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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 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.

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.

Ultra Success Industries Limited, the controlling Shareholder holding 750,000,000 Shares as at the date of this announcement, 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.

Pursuant to the Rule 19.41(a) of the GEM Listing Rules, a circular containing, inter alia, further details of the Acquisition is required to be despatched to all the Shareholders within 15 business days after the publication of this announcement. As the Company requires additional time for compiling the information to be included in the circular pursuant to the requirements of the GEM Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 19.41(a) of the GEM Listing Rules. The Company will publish an announcement in relation to the despatch of the circular as and when appropriate.

INTRODUCTION

The Board is pleased to announce that 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 ACQUISITION

The principal terms of the Preliminary Sale and Purchase Agreement are summarised as follows:

Parties

Purchaser: Sunray Engineering (HK) Company Limited

Vendor: Wellsum Development Co., Ltd.

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.

Asset to be acquired

The Property is a non-residential unit situated at Flat 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 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, shall be paid to the Vendor’s solicitor as stakeholder on or before 30 April 2021; 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).

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.

Formal Agreement

Pursuant to the Preliminary Sale and Purchase Agreement, the Preliminary Sale and Purchase Agreement shall be superseded by the Formal Agreement to be executed by the Purchaser and the Vendor for the acquisition of the Property on or before 30 April 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.

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.

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.

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.

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.

Ultra Success Industries Limited, the controlling Shareholder holding 750,000,000 Shares as at the date of this announcement, 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.

Pursuant to the Rule 19.41(a) of the GEM Listing Rules, a circular containing, inter alia, further details of the Acquisition is required to be despatched to all the Shareholders within 15 business days after the publication of this announcement. As

the Company requires additional time for compiling the information to be included in the circular pursuant to the requirements of the GEM Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 19.41(a) of the GEM Listing Rules. The Company will publish an announcement in relation to the despatch of the circular as and when appropriate.

DEFINITIONS

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

“Acquisition”	the acquisition of the Property pursuant to the Preliminary Sale and Purchase Agreement
“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 to be entered into between the Purchaser and the Vendor in relation to the Acquisition on or before 30 April 2021
“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)
“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
“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”	Flat 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
“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.

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

Hong Kong, 15 April 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lam Ka Wing and Ms. Wong Pui Yee Edith; and three independent non-executive Directors, namely Ms. Cho Mei Ting, Mr. Ho Ka Kit and Mr. Ng Kwun Wan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.sunray.com.hk.