquisition) and a decrease in bank balances and cash of approximately HK\$23.8 million.

As the Acquisition shall be financed by internal resources and banking facilities available to the Group through a fifteen-year mortgage loan of approximately HK\$21.5 million, the total liabilities of the Group are expected to increase by approximately HK\$21.5 million. As at the date of this circular, the aforesaid mortgage loan is subject to credit assessment and formal approval procedures to be conducted by a bank and no loan agreement has been executed yet.

Earnings

The Group expects that after Completion, there will be an increase in the depreciation expenses by approximately HK\$1.7 million per annum relating to the Property. However, the impact could be offset in the long run by the combined effect of (i) a decrease in rental cost of approximately HK\$520,000 with respect to the Group's current leased warehouse; and (ii) a decrease in selling and distribution costs as a result of the saving of transportation, warehouse and storage costs to be charged by third party warehousing facilities and logistics providers.

The Property was held for self-used purpose by the Vendor and there was no identifiable income stream in the books and accounts of the Vendor. After completion, the Lease between the Purchaser and the Vendor shall be with a term of six months commencing on 1 July 2021 and ending on 31 December 2021, to facilitate the Vendor's relocation after its disposal of the Property. Pursuant to the Lease, the Vendor has an early termination option from 1 October 2021 by serving not less than one-month written notice to the Purchaser of its intention to exercise such option.

As there were no historic data in respect of rental and related incidental costs, the requirements under Rule 19.67(6)(b) of the GEM Listing Rules are not applicable.

Save as disclosed above, there will be no immediate material effect on the earnings and assets and liabilities of the Group associated with the Acquisition.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has a material interest in the Acquisition and as such, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition, should the Acquisition be put forward to the Shareholders for consideration and approval at a general meeting of the Company.

WRITTEN SHAREHOLDERS' APPROVAL

Ultra Success Industries Limited, the controlling Shareholder holding 750,000,000 Shares as at the Latest Practicable Date, representing 75% of the total issued Shares, having the right to attend and vote at any general meeting of the Company, has given its written approval of the Acquisition. The written shareholder's approval by Ultra Success Industries Limited has been accepted in lieu of holding a general meeting and no general meeting of the Company is required to be convened for the approval of the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Formal Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the relevant ordinary resolution regarding the Acquisition if the Company were to convene an extraordinary general meeting for the approval of the Acquisition.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Sunray Engineering Group Limited
Lam Ka Wing
Chairman and Chief Executive Officer

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group (i) for the financial years ended 31 March 2018 and 2019 are set out in the Accountants' Report in Appendix I to the prospectus of the Company dated 31 March 2020 ("Prospectus"); (ii) for the financial year ended 31 March 2020 are disclosed on pages 58 to 118 of the annual report of the Company released on 30 June 2020 ("Annual Report 2019/20") and (iii) for the nine months ended 31 December 2020 are disclosed on pages 4 to 10 of the third quarterly report of the Company released on 10 February 2021 ("2020 Third Quarterly Report"). All of these financial statements have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.sunray.com.hk):

- the Prospectus:
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0331/2020033100123.pdf>
- Annual Report 2019/20:
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063002420.pdf>
- 2020 Third Quarterly Report:
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0210/2021021000779.pdf>

2. INDEBTEDNESS**Bank borrowings**

As at 31 March 2021, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group did not have any bank overdrafts and borrowings.

Lease liabilities

As at 31 March 2021, the Group had lease liabilities of approximately HK\$4.2 million.

Contingent liabilities

As at 31 March 2021, the Group had issued a performance bond of approximately HK\$818,000 to a customer as security of contract for building protection works.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 March 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, in absence of unforeseeable circumstances, upon the completion of the Acquisition, taking into account the internal resources and the banking facilities presently available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest audited financial statement of the Group were made up and up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS

The impacts of COVID-19 epidemic (the “**Epidemic**”) have caused pressure worldwide and dampened the development of various industries, with no exception for the construction industry. Due to the sudden and rapid spread of the Epidemic, a series of enhanced precautionary and control measures have been undertaken by the governments across the world including Hong Kong and Macau. The significant reduction of social and business activities and the subsequent quarantine measures have adversely affected the economy in Hong Kong, including the slowdown in the progress of construction projects. As a result, some of the Group’s building protection works in the construction site have been held up or delayed, such influences might continue until the Epidemic was contained and this would affect the operational and financial performance of the Group.

The Group estimates that the degree of COVID-19 impact would be dependent on the outcome of various preventive measures and the duration of the Epidemic. The Group is closely monitoring the market development and continuously evaluating the financial impact of the COVID-19 situation. Given the unpredictability of future development of COVID-19, the impacts to the Group could not be reasonably and accurately estimated at this stage. However, for the time being, the Group’s building protection work projects on hand are in steady progress and the Group did not experience any shortages or difficulties in the supply of building protection products.

Since the outbreak of the Epidemic in the early 2020, the Group has implemented measures, including frequent workspace cleaning with disinfectant, ensuring the wearing of face masks of all staff at work, and conducting body temperature test to protect the health and safety of the employees. The Group will continue to closely monitor the development of the Epidemic and will take necessary actions to control costs and drive efficiency to maintain profitability and competitiveness in the market.

Going forward, the Group will continue to strengthen its market position by expanding its workforce and competing for more building protection work projects in Hong Kong. The Directors remain confident in the prospect of the Group and are committed in creating long-term and sustainable value for the Company and its shareholders.

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from International Valuation Limited, an independent valuer, in connection with its valuation as at 31 March 2021 of the Property.



INTERNATIONAL VALUATION LIMITED
國際評估有限公司

Suite 1213, 12/F,
Houston Centre,
63 Mody Road,
Tsim Sha Tsui,
Kowloon
Hong Kong

26 May 2021

The Board of Directors
Sunray Engineering Group Limited
Unit 802-804, 8/F, Laford Centre,
No.838 Lai Chi Kok Road,
Kowloon, Hong Kong

Dear Sir/Madam,

Re: Valuation of Flats A and B on 5th Floor, International Industrial Building, Nos.501-503 Castle Peak Road, Kowloon (THE “PROPERTY”)

1. INSTRUCTIONS AND VALUATION DATE

In accordance with your instruction for us to value the Market Value of the Property to be acquired by Sunray Engineering Group Limited (the “Company”) and its subsidiaries (together the “Group”), we confirm that we have carried out an external inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 31 March 2021 for transaction purpose.

2. BASIS OF VALUATION

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 Edition issued by The Hong Kong Institute of Surveyors (“HKIS”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

3. VALUATION METHODOLOGIES

We have valued the Property on open market basis and on the vacant possession, and the direct comparison method is adopted where comparison based on prices realized on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each Property in order to arrive at a fair comparison of market values.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market in its existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property.

Unless stated as otherwise, we have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all laws, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this valuation is based, all required licenses, permit, certificate and authorizations have been obtained.

We have assumed that the owners of the Property has free and uninterrupted rights to use and dispose of the Property for the whole of the unexpired term of Government lease.

5. TITLE INVESTIGATION

We have carried out searches to be made at the Land Registry of the Property located in Hong Kong. However, we have not verified ownership of the Property or to verify the existence of any amendments. All documents have been used for reference only.

6. LIMITING CONDITIONS

We have inspected the exterior of the Property on 22 April 2021 but no structural survey has been made, but in the course of our inspection, we did not note any serious defects. No tests were carried out to any of the services. All dimensions, measurements and areas are only approximations.

No internal inspection had been made for the Property. We are unable to report and comment on the interiors of the Property. We have assumed that the interiors of the Property are finished and maintained in reasonable conditions commensurate with its age and uses.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have relied to a very considerable extent on the information provided by the Company and have accepted information therein on such matters as planning approvals, statutory notices, easements, tenure, occupation, tenancy details, floor area and the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which are material to the valuation. We have also been advised by the Company that no material fact has been omitted from information so supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

The conclusion of value is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the valuation, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

This valuation is to be used for the purpose stated herein. Any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our valuation in whole or in part, in any document prepared by the Company and/or distribute to third parties may be made without written consent.

Neither the whole nor any part of this letter and the certified opinion of value attached nor any reference thereto shall be included in any document, circular or statement without prior consent of the form and context in which they will respectively appear. This letter and certified opinion of value are only for the use of the party to whom it is addressed and no responsibility shall be accepted to any third party for the whole or any part of its content.

We hereby certify that we have neither present nor prospective interest in the Company or the value reported.

7. REMARKS

Unless otherwise stated, all monetary amounts are in Hong Kong dollars. We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
International Valuation Limited
Patrick Lee
Director (Real Estate)
BSc., MHKIS

Mr. Patrick Lee is a Corporate Member from the General Practice Division of the Hong Kong Institute of Surveyors. He has over 20 years post qualification experience in the valuation of properties in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property to be acquired by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2021
Flats A and B on 5th Floor, International Industrial Building, Nos.501-503 Castle Peak Road, Kowloon Hong Kong	The Property comprises two units (the whole floor) on 5th Floor of a 12-storey industrial building completed in 1976. As scaled off from a registered floor plan, the saleable area of the Property is approximately 7,668 sq.ft..	The Property was occupied as at the date of valuation.	HK\$43,800,000
28/396 shares of and in New Kowloon Inland lot Nos. 3868, 3869 and 3870	Portion	Saleable Area Approx. (sq.ft.)	
	Flat A	3,884	
	Flat B	3,884	
	Total :	7,668	

The Property is held under a Government Lease for a lease term of 75 years renewable for 24 years commencing on 1 July 1898. The term has been statutorily extended to 30 June 2047. The government rent payable for the Property is at 3% of the rateable value for the time being of the property per annum.

Notes:

- (1) According to an agreement entered into between Wellsum Development Company Limited (“Vendor”) and Sunray Engineering (HK) Company Limited (“Purchaser”), an indirect wholly-owned subsidiary of the Company, on 30 April 2021, the Property will be acquired by the Purchaser at a consideration of HK\$43,000,000.
- (2) According to para. 26(a) of the above agreement, the Vendor shall discharge the Property from the mortgage at his sole expense on or before completion to the intent that the Property shall be sold free from the mortgage. The Vendor covenants that he shall not further encumber the Property.
- (3) No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property, nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.
- (4) According to the land search carried out on 21 April 2021, the followings are summarised as below:-
 - a. The registered owner of the Property is Wellsum Development Company Limited.
 - b. The Property is subject to a Deed of Mutual Covenant vide memorial no. UB1275814 dated 15 June 1976.
 - c. Flat A of the Property is subject to a First Legal Charge in favour of Kwong On Bank Limited vide memorial no. UB5761484 dated 31 July 1993.

- d. Flat A of the Property is subject to a Second Legal Charge in favour of Kwong On Bank Limited vide memorial no. UB6340483 dated 10 February 1995.
- e. Flat B of the Property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide memorial no. UB9468874 dated 26 January 2005.
- f. The Property is subject to two notices vide memorial nos. 16021900410190 and 16021900410207 both dated 20 July 2015 and one building order vide memorial no. 17112101110323 dated 2 November 2017 in respect of the common parts of the the building.
- g. According to a letter, issued by the Buildings Department, provided by the Company, the building order vide memorial no. 17112101110323 dated 2 November 2017 has been complied with and the letter will be sent to the Land Registry for registration.
- h. In our valuation, we have disregarded the above notices in arriving at the market value of the Property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information relating to the Group. 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 OF DIRECTORS AND CHIEF EXECUTIVE

Interests and short positions of Directors and chief executive in Shares, underlying Shares or debentures of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules are set out below:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding
Mr. Lam Ka Wing (“Mr. Lam”) (<i>Note 1</i>)	Interest in a controlled corporation	750,000,000	75%
Ms. Wong Pui Yee Edith (“Mrs. Lam”) (<i>Note 2</i>)	Interest of spouse	750,000,000	75%

Notes:

1. These Shares are registered in the name of Ultra Success Industries Limited (“Ultra Success”), a company which is wholly-owned by Mr. Lam. Under the SFO, Mr. Lam is deemed to be interested in all the Shares registered in the name of Ultra Success.
2. These Shares represent the Shares held indirectly by Mr. Lam, the spouse of Mrs. Lam, as ultimate beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which

any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules.

Interests and short positions of substantial shareholders and other persons in Shares, underlying Shares or debentures of the Company and its associated corporation

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company), so far as are known to any Director, 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:

Name of Shareholder	Nature of interest	Number of Shares held	Percentage of shareholding
Ultra Success	Beneficial owner	750,000,000	75%

Note: Ultra Success is a company incorporated in the BVI and is wholly-owned by Mr. Lam. Mr. Lam is deemed to be interested in all Shares held by Ultra Success for the purpose of SFO. Mrs. Lam, the spouse of Mr. Lam, is also deemed to be interested in all the Shares held by Mr. Lam under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or the controlling Shareholders or their respective close associates had interests in any business which competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which have been since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to or by any member of the Group, or are proposed to be acquired or disposed of by or leased to or by any member of the Group.

On 23 March 2020, Karcenar Limited (an indirect wholly-owned subsidiary of the Company), as tenant, entered into a tenancy agreement with Red Fame Limited as landlord, to rent the premises situated at Flat D, 65/F, Tower 3, Grand Promenade, 38 Tai Hong Street, Sai Wan Ho, Hong Kong (the "Premises") for a term of two years from 1 April 2020 to 31 March 2022 at a monthly rental of HK\$45,000. Please refer to the Prospectus for further details. On 30 November 2020, Karcenar Limited and Red Fame Limited have mutually agreed to terminate the rental of the Premises with immediate effect.

Red Fame Limited is a limited liability company incorporated in Hong Kong and is owned as to 50% by Mr. Lam and 50% by Mrs. Lam (both being executive Directors). As such, Red Fame Limited is a connected person pursuant to the GEM Listing Rules.

Save as disclosed above, there is no contract or arrangement subsisting as at the date of this circular in which any of the Directors is materially interested and which is significant to the business of the Group.

6. LITIGATION AND CLAIMS

As at the Latest Practicable Date, there was no litigation or claim of material importance pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, 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 date of this circular and are, or may be, material:

- (a) the Preliminary Sale and Purchase Agreement; and
- (b) the Formal Agreement.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given an opinion or advice which is contained in this circular:

Name	Qualification
International Valuation Limited	Independent valuer

As at the Latest Practicable Date, the expert:

- (a) was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which have been 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 since 31 March 2020 (being the date up to which the latest published audited consolidated financial statements of the Company were made up).

As at the date of this circular, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and reference to its name included herein in the form and context in which it appears.

9. MISCELLANEOUS

- (a) The registered office of the Company is at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman Ky1-1108, Cayman Islands, and the head office and the principal place of business in Hong Kong is at Unit 803-804, 8/F., Laford Centre, 838 Lai Chi Kok Road, Kowloon, Hong Kong.
- (b) The branch share registrar of the Company is Tricor Investor Services Limited located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Mr. Lo Kai Yeung Kenneth, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Unit 803-804, 8/F., Laford Centre, 838 Lai Chi Kok Road, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed “7. Material Contracts” in this appendix;
- (c) the Prospectus;
- (d) the Annual Report 2019/20;
- (e) the first quarterly report of the Company for the three months ended 30 June 2020;
- (f) the interim report of the Company for the six months ended 30 September 2020;
- (g) the 2020 Third Quarterly Report;
- (h) the property valuation report from the Independent Valuer, the text of which is set out in Appendix II to this circular;
- (i) the written consent referred to in paragraph headed “8. Qualification and Consent of Expert” in this appendix; and
- (j) this circular.