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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high 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.

*This announcement, for which the directors (the “**Directors**”) of Sunray Engineering Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 the information contained in this announcement 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 in this announcement misleading.*

FINAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2024, together with the comparative audited figures for the year ended 31 March 2023 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	3	165,947	222,809
Cost of sales and services		(117,003)	(165,370)
Gross profit		48,944	57,439
Other income	5	279	1,449
Other gains and losses	6	162	175
Impairment losses under expected credit loss model, net of reversal	7	(441)	(78)
Selling and distribution costs		(6,876)	(8,929)
Administrative expenses		(40,689)	(40,310)
Finance costs	8	(1,425)	(1,035)
(Loss) profit before taxation	9	(46)	8,711
Income tax expense	10	(752)	(3,199)
(Loss) profit and total comprehensive (expense) income for the year		(798)	5,512
(Loss) earnings per share			
Basic (HK cents)	11	(0.08)	0.55

Consolidated Statement of Financial Position

At 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property and equipment		47,821	51,296
Right-of-use assets		4,021	4,953
Rental and other deposits	13	140	277
		<u>51,982</u>	<u>56,526</u>
Current assets			
Inventories		16,698	12,989
Trade and other receivables	13	25,806	23,196
Contract assets	14	123,525	135,358
Cash and cash equivalents		35,185	29,436
		<u>201,214</u>	<u>200,979</u>
Current liabilities			
Trade and other payables	15	23,986	26,508
Contract liabilities	14	14,880	12,302
Lease liabilities		1,815	1,805
Taxation payable		1,175	2,400
Bank borrowings	16	22,325	23,587
		<u>64,181</u>	<u>66,602</u>
Net current assets		<u>137,033</u>	<u>134,377</u>
Total assets less current liabilities		<u>189,015</u>	<u>190,903</u>
Non-current liabilities			
Lease liabilities		1,504	2,390
Deferred taxation		746	950
		<u>2,250</u>	<u>3,340</u>
Net assets		<u>186,765</u>	<u>187,563</u>
Capital and reserves			
Share capital		10,000	10,000
Reserves		176,765	177,563
Total equity		<u>186,765</u>	<u>187,563</u>

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000 (Note i & ii)	Share premium HK\$'000 (Note i & ii)	Legal reserve HK\$'000 (Note iii)	Other reserve HK\$'000	Capital contribution HK\$'000	Retained profits HK\$'000	
At 1 April 2022	10,000	31,055	24	49	36,724	104,199	182,051
Profit and total comprehensive income for the year	—	—	—	—	—	5,512	5,512
At 31 March 2023	10,000	31,055	24	49	36,724	109,711	187,563
Loss and total comprehensive expense for the year	—	—	—	—	—	(798)	(798)
At 31 March 2024	10,000	31,055	24	49	36,724	108,913	186,765

Notes:

- (i) On 23 April 2020, the Company issued a total of 250,000,000 new shares of par value of HK\$0.01 each at offer price of HK\$0.24 per share, by way of the public offer and placing. Of the gross total proceeds of HK\$60,000,000, HK\$2,500,000 representing the par value was credited to the Company's share capital, and HK\$57,500,000 before reduction of issue costs of HK\$18,945,000, was credited to the share premium account.
- (ii) The Company capitalised an amount of HK\$7,499,999.99 standing to the credit of the share premium account of the Company towards paying in full at par a total of 749,999,999 shares for allotment and issue to the shareholders of the Company on 23 April 2020. Such shares rank pari passu in all respects with the then existing issued shares of the Company.
- (iii) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of the accounting period of not less than 25% to legal reserve, until the amount reaches an amount equal to half of the respective share capital.

Notes:

1. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the “**Group**”) has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except of the amendments to HKFRSs mentioned below, the application of the other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “Material accounting policy information” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57).

In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The application of amendments in the current year had no material impact on the financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

Revenue represents the fair value of amounts received and receivable from provision of building protection works and supply of building protection products.

An analysis of the Group's revenue is as follows:

	2024	2023
	HK\$'000	HK\$'000
Contract revenue from provision of building protection works, recognised over time:		
Residential buildings	36,187	31,782
Community facilities (Note)	57,753	71,629
Commercial buildings	27,624	59,314
	121,564	162,725
Contract revenue from supply of building protection products, recognised at a point in time	44,383	60,084
	165,947	222,809

Note: Community facilities include sports centres, theatre, hospitals, power station and other community facilities.

All the Group's provision of building protection works are made directly with customers which are mainly construction companies and contractors in Hong Kong. The period of building protection works normally varies from 1 to 4 years. The customers for supply of building protection products are mainly located in Hong Kong and Macau.

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “**CODM**”) in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reporting and operating segments under HKFRS 8 “Operating Segments” are as follows:

- Provision of building protection works; and
- Supply of building protection products.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 March 2024

	Provision of building protection works HK\$'000	Supply of building protection products HK\$'000	Total HK\$'000
Segment revenue - external	<u>121,564</u>	<u>44,383</u>	<u>165,947</u>
Segment results	<u>29,758</u>	<u>19,186</u>	48,944
Other income			279
Other gains and losses			162
Impairment losses under ECL model, net of reversal			(441)
Selling and distribution costs			(6,876)
Administrative expenses			(40,689)
Finance costs			<u>(1,425)</u>
Loss before taxation			<u>(46)</u>

For the year ended 31 March 2023

	Provision of building protection works HK\$'000	Supply of building protection products HK\$'000	Total HK\$'000
Segment revenue - external	<u>162,725</u>	<u>60,084</u>	<u>222,809</u>
Segment results	<u>38,542</u>	<u>18,897</u>	57,439
Other income			1,449
Other gains and losses			175
Impairment losses under ECL model, net of reversal			(78)
Selling and distribution costs			(8,929)
Administrative expenses			(40,310)
Finance costs			<u>(1,035)</u>
Profit before taxation			<u>8,711</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of other income, other gains and losses, impairment losses under ECL model, net of reversal, selling and distribution costs, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Hong Kong and Macau. Analysis of the Group's revenue by geographical location is detailed below:

	2024	2023
	HK\$'000	HK\$'000
Hong Kong	149,653	212,239
Macau	16,294	10,570
	<u>165,947</u>	<u>222,809</u>

The Group's non-current assets, excluding financial assets, are substantially situated in Hong Kong.

Information about major customers

Revenue from customers individually contributing over 10% of total revenue of the Group during the year are as follows:

	2024	2023
	HK\$'000	HK\$'000
Provision of building protection works and supply of building protection products:		
Customer A	51,711	81,539
Customer B	N/A*	33,576
	<u>N/A*</u>	<u>33,576</u>

* Revenue from this customer was less than 10% of the total revenue for the year.

5. OTHER INCOME

	2024	2023
	HK\$'000	HK\$'000
Bank interest income	177	72
Short-term rental income	—	172
Government subsidies (Note)	—	1,091
Sundry income	102	114
	<u>279</u>	<u>1,449</u>

Note: The government subsidies recognised during the year ended 31 March 2023 were mainly related to the Employment Support Scheme in respect of COVID-19-related subsidies from Hong Kong Government.

6. OTHER GAINS AND LOSSES

	2024	2023
	HK\$'000	HK\$'000
Net exchange gain	325	256
Loss on disposal of property and equipment	(163)	(81)
	<u>162</u>	<u>175</u>

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2024	2023
	HK\$'000	HK\$'000
Net impairment losses recognised (reversed) on:		
– trade receivables	85	241
– contract assets	356	(163)
	<u>441</u>	<u>78</u>

8. FINANCE COSTS

	2024	2023
	HK\$'000	HK\$'000
Interests on:		
– bank borrowings	1,306	912
– lease liabilities	119	123
	<u>1,425</u>	<u>1,035</u>

9. (LOSS) PROFIT BEFORE TAXATION

	2024	2023
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' emoluments	12,313	11,512
Other staff costs	28,176	32,640
Retirement benefit schemes contributions for other staff	1,011	970
Total staff costs	<u>41,500</u>	<u>45,122</u>
Auditor's remuneration	880	850
Variable lease payments in respect of land and buildings which are not included in the measurement of lease liabilities (Note)	3,464	4,550
Cost of inventories recognised as an expense	63,857	101,743
Depreciation of property and equipment	3,728	3,959
Depreciation of right-of-use assets	<u>1,888</u>	<u>2,088</u>

Note: The variable lease payments for certain warehouses are determined according to predetermined unit cost and the usage of storage units of respective warehouses pursuant to terms and conditions that are set out in respective rental agreements.

10. INCOME TAX EXPENSE

	2024	2023
	HK\$'000	HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current tax	1,069	3,100
Overprovision in prior years	(113)	(46)
	<u>956</u>	<u>3,054</u>
Deferred tax charge	(204)	145
	<u><u>752</u></u>	<u><u>3,199</u></u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for Macau Complementary Tax (“CT”) is made as the Group has no estimated assessable profits exceeding Macau Pataca (“MOP”) 600,000 for both years.

The income tax expense for the year can be reconciled to the (loss) profit before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	2024	2023
	HK\$'000	HK\$'000
(Loss) profit before taxation	<u>(46)</u>	<u>8,711</u>
Tax at Hong Kong Profits Tax rate of 16.5%	(8)	1,437
Tax effect of expenses not deductible for tax purpose	489	914
Tax effect of income not taxable for tax purpose	(30)	(283)
Tax effect of deductible temporary difference not recognised	188	301
Tax effect of tax losses not recognised	1,133	1,054
Tax concession	(3)	(6)
Tax effect on two-tiered profits tax rates	(165)	(165)
Overprovision in prior years	(113)	(46)
Others	<u>(739)</u>	<u>(7)</u>
Income tax expense	<u>752</u>	<u>3,199</u>

11. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	2024	2023
	HK\$'000	HK\$'000
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	<u>(798)</u>	<u>5,512</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

No diluted (loss) earnings per share was presented for both years ended 31 March 2024 and 2023 as the Group had no potential ordinary shares in issue during both years.

12. DIVIDENDS

No dividend was proposed by the directors of the Company in respect of year ended 31 March 2024 or subsequent to 31 March 2024 (2023: nil).

13. TRADE AND OTHER RECEIVABLES

	2024	2023
	HK\$'000	HK\$'000
Trade receivables	23,377	22,371
Less: Allowance for impairment	(1,054)	(969)
	22,323	21,402
Other receivables	505	459
Prepayment and deposits	3,118	1,612
	25,946	23,473
Less: Rental and other deposits classified as non-current portion	(140)	(277)
Current portion	25,806	23,196

As at 1 April 2022, the carrying amount of trade receivables is HK\$15,813,000, net of allowance for impairment of HK\$728,000.

Trade receivables represent the amounts receivable, after deduction of retention receivables. For provision of building protection works, the trade receivables usually fall due within 14 to 30 days after the work is certified. For supply of building protection products, the Group normally allows a credit period ranging from 15 to 30 days to its customers.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the approval dates of work certified or dates of invoices at the end of the reporting period.

	2024	2023
	HK\$'000	HK\$'000
0 to 30 days	9,287	14,904
31 to 90 days	7,262	3,210
91 to 180 days	854	1,469
181 to 365 days	2,251	1,244
Over 365 days	2,669	575
	<u>22,323</u>	<u>21,402</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the trade receivables is reviewed by the management of the Group regularly.

As at 31 March 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$13,036,000 (2023: HK\$6,498,000) which are past due. The Group does not hold any collateral over these balances.

In addition, the management of the Group is of the opinion that no event of default occurred for trade receivables past due over 90 days as the balances are still considered fully recoverable based on the management's historical experience on the settlement pattern from these customers.

14. CONTRACT ASSETS/LIABILITIES

	2024	2023
	HK\$'000	HK\$'000
Analysed on a gross basis of:		
Contract assets — provision of building protection works	124,522	135,999
Less: Allowance for impairment	(997)	(641)
	<u>123,525</u>	<u>135,358</u>
Contract liabilities		
– provision of building protection works	(12,961)	(10,698)
– supply of building protection products	(1,919)	(1,604)
	<u>(14,880)</u>	<u>(12,302)</u>

As at 1 April 2022, the carrying amount of contract assets is HK\$118,598,000, net of allowance for impairment of HK\$804,000.

As at 31 March 2024, included in carrying amounts of contract assets are retention receivables of HK\$37,392,000 (2023: HK\$33,763,000), net of loss allowance of HK\$572,000 (2023: HK\$520,000).

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money (accumulated up to maximum 5% of contract sum), 50% of which is normally recoverable upon completion of respective projects and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 year to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

The retention receivables, net of loss allowance, included in contract assets are to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period as follows:

	2024	2023
	HK\$'000	HK\$'000
Within one year	10,014	2,020
After one year	27,378	31,743
	<u>37,392</u>	<u>33,763</u>

As at 1 April 2022, the carrying amount of contract liabilities was HK\$14,355,000.

At the end of the reporting period, contract liabilities represent advanced payments from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts which are expected to be satisfied within one year.

15. TRADE AND OTHER PAYABLES

	2024	2023
	HK\$'000	HK\$'000
Trade payables	13,235	15,483
Retention payables	6,296	6,273
Accrued expenses	1,386	2,506
Accrued staff costs	3,069	2,246
	<u>23,986</u>	<u>26,508</u>

The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	2024	2023
	HK\$'000	HK\$'000
0 - 30 days	8,883	9,373
31 to 90 days	1,128	1,862
Over 90 days	3,224	4,248
	<u>13,235</u>	<u>15,483</u>

The credit period of trade payables ranges from 30 to 90 days.

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

The retention payables are to be settled, based on the expiry of maintenance period, at the end of each reporting period as follows:

	2024	2023
	HK\$'000	HK\$'000
Within one year	1,772	1,196
After one year	4,524	5,077
	<u>6,296</u>	<u>6,273</u>

16. BANK BORROWINGS

	2024	2023
	HK\$'000	HK\$'000
Variable-rate, secured bank borrowings	<u>22,325</u>	<u>23,587</u>
The carrying amounts of the above bank borrowings are repayable*:		
– Within one year	1,698	1,589
– More than one year, but not exceeding two years	1,746	1,656
– More than two years, but not exceeding five years	3,691	4,422
– More than five years	<u>15,190</u>	<u>15,920</u>
Carrying amounts of bank borrowings that contain a repayment on demand clause shown under current liabilities	<u>22,325</u>	<u>23,587</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 March 2024, the range of effective interest rates on the bank borrowings are 3.875% to 5.59% per annum (2023: 3.98% to 4.37%).

At 31 March 2024, the Group has pledged its leasehold land and building with a carrying value of HK\$41,108,000 (2023: HK\$42,617,000) to secure general banking facilities granted to the Group. The bank borrowings are also secured by corporate guarantees provided by the Company.

The bank borrowings at 31 March 2024 carry variable interest rate at Hong Kong Dollar Prime Rate minus 2.25% (2023: ranging from 1.30% to 2.0% over 3-month Hong Kong Interbank Offered Rate).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a Hong Kong-based building protection solution provider principally engaged in provision of building protection works and supply of building protection products.

The Group's building protection works generally refer to the selection and use of appropriate building protection products in a building for protection against water, thermal, acoustic and fire. The supply of building protection products refers to identifying, sourcing, promoting and distributing suitable building protection products to the Group's customers to meet their varying needs and requirements. The building protection products supplied by the Group are mainly waterproofing products, tiling products, flooring and other products.

During the year ended 31 March 2024, the Group had taken up 346 projects with an original contract sum of approximately HK\$909.0 million in which the Group had completed 56 projects with an original contract sum of approximately HK\$59.2 million. As at 31 March 2024, the Group had 290 contracts in progress with an original contract sum of approximately HK\$849.8 million.

FINANCIAL REVIEW

The Group recorded a total revenue of approximately HK\$166.0 million for the year ended 31 March 2024, representing a decrease of approximately HK\$56.8 million or 25.5% as compared to that of approximately HK\$222.8 million for the year ended 31 March 2023. Loss for the year attributable to owners of the Company for the year ended 31 March 2024 was approximately HK\$798,000, as compared to a profit of approximately HK\$5.5 million for the year ended 31 March 2023, which was mainly attributable to the decrease in revenue generated from both the provision of building protection works and the supply of building protection products, and the overall decrease in gross profit for the year ended 31 March 2024.

PROSPECTS

Despite the recent easing of the COVID-19 pandemic, the Group expects that intense competition in tenders from competitors with aggressive pricing strategies, stringent budgets from customers as well as interest rate hikes, rising material costs, subcontracting charges and labour costs will continue to affect the Group's operations and financial performance in the near term.

In view of present economic uncertainties and difficulties, the Group will regularly review its existing asset structure and business strategies and may make necessary adjustments so as to be flexibly prepared for encountering any challenges in the future. With the aim of optimising resource utilisation, the Group will strictly adhere to its cost control policy and will take necessary actions to control costs and drive efficiency to maintain profitability and competitiveness in the market. On the other hand, the Group will also proactively pursue all suitable investment opportunities to diversify the Group's business horizons which will strengthen its overall business development.

Going forward, the Group will stay vigilant and 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 prospects of the Group and are committed in creating long-term and sustainable value for the Company and its shareholders.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks that could adversely affect the Group's operations and financial results. The major uncertainties may include:

- (i) the Group derives revenue from projects and purchase orders of a non-recurrent nature, where there is no guarantee that customers will provide the Group with new business or that the Group will secure new contracts;
- (ii) the Group determines the contract price based on estimated time and costs involved in the project. An under-estimation or ineffective cost management may adversely affect the Group's financial results;
- (iii) the slow economic recovery from global outbreak of COVID-19 may significantly and adversely impact the Group's business operations and financial performance;
- (iv) the timing of the Group's payment to suppliers may not match the receipt of payment from customers;
- (v) the Group relies on its major subcontractors to help complete the building protection works projects. Any material surges of their charges or any substandard work by subcontractors will affect the Group to a large extent;
- (vi) the Group relies on independent third party suppliers for production of all its own-brand building protection products; and
- (vii) the Group relies on brand owners and manufacturers for the supply of building protection products to satisfy its business operation needs. Failure to secure a steady supply of these products to the Group may adversely affect its results of business operations.

Save as disclosed above, the principal risks and uncertainties affecting the Group as disclosed in the Prospectus remain substantially unchanged since the listing of the Company's shares on GEM of the Stock Exchange on 23 April 2020 and up to the date of this announcement. For details and other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

The Group will continue to use its best efforts to ensure it has sufficiently mitigated the risks present in its operations and financial position as efficiently and effectively as possible.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has adopted risk management and internal control policies to monitor the on-going compliance with the relevant laws and regulations. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 March 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2024, the Group had total assets of approximately HK\$253.2 million (31 March 2023: HK\$257.5 million), including bank balances and cash of approximately HK\$35.2 million (31 March 2023: HK\$29.4 million). Such decrease in total assets was mainly attributable to the decrease in contract assets.

Equity attributable to equity holders of the Company as at 31 March 2024 was approximately HK\$186.8 million, representing a decrease of approximately HK\$798,000 as compared to that of approximately HK\$187.6 million as at 31 March 2023.

The total interest-bearing borrowings (including bank borrowings and lease liabilities) of the Group as at 31 March 2024 were approximately HK\$25.6 million (31 March 2023: HK\$27.8 million). The borrowings were secured by the Group's property with a carrying value of approximately HK\$41.1 million as at 31 March 2024 (31 March 2023: HK\$42.6 million).

The Group's financial position remains solid and we have sufficient cash and cash equivalents to meet our liabilities when they become due.

Gearing ratio

The Group's gearing ratio (dividing the total interest bearing borrowings and lease liabilities by equity attributable to equity holders of the Company at the year-end date) decreased from approximately 14.8% as at 31 March 2023 to approximately 13.7% as at 31 March 2024. Such decrease was mainly attributable to the repayment of bank borrowings during the year ended 31 March 2024.

Current ratio

As at 31 March 2024, the Group had net current assets of approximately HK\$137.0 million, representing an increase of approximately HK\$2.6 million as compared to that of approximately HK\$134.4 million as at 31 March 2023. As a result, the Group's current ratio, which was calculated based on the total current assets divided by total current liabilities at the year-end date, increased from approximately 3.0 times as at 31 March 2023 to approximately 3.1 times as at 31 March 2024.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position throughout the reporting period. The management of the Group regularly reviews the recoverable amounts of contract assets and trade receivables by performing ongoing credit assessments and monitoring prompt recovery and if necessary making adequate impairment losses for irrecoverable amounts. In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with leading licensed banks in Hong Kong and denominated in Hong Kong dollars.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2024, the Group did not hold any significant investment (31 March 2023: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 March 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group had 109 employees excluding the Directors. Total staff costs incurred excluding Directors' remuneration for the year ended 31 March 2024 were approximately HK\$29.2 million (31 March 2023: HK\$33.6 million). The remuneration package offered to the Group's employees includes salary, commission and discretionary bonus. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement as at 31 March 2024, the Group did not have any other plan for material investments or capital assets.

FOREIGN CURRENCY FLUCTUATION

The revenue of the Group is mainly denominated in Hong Kong dollars. However, some of our waterproofing products are sourced from overseas countries and the Mainland China and settled in currencies including Euro, US Dollars, Hong Kong dollars and Renminbi. Therefore, the Group is subject to risks associated with foreign exchange rate fluctuations, particularly the Hong Kong dollars against Renminbi or Euro. The Group currently has no foreign currency hedging policy and the management will monitor the foreign exchange exposure by closely monitoring the movements of foreign currency rates. The Group will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 March 2024, the Group did not have any significant contingent liabilities (31 March 2023: Nil).

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no other important event affecting the Group since 31 March 2024 and up to date of this announcement.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company did not redeem any of its securities listed and traded on the Stock Exchange, nor did the Company or any of its subsidiaries purchase or sell any of such securities during the year ended 31 March 2024 and up to the date of this announcement.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year ended 31 March 2024.

AUDIT COMMITTEE

The Group's financial statements for the year ended 31 March 2024 have been reviewed by the audit committee of the Board, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness. The Board ensures that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has applied the principles and complied with all the code provisions as set out in the corporate governance code (“**CG Code**”) contained in Part 2 of Appendix C1 to the GEM Listing Rules throughout the year ended 31 March 2024, save for the deviations discussed below.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lam Ka Wing (“**Mr. Lam**”) is both the chairman and chief executive officer of the Company who is responsible for managing the Board and the Group’s business. Mr. Lam has been both chairman and chief executive officer of the Company since its incorporation. The Board considers that, with the present Board structure and scope of business of the Group, there is no imminent need to separate the roles into two individuals as Mr. Lam is perfectly capable of distinguishing the priority of these roles in which he has been acting. However, the Board will continue to review the effectiveness of the Group’s corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer is necessary.

DIVIDENDS

The Board does not recommend any payment of final dividend for the year ended 31 March 2024 (31 March 2023: Nil).

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2024. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 March 2024.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 25 June 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 23 August 2024, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 20 August 2024 to Friday, 23 August 2024 (both dates inclusive) during which period no transfer of shares of the Company will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Financial Centre 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 August 2024.

PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The annual report of the Company containing all the information required by the GEM Listing Rules will be despatched to shareholders of the Company and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sunray.com.hk) in due course.

By order of the Board
Sunray Engineering Group Limited
Lam Ka Wing
Chairman

Hong Kong, 25 June 2024

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 Mr. Ng Kwun Wan, Ms. Cho Mei Ting and Mr. Ho Ka Kit.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from its date of publication and on the Company's website at www.sunray.com.hk.