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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 2020

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 2020, together with the comparative audited figures for the year ended 31 March 2019 as follow:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	199,278	191,731
Cost of sales and services		<u>(121,215)</u>	<u>(112,646)</u>
Gross profit		78,063	79,085
Other income	5	200	265
Other gains and losses	6	(452)	381
Impairment losses under expected credit loss model, net of reversal	7	(1,283)	(274)
Selling and distribution costs		(5,875)	(8,059)
Administrative expenses		(31,084)	(29,943)
Finance costs	8	(57)	(169)
Listing expenses		<u>(13,997)</u>	<u>(5,074)</u>
Profit before taxation	9	25,515	36,212
Income tax expense	10	<u>(6,135)</u>	<u>(7,202)</u>
Profit and total comprehensive income for the year		<u>19,380</u>	<u>29,010</u>
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		19,380	20,793
– Non-controlling interests		<u>—</u>	<u>8,217</u>
		<u>19,380</u>	<u>29,010</u>
Earnings per share			
Basic (HK cents)	11	<u>2.58</u>	<u>2.77</u>

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property and equipment		4,362	5,937
Right-of-use assets		1,612	2,418
Rental deposits	13	256	260
		<u>6,230</u>	<u>8,615</u>
Current assets			
Inventories		6,482	12,446
Trade and other receivables	13	29,529	18,592
Contract assets	14	102,488	70,116
Pledged bank deposit		806	800
Bank balances and cash		39,920	31,271
		<u>179,225</u>	<u>133,225</u>
Current liabilities			
Trade and other payables	15	42,025	15,460
Contract liabilities	14	8,784	10,763
Lease liabilities		953	1,903
Taxation payables		8,915	8,287
		<u>60,677</u>	<u>36,413</u>
Net current assets		<u>118,548</u>	<u>96,812</u>
Total assets less current liabilities		<u>124,778</u>	<u>105,427</u>
Non-current liabilities			
Lease liabilities		699	504
Deferred tax liabilities		578	802
		<u>1,277</u>	<u>1,306</u>
Net assets		<u>123,501</u>	<u>104,121</u>
Capital and reserves			
Share capital		— #	— #
Reserves		123,501	104,121
Total equity		<u>123,501</u>	<u>104,121</u>

Less than HK\$1,000

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company					Non-		Total equity HK\$'000
	Share capital HK\$'000	Legal reserve HK\$'000	Other reserve HK\$'000	Capital contribution HK\$'000	Retained profits HK\$'000	Total	controlling interests HK\$'000	
At 1 April 2018	49	24	—	—	94,172	94,245	28,507	122,752
Profit and total comprehensive income for the year	—	—	—	—	20,793	20,793	8,217	29,010
Dividend declared	—	—	—	—	(47,641)	(47,641)	—	(47,641)
Adjustments arising from Group Reorganisation (Note 1)	(49)	—	49	—	—	—	—	—
Acquisition of additional shareholdings of subsidiaries from non-controlling interests (Note ii)	—	—	—	36,724	—	36,724	(36,724)	—
At 31 March 2019	—	24	49	36,724	67,324	104,121	—	104,121
Profit and total comprehensive income for the year	—	—	—	—	19,380	19,380	—	19,380
At 31 March 2020	<u>—</u>	<u>24</u>	<u>49</u>	<u>36,724</u>	<u>86,704</u>	<u>123,501</u>	<u>—</u>	<u>123,501</u>

Notes:

- (i) In accordance with 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.
- (ii) This represented the acquisition of the non-controlling interests by the controlling shareholder of the Group and injecting the relevant interests to the Company as further disclosed in the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 31 March 2020 (the “Prospectus”) issued by the Company in connection with the initial listing of shares of the Company on GEM of the Stock Exchange (the “Listing”).

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**”).

Before the completion of a group reorganisation (the “**Group Reorganisation**”) as fully explained in the section headed “History, Development and Reorganisation” in the Prospectus, the companies comprising the Group were controlled by Mr. Lam Ka Wing (“**Mr. Lam**”). Upon completion of the Group Reorganisation on 29 March 2019, the Company has become the holding company of the companies now comprising the Group.

2. Application of new and amendments to HKFRSs

The Group has consistently applied the new and amendments to HKFRSs issued by the HKICPA which are effective for the Group’s annual accounting period beginning on 1 April 2019 for the years ended 31 March 2020 and 2019.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁶
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ⁵
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁵
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ⁵

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for the Group's annual periods beginning on or after 1 April 2020.

The Directors anticipate that the application of some of these new and amendments to HKFRSs may have effect on the Group's financial performance and positions and/or the disclosures set out in the consolidated financial statements.

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:

	2020	2019
	HK\$'000	HK\$'000
Contract revenue from provision of building protection works, recognised over time:		
Residential buildings	55,819	40,196
Community facilities (Note)	22,558	19,145
Commercial buildings	42,225	47,031
	<u>120,602</u>	<u>106,372</u>
Contract revenue from supply of building protection products, recognised at a point in time	<u>78,676</u>	<u>85,359</u>
	<u><u>199,278</u></u>	<u><u>191,731</u></u>

Note: Community facilities include hospitals, police offices, museums, sports centres and other community facilities.

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"), being Mr. Lam, 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 2020

	Provision of building protection works HK\$’000	Supply of building protection products HK\$’000	Total HK\$’000
Segment revenue - external	<u>120,602</u>	<u>78,676</u>	<u>199,278</u>
Segment results	<u>42,633</u>	<u>35,430</u>	78,063
Other income			200
Other gains and losses			(452)
Impairment losses under expected credit loss model, net of reversal			(1,283)
Selling and distribution costs			(5,875)
Administrative expenses			(31,084)
Finance costs			(57)
Listing expenses			<u>(13,997)</u>
Profit before taxation			<u>25,515</u>

For the year ended 31 March 2019

	Provision of building protection works HK\$'000	Supply of building protection products HK\$'000	Total HK\$'000
Segment revenue - external	<u>106,372</u>	<u>85,359</u>	<u>191,731</u>
Segment results	<u>40,975</u>	<u>38,110</u>	79,085
Other income			265
Other gains and losses			381
Impairment losses under expected credit loss model, net of reversal			(274)
Selling and distribution costs			(8,059)
Administrative expenses			(29,943)
Finance costs			(169)
Listing expenses			<u>(5,074)</u>
Profit before taxation			<u>36,212</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit before tax earned by each segment without allocation of other income, other gains and losses, impairment losses under expected credit loss ("ECL") model, net of reversal, selling and distribution costs, administrative expenses, finance costs and listing expenses. 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:

	2020	2019
	HK\$'000	HK\$'000
Hong Kong	173,757	158,763
Macau	25,521	32,968
	<u>199,278</u>	<u>191,731</u>

The geographical location of the Group's non-current assets, excluding financial assets, is 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:

	2020	2019
	HK\$'000	HK\$'000
Provision of building protection works and supply of building protection products:		
Customer A	42,267	20,975
Customer B	N/A*	29,206
	<u>N/A*</u>	<u>29,206</u>

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

5. Other income

	2020	2019
	HK\$'000	HK\$'000
Bank interest income	55	229
Sundry income	145	36
	<u>200</u>	<u>265</u>

6. Other gains and losses

	2020	2019
	HK\$'000	HK\$'000
Net exchange loss	(451)	(473)
(Loss) gain on disposal of property and equipment	(1)	945
Loss arising from early termination of lease contracts	—	(91)
	<u>(452)</u>	<u>381</u>

7. Impairment losses under expected credit loss model, net of reversal

	2020	2019
	HK\$'000	HK\$'000
Net impairment losses (reversed) recognised on:		
- trade receivables	(5)	78
- contract assets	1,288	196
	<u>1,283</u>	<u>274</u>

8. Finance costs

	2020	2019
	HK\$'000	HK\$'000
Interest expenses on lease liabilities	<u>57</u>	<u>169</u>

9. Profit before taxation

	2020	2019
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	5,996	3,503
Other staff costs	22,241	22,231
Retirement benefit schemes contributions for other staff	<u>604</u>	<u>600</u>
Total staff costs	<u>28,841</u>	<u>26,334</u>
Auditor's remuneration	1,280	657
Variable lease payments in respect of land and buildings which are not included in the measurement of lease liabilities (Note)	2,005	2,634
Cost of inventories recognised as an expense	84,353	76,746
Depreciation of property and equipment	1,717	1,775
Depreciation of right-of-use assets	<u>2,122</u>	<u>2,368</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

	2020	2019
	HK\$'000	HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current tax	6,359	7,229
Deferred tax	(224)	(27)
	<u>6,135</u>	<u>7,202</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 of that qualifying group entity will be taxed at 16.5%. Accordingly, Hong Kong Profits Tax of the qualifying entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at the flat rate of 16.5%.

Macau Complementary Tax (“**CT**”) is calculated at the rate of 12% on the estimated assessable profits exceeding Macau Pataca (“**MOP**”) 600,000 for both years.

11. Earnings per share

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

	2020	2019
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>19,380</u>	<u>20,793</u>
	'000	'000
Number of shares (Note):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>750,000</u>	<u>750,000</u>

Note: The weighted average number of ordinary shares of the Company for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation as set out in note 1 and the capitalised issue of ordinary share in connection with the Listing have been effective on 1 April 2018.

No diluted earnings per share is presented as the Group has no potential ordinary shares in issue during both years.

12. Dividends

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2020 of 0.58 HK cents per share, in an aggregate amount of HK\$5,800,000, has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the year ended 31 March 2019, Sunray Engineering (HK) Company Limited declared dividends of HK\$47,641,000 to its then sole shareholder. The rate of dividends and number of shares ranking for dividends are not presented as such inclusion of information is not considered meaningful for the purpose of the consolidated financial statements.

13. Trade and other receivables

	2020	2019
	HK\$'000	HK\$'000
Trade receivables	23,524	15,141
Less: Allowance for impairment	<u>(207)</u>	<u>(212)</u>
	23,317	14,929
Deferred issue costs	5,157	1,363
Other receivables	413	15
Prepayment and deposits	868	1,278
Prepaid listing expenses	<u>30</u>	<u>1,267</u>
	29,785	18,852
Less: Rental deposits classified as non-current portion	<u>(256)</u>	<u>(260)</u>
Current portion	<u><u>29,529</u></u>	<u><u>18,592</u></u>

Trade receivables

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 allowances, presented based on the approval dates of work certified or dates of invoices at the end of the reporting period.

	2020	2019
	HK\$'000	HK\$'000
0 to 30 days	7,222	7,354
31 to 90 days	12,824	2,626
91 to 180 days	454	279
181 to 365 days	189	1,376
Over 365 days	2,628	3,294
	<u>23,317</u>	<u>14,929</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.

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.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9.

For the other receivables including rental deposits, allowance for impairment was insignificant and thus negligible to be made since the management of the Group considers the probability of default is minimal after assessing the counterparties' financial background and creditability.

14. Contract assets/liabilities

	2020	2019
	HK\$'000	HK\$'000
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets	102,488	70,116
Contract liabilities	<u>(8,784)</u>	<u>(10,763)</u>

As at 1 April 2018, the carrying amount of contract assets is HK\$41,249,000, net of loss allowance of HK\$354,000.

Included in carrying amounts of contract assets are retention receivables of HK\$17,168,000 (2019: HK\$13,668,000) as at 31 March 2020, net of loss allowance HK\$974,000 (2019: HK\$174,000).

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 project 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:

	2020	2019
	HK\$'000	HK\$'000
Within one year	2,125	3,466
After one year	15,043	10,202
	<u>17,168</u>	<u>13,668</u>

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.

The changes in contract assets and liabilities are due to i) changes in the progress of contracting works when the Group satisfies the performance obligations under the contracts, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9.

15. Trade and other payables

	2020	2019
	HK\$'000	HK\$'000
Trade payables	20,477	7,940
Retention payables	4,332	2,996
Accrued expenses	2,896	1,141
Accrued staff costs	6,707	1,268
Accrued listing expenses and issue costs	7,613	2,115
	42,025	15,460

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

	2020	2019
	HK\$'000	HK\$'000
Within 30 days	7,647	4,375
31 to 90 days	9,014	463
Over 90 days	3,816	3,102
	20,477	7,940

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:

	2020	2019
	HK\$'000	HK\$'000
Within one year	1,454	1,967
After one year	2,878	1,029
	4,332	2,996

MANAGEMENT DISCUSSION AND ANALYSIS

Management of the Group has continued to utilise our professional and committed workforce and financial resources to achieve maximum return to our shareholders.

Business Review

The Group is a Hong Kong-based building protection solution provider and our solutions integrate the provision of building protection works; and the supply of building protection products. 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 Group's building protection works focus on waterproofing works; and are complemented by flooring works and joint sealant works.

The supply of building protection products refer to identifying, sourcing, promoting and distributing suitable building protection products to our customers to meet their varying needs and requirements. The building protection products supplied by us include waterproofing products, tiling products, flooring and other products.

During the year ended 31 March 2020, the Group had taken up 210 projects with an original contract sum of approximately HK\$527.5 million in which the Group had completed 19 projects with an original contract sum of approximately HK\$34.2 million. As at 31 March 2020, the Group had 191 contracts in progress with an original contract sum of approximately HK\$493.3 million.

Prospects

The shares of the Company were listed on GEM on 23 April 2020 (the “**Listing Date**”). Net proceeds from the Listing were approximately HK\$22.5 million after deduction of the underwriting commission and relevant listing expenses. The Group will utilise the proceeds for acquiring additional machinery and equipment for building protection works and developing our own-brand products. In addition, we will apply the fund for our staff recruitment on new projects.

In view of the outbreak of Novel Coronavirus Pneumonia (“COVID-19”) in Hong Kong, the Mainland China and elsewhere in the world (the “Epidemic”) since January 2020, the Group has implemented measures, including frequent workspace cleaning with disinfectant, ensuring the wearing of face mask of all staff at work, and conducting body temperature test, etc., to protect the health and safety of the employees. We closely monitor the development of the Epidemic and use every effort on epidemic prevention and control during our daily operations. We are communicating with our suppliers to source necessary materials to maintain our projects progress. We believe this situation will not be lasting, and up to the date of this report, our supplies are able to fulfill our orders and no shortage is noted. Our Directors believe that COVID-19 will not have any significant impact on the Group’s business operations.

Key Risks and uncertainties

There are certain risks and uncertainties involved in the Group’s current operations, some of which are beyond the Group’s control. The following table shows the principal risks and uncertainties of the Group and how the Group mitigates those risks.

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
Risk of cost overruns	The actual amount of project costs may exceed our initial estimated costs.	The Directors frequently monitor the progress of each project. Our pricing strategy is based on certain percentage of mark-up over our estimated cost which is reviewed by our management team.
Risk relating to subcontractors’ performance	The quality of services of our subcontractors may not meet the requirements of our Group or our customers.	We regularly evaluates our subcontractors by taking into account their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. Generally, works performed by our subcontractors are inspected and monitored by our project management team based on our quality management system.

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
Credit risk management	Our customers usually settle our bills after the certification of our works. The timing for certification of the completed work by our customers varies from different projects and different customers based on their own certification process and approval procedures. Therefore, our Group might experience a longer time to collect our trade receivables and contract assets.	Our credit risk is primarily attributable to trade and other receivables, contract assets and cash and bank balances as set out in notes 20, 22 and 23 to the consolidated financial statements. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Our project team is responsible for conducting individual credit evaluations on our customers on a regular basis.
Liquidity risk management	There are often time lags between making payment to our suppliers (including subcontractors) and receiving payment from our customer when undertaking buildings protection works, resulting in possible cash flow mismatch.	<p>Directors are responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis;</p> <p>We only procure materials on an as-needed basis; and</p> <p>We closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by, amongst other things, (i) ensuring sufficient cash balances for payments of our short-term working capital needs; (ii) performing regular review of our trade receivables and aging analysis, and following up closely to ensure prompt receipt of trade receivables due from our customers.</p>

A detailed discussion of the risk factors is set out in the section headed “Risk Factors” in the Prospectus.

Compliance with Laws and Regulations

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group, save as disclosed in the sections headed “Business – Legal Proceedings” and “Business – Non-compliance Matters” in the Prospectus.

Financial Performance

For the year ended 31 March 2020, the Group recorded a revenue of approximately HK\$199.3 million, representing an increase of approximately 3.9% over last year. Profit and total comprehensive income for the year ended 31 March 2020 amounted to approximately HK\$19.4 million, decreased significantly by approximately HK\$9.6 million or 33.2% as compared with approximately HK\$29.0 million for the year ended 31 March 2019. Such significant decrease was mainly attributable to listing expenses incurred by the Group during the year ended 31 March 2020. Adjusted profit and total comprehensive income for the year ended 31 March 2020 (excluding listing expenses) amounted to approximately HK\$33.4 million, as decreased by approximately HK\$0.7 million, or 2.1% as compared to the year ended 31 March 2019, for approximately HK\$34.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of approximately HK\$185.5 million (as compared to approximately HK\$141.8 million as at 31 March 2019), including net cash and cash equivalents of approximately HK\$40.7 million (as compared to approximately HK\$32.1 million as at 31 March 2019). The total assets increased approximately HK\$43.7 million, or 30.7%, was mainly attributable to the increase in recognised contract assets from the completion of our building protection works.

Equity attributable to equity holders of the Company as at 31 March 2020 stood at approximately HK\$123.5 million, representing an increase of approximately HK\$19.4 million compared with approximately HK\$104.1 million as at 31 March 2019.

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

Gearing ratio

The Group's gearing ratio (dividing the lease liabilities by equity attributable to equity holders of the Company at year end date) decreased from 2.3% as at 31 March 2019 to 1.3% as at 31 March 2020. The decrease was mainly due to the fulfillment of lease liabilities during the year ended 31 March 2020.

Current ratio

As at 31 March 2020, the Group had net current assets of approximately HK\$118.5 million, representing a significant increase of approximately HK\$21.7 million as compared to that of approximately HK\$96.8 million as at 31 March 2019 due to the increased contract assets recognised. The current ratio slightly decreased to 3.0 times as at 31 March 2020 (from 3.7 times as at 31 March 2019).

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 to make 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 2020, the Group did not have any significant investment held (as at 31 March 2019: nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 March 2020, the Company did not have any significant acquisition or disposal of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 76 employees excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$22.8 million. The remuneration packages the Group offers to its employees include salary, commission and discretionary bonuses. 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 the Prospectus, the Group did not have any other plan for material investments and 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 arises.

CONTINGENT LIABILITY

At 31 March 2020, the company did not have any contingent liability.

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 period from the Listing Date up to the date of this announcement.

COMPETING INTERESTS

As at 31 March 2020, none of the Directors, nor the substantial shareholders of the Company and their respective close associates has any interest in a business that competes or may compete, whether directly or indirectly, with the business of the Group.

AUDIT COMMITTEE

The Group's financial statements for the year ended 31 March 2020 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 (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2020, save for the deviations discussed below.

Under the code provision A.2.1, 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 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.

DIVIDEND

The Board has proposed a final dividend of 0.58 HK cents per share, payable to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 31 August 2020. It is expected that the final dividend will be paid in cash on or before Monday, 21 September 2020. The total amount of the final dividend to be distributed is estimated to be HK\$5.8 million. The proposal for the distribution of final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM") to be held on Friday, 21 August 2020.

During the year ended 31 March 2020, there was no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

No dividend was paid or declared by the Company since its incorporation during the year ended 31 March 2019.

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 2020. 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 2020.

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 2020 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 21 August 2020, 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, 18 August 2020 to Friday, 21 August 2020 (both dates inclusive) during which period no transfer of Shares 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 August 2020.

To be eligible to entitle to the proposed final dividend, the register of members of the Company will be closed from Thursday, 27 August 2020 to Monday, 31 August 2020 (both dates inclusive) during which period no transfer of Shares will be registered, To be qualified for the proposed final dividend, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 26 August 2020.

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 GEM website (www.hkgem.com) 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, 30 June 2020

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 GEM website at www.hkgem.com for at least 7 days from its date of publication and on the website of the Company at www.sunray.com.hk.