



# 2022

## INTERIM REPORT



**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

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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

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

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This report, for which the directors (collectively the "**Directors**" and individually a "**Director**") 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

Mr. Lam Ka Wing (*Chairman and Chief Executive Officer*)  
Ms. Wong Pui Yee Edith

### *Independent non-executive Directors*

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

## AUDIT COMMITTEE

Mr. Ng Kwun Wan (*Chairman*)  
Ms. Cho Mei Ting  
Mr. Ho Ka Kit

## REMUNERATION COMMITTEE

Ms. Cho Mei Ting (*Chairlady*)  
Mr. Ho Ka Kit  
Mr. Ng Kwun Wan

## NOMINATION COMMITTEE

Mr. Ho Ka Kit (*Chairman*)  
Ms. Cho Mei Ting  
Mr. Ng Kwun Wan

## COMPANY SECRETARY

Mr. Lo Kai Yeung Kenneth  
(*Member of the HKICPA*)

## COMPLIANCE OFFICER

Ms. Wong Pui Yee Edith

## AUTHORISED REPRESENTATIVES

Mr. Lam Ka Wing  
Mr. Lo Kai Yeung Kenneth

## PRINCIPAL BANKER

**Bank of China (Hong Kong) Limited**  
Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**China Construction Bank (Asia)  
Corporation Limited**  
CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

## AUDITOR

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

**Hastings & Co.**  
5/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## COMPLIANCE ADVISER

**Alpha Financial Group Limited**  
Room A, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

**Tricor Investor Services Limited**  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Ocorian Trust (Cayman) Limited**  
Windward 3, Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## CAYMAN ISLANDS REGISTERED OFFICE

Windward 3, Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, International Industrial Building  
501-503 Castle Peak Road  
Kowloon, Hong Kong

## WEBSITE

[www.sunray.com.hk](http://www.sunray.com.hk)

## STOCK CODE

08616

# FINANCIAL HIGHLIGHTS

## HIGHLIGHTS

- The revenue of the Group amounted to approximately HK\$104.7 million for the six months ended 30 September 2022, representing an increase of approximately 16.1% as compared to that of approximately HK\$90.2 million for the six months ended 30 September 2021.
- The gross profit amounted to approximately HK\$26.0 million for the six months ended 30 September 2022, representing a decrease of approximately 13.3% as compared to that of approximately HK\$30.0 million for the six months ended 30 September 2021.
- The net profit decreased from approximately HK\$7.6 million for the six months ended 30 September 2021 to approximately HK\$2.3 million for the six months ended 30 September 2022.
- Basic and diluted earnings per share was HK\$0.23 cents for the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$0.76 cents).
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 September 2022, together with the comparative figures for the corresponding period in 2021, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	54,850	41,370	104,663	90,168
Cost of sales and services		(41,431)	(26,334)	(78,692)	(60,167)
Gross profit		13,419	15,036	25,971	30,001
Other income	5	692	309	1,269	351
Other gains and losses	6	124	(103)	158	99
Impairment losses, net of reversal		57	16	57	16
Selling and distribution costs		(2,174)	(1,983)	(4,114)	(4,782)
Administrative expenses		(8,980)	(7,915)	(18,689)	(16,130)
Finance costs	7	(182)	(112)	(321)	(149)
Profit before taxation	8	2,956	5,248	4,331	9,406
Income tax expense	9	(1,208)	(832)	(2,006)	(1,802)
Profit and total comprehensive income for the period		1,748	4,416	2,325	7,604
Profit and total comprehensive income for the period attributable to:					
– Owners of the Company		1,748	4,416	2,325	7,604
Earnings per share					
Basic and diluted (HK cents)	10	0.17	0.44	0.23	0.76

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property and equipment	12	52,255	48,119
Right-of-use assets	12	4,970	3,322
Rental and other deposits		137	170
Deposit paid for property and equipment		—	860
		<u>57,362</u>	<u>52,471</u>
<b>Current assets</b>			
Inventories		17,594	15,656
Trade and other receivables	13	14,027	21,910
Contract assets	14	134,946	118,598
Taxation recoverable		1,786	1,786
Pledged bank deposit		—	821
Bank balances and cash		41,337	46,978
		<u>209,690</u>	<u>205,749</u>
<b>Current liabilities</b>			
Trade and other payables	15	32,568	27,481
Contract liabilities	14	14,449	14,355
Lease liabilities		1,761	1,810
Taxation payable		6,286	4,900
Bank borrowings		24,319	25,203
		<u>79,383</u>	<u>73,749</u>
<b>Net current assets</b>		<u>130,307</u>	<u>132,000</u>
<b>Total assets less current liabilities</b>		<u>187,669</u>	<u>184,471</u>
<b>Non-current liabilities</b>			
Lease liabilities		2,488	1,615
Deferred taxation		805	805
		<u>3,293</u>	<u>2,420</u>
<b>Net assets</b>		<u>184,376</u>	<u>182,051</u>
<b>Capital and reserves</b>			
Share capital	17	10,000	10,000
Reserves		174,376	172,051
<b>Total equity</b>		<u>184,376</u>	<u>182,051</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note)	Other reserve HK\$'000	Capital contribution HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 31 March 2021 (audited)	10,000	31,055	24	49	36,724	93,346	171,198
Profit and total comprehensive income for the period	—	—	—	—	—	7,604	7,604
At 30 September 2021 (unaudited)	<u>10,000</u>	<u>31,055</u>	<u>24</u>	<u>49</u>	<u>36,724</u>	<u>100,950</u>	<u>178,802</u>
At 31 March 2022 (audited)	10,000	31,055	24	49	36,724	104,199	182,051
Profit and total comprehensive income for the period	—	—	—	—	—	2,325	2,325
At 30 September 2022 (unaudited)	<u>10,000</u>	<u>31,055</u>	<u>24</u>	<u>49</u>	<u>36,724</u>	<u>106,524</u>	<u>184,376</u>

Note: 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.



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Operating activities		
Profit before taxation	4,331	9,406
Adjustments for:		
Gain on disposal of property and equipment	(8)	(45)
(Gain) loss arising from early termination of a lease contract	(49)	11
Depreciation	3,028	2,406
Bank interest income	(6)	(5)
Impairment losses, net of reversal	(57)	(16)
Finance costs	321	149
Operating cash flows before movements in working capital	7,560	11,906
Decrease in trade and other receivables	7,932	9,075
(Increase) decrease in contract assets	(16,307)	4,406
Increase in inventories	(1,938)	(16,806)
Increase (decrease) in trade and other payables	5,087	(7,751)
Increase in contract liabilities	94	3,072
Cash generated from operations	2,428	3,902
Income tax paid	(620)	(69)
Net cash generated from operating activities	1,808	3,833
Investing activities		
Proceeds from disposal of property and equipment	722	1,100
Interest received	6	5
Purchase of property and equipment	(6,644)	(46,617)
Proceeds from deposit refunded for property and equipment	860	—
Withdrawal (placement) of a pledged bank deposit	821	(3)
Net cash used in investing activities	(4,235)	(45,515)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Financing activities		
New bank borrowings raised	—	21,500
Repayment of bank borrowings	(884)	(231)
Payments of lease liabilities	(2,009)	(1,312)
Interest paid	(321)	(149)
Net cash (used in) generated from financing activities	(3,214)	19,808
Net decrease in cash and cash equivalents	(5,641)	(21,874)
Cash and cash equivalents at beginning of the period	46,978	57,777
Cash and cash equivalents at end of the period, represented by bank balances and cash	41,337	35,903

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 12 February 2019. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the Company's principal place of business is 5/F, International Industrial Building, 501-503 Castle Peak Road, Kowloon, Hong Kong.

Upon completion of a group reorganisation (the "**Group Reorganisation**") on 29 March 2019, the Company has become the holding company now comprising the Group. Details of the Group Reorganisation are set out in the Company's prospectus dated 31 March 2020 (the "**Prospectus**") in connection with the initial listing of shares of the Company on GEM of the Stock Exchange (the "**Listing**"). Since 23 April 2020 (the "**Listing Date**"), the Company has been listed on GEM of the Stock Exchange.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in provision of building protection works and supply of building protection products. The Company's immediate and ultimate holding company is Ultra Success Industries Limited ("**Ultra Success**"), a limited liability company incorporated in the British Virgin Islands ("**BVI**"). The ultimate controlling shareholder of the Group is Mr. Lam Ka Wing ("**Mr. Lam**").

The unaudited condensed consolidated financial statements are presented in HK\$, which is also the functional currency of the Company.

The condensed consolidated financial statements for the six months ended 30 September 2022 (the "**Interim Financial Statements**") are unaudited but were reviewed by the audit committee of the Company (the "**Audit Committee**") and approved for issue by the Board on 11 November 2022.

## 2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 — *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Statements do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 March 2022 (the "**2022 Annual Report**").

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the 2022 Annual Report except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual accounting periods beginning on or after 1 April 2022. The adoption of these new or revised standards, amendments and interpretations in the current accounting period had no significant change in accounting policies and no significant effect on the financial results of the Group. In addition, the Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 2. BASIS OF PREPARATION (CONTINUED)

The Interim Financial Statements have been prepared on the historical cost basis.

Accounting estimates and assumptions are used in the preparation of financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately be different from those estimates and assumptions. In preparing the Interim Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the 2022 Annual Report.

## 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:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Contract revenue from provision of building protection works, recognised over time:				
Residential buildings	6,240	2,903	17,313	9,488
Community facilities (Note)	24,498	14,130	34,635	23,667
Commercial buildings	11,380	5,600	22,490	21,175
	<u>42,118</u>	<u>22,633</u>	<u>74,438</u>	<u>54,330</u>
Contract revenue from supply of building protection products, recognised at a point in time	12,732	18,737	30,225	35,838
	<u>54,850</u>	<u>41,370</u>	<u>104,663</u>	<u>90,168</u>

Note: Community facilities include sports centres, theatres, hospitals, power stations 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 duration of building protection works normally varies from 1 to 4 years. The Group's customers of building protection products are mainly located in Hong Kong and Macau.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 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 six months ended 30 September 2022 (unaudited)**

	Provision of building protection works HK\$'000	Supply of building protection products HK\$'000	Total HK\$'000
Segment revenue — external	74,438	30,225	104,663
Segment results	16,337	9,634	25,971
Other income			1,269
Other gains and losses			158
Impairment losses, net of reversal			57
Selling and distribution costs			(4,114)
Administrative expenses			(18,689)
Finance costs			(321)
Profit before taxation			4,331

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 4. SEGMENT INFORMATION (CONTINUED)

### *Segment revenue and results (Continued)*

For the six months ended 30 September 2021 (unaudited)

	Provision of building protection works HK\$'000	Supply of building protection products HK\$'000	Total HK\$'000
Segment revenue — external	54,330	35,838	90,168
Segment results	12,945	17,056	30,001
Other income			351
Other gains and losses			99
Impairment losses, net of reversal			16
Selling and distribution costs			(4,782)
Administrative expenses			(16,130)
Finance costs			(149)
Profit before taxation			9,406

Segment results represent the profit before tax earned by each segment without allocation of other income, other gains and losses, impairment losses, 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:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	52,816	37,896	99,878	80,853
Macau	2,034	3,474	4,785	9,315
	54,850	41,370	104,663	90,168

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	5	3	6	5
Short-term rental income	—	300	48	300
Government subsidies (Note)	687	—	1,091	—
Sundry income	—	6	124	46
	<u>692</u>	<u>309</u>	<u>1,269</u>	<u>351</u>

Note: The government subsidies recognised during the six months ended 30 September 2022 are mainly related to the Employment Support Scheme in respect of COVID-19-related subsidies from Hong Kong Government.

## 6. OTHER GAINS AND LOSSES

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net exchange gain (loss)	128	(64)	101	65
Gain (loss) on disposal of property and equipment	(4)	(28)	8	45
Gain (loss) arising from early termination of a lease contract	—	(11)	49	(11)
	<u>124</u>	<u>(103)</u>	<u>158</u>	<u>99</u>

## 7. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interests on:				
– bank borrowings	151	79	267	79
– lease liabilities	31	33	54	70
	<u>182</u>	<u>112</u>	<u>321</u>	<u>149</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 8. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:				
Directors' emoluments	2,489	2,147	6,086	4,796
Other staff costs	6,893	6,392	14,481	13,234
Retirement benefit schemes contributions for other staff	243	232	492	468
Total staff costs	9,625	8,771	21,059	18,498
Auditor's remuneration	150	150	300	300
Cost of inventories recognised as an expense	25,999	13,784	48,627	33,840
Depreciation of property and equipment	981	756	1,769	1,106
Depreciation of right-of-use assets	618	635	1,259	1,300

## 9. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax	1,208	832	2,006	1,802

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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%.

No provision for Macau Complementary Tax is made as the Group has no estimated assessable profits exceeding Macau Pataca 600,000 for both periods.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 10. EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>1,748</u>	<u>4,416</u>	<u>2,325</u>	<u>7,604</u>
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

There were no potential ordinary shares in issue during both periods and, therefore, diluted earnings per share are same as the basic earnings per share.

## 11. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 12. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2022, the Group acquired items of property and equipment of approximately HK\$6,644,000 (six months ended 30 September 2021: HK\$46,617,000). In addition, the Group disposed of certain property and equipment with an aggregate carrying amount of approximately HK\$714,000 (six months ended 30 September 2021: HK\$1,055,000) for proceeds of approximately HK\$722,000 (six months ended 30 September 2021: HK\$1,100,000), resulting in a gain on disposal of approximately HK\$8,000 (six months ended 30 September 2021: gain on disposal of approximately HK\$45,000).

During the six months ended 30 September 2022, the Group entered into lease contracts and recognised right-of-use assets and lease liabilities of approximately HK\$2,909,000 (six months ended 30 September 2021: HK\$1,196,000). The Group early terminated a lease contract resulting in a gain of approximately HK\$49,000 during the six months ended 30 September 2022 (six months ended 30 September 2021: loss of approximately HK\$11,000).

## 13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade receivables	7,968	16,541
Less: Allowance for impairment	(39)	(728)
	7,929	15,813
Other receivables	451	435
Prepayment and deposits	5,784	5,832
	14,164	22,080
Less: Rental and other deposits classified as non-current portion	(137)	(170)
Current portion	14,027	21,910

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 13. TRADE AND OTHER RECEIVABLES (CONTINUED)

### *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:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0 to 30 days	4,504	10,007
31 to 90 days	2,047	4,199
91 to 180 days	104	474
181 to 365 days	466	303
Over 365 days	808	830
	7,929	15,813

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 expected credit loss ("ECL") prescribed by HKFRS 9. There has been no change in the estimation techniques or significant assumptions made during the six months ended 30 September 2022 in assessing the loss allowances for the trade receivables.

For the other receivables including rental and other 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 14. CONTRACT ASSETS/LIABILITIES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets	134,946	118,598
Contract liabilities	(14,449)	(14,355)

As at 30 September 2022, included in carrying amount of contract assets are retention receivables of HK\$26,091,000 (31 March 2022: HK\$23,813,000), net of loss allowance of HK\$114,000 (31 March 2022: HK\$435,000).

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 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:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within one year	2,860	2,148
After one year	23,231	21,665
	<u>26,091</u>	<u>23,813</u>

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. There has been no change in the estimation techniques or significant assumptions made during the six months ended 30 September 2022 in assessing the loss allowances for the contract assets.

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.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 15. TRADE AND OTHER PAYABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade payables	21,322	13,842
Retention payables	5,661	5,039
Accrued expenses	4,067	2,921
Accrued staff costs	1,518	5,679
	<b>32,568</b>	<b>27,481</b>

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

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 30 days	12,360	7,875
31 to 90 days	5,516	2,381
Over 90 days	3,446	3,586
	<b>21,322</b>	<b>13,842</b>

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 expiry 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:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within one year	1,751	1,421
After one year	3,910	3,618
	<b>5,661</b>	<b>5,039</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 16. BANK BORROWINGS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Current:		
Bank borrowings subject to a repayment on demand clause, secured	<u>24,319</u>	<u>25,203</u>

## 17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 April 2021, 1 April 2022 and 30 September 2022	<u>1,560,000,000</u>	<u>15,600</u>
<b>Issued and fully paid:</b>		
At 1 April 2021, 1 April 2022 and 30 September 2022	<u>1,000,000,000</u>	<u>10,000</u>

# 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.

## FINANCIAL REVIEW

### Revenue

The table below sets forth a breakdown of the Group's revenue by the type of services for the period indicated:

	Six months ended 30 September			
	2022		2021	
	HK\$'000	%	HK\$'000	%
Provision of building protection works	74,438	71.1	54,330	60.3
Supply of building protection products	30,225	28.9	35,838	39.7
	<u>104,663</u>	<u>100.0</u>	<u>90,168</u>	<u>100.0</u>

The Group's revenue increased from approximately HK\$90.2 million for the six months ended 30 September 2021 to approximately HK\$104.7 million for the six months ended 30 September 2022, representing an increase of approximately HK\$14.5 million, or 16.1%. Such increase in revenue was primarily due to the increase in revenue generated from the provision of building protection works.

### Provision of building protection works

Revenue recognised:

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Public sector projects	34,542	25,376
Private sector projects	39,896	28,954
Total	<u>74,438</u>	<u>54,330</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

Number of projects by the range of revenue recognised:

	Six months ended 30 September	
	2022	2021
HK\$1,000,000 or above	16	15
HK\$100,000 to below HK\$1,000,000	54	36
Below HK\$100,000	244	216
Total	314	267

The Group's revenue recognised from the provision of building protection works increased from approximately HK\$54.3 million for the six months ended 30 September 2021 to approximately HK\$74.4 million for the six months ended 30 September 2022. Such increase was mainly attributable to the increase in number of projects taken up by the Group and the increase in revenue derived from relatively large projects during the six months ended 30 September 2022.

### Supply of building protection products

The following table sets forth the breakdown of the Group's revenue by types of building protection products for the period indicated:

	Six months ended 30 September			
	2022		2021	
	HK\$'000	%	HK\$'000	%
Waterproofing products	17,604	58.3	20,212	56.4
Tiling products	11,798	39.0	12,785	35.7
Flooring and other products	823	2.7	2,841	7.9
Total revenue from supply of building protection products	30,225	100.0	35,838	100.0

The Group's revenue recognised from the supply of building protection products decreased from approximately HK\$35.8 million for the six months ended 30 September 2021 to approximately HK\$30.2 million for the six months ended 30 September 2022. Such decrease was mainly attributable to the decrease in demand from customers in Hong Kong for waterproofing and flooring and other products.

### Cost of Sales and Services

Cost of sales and services increased from approximately HK\$60.2 million for the six months ended 30 September 2021 to approximately HK\$78.7 million for the six months ended 30 September 2022, representing an increase of approximately HK\$18.5 million, or 30.7%. Such increase in cost of sales and services was mainly due to the increase in material costs and direct staff costs for new projects.



# MANAGEMENT DISCUSSION AND ANALYSIS

## *Gross Profit and Gross Profit Margin*

Gross profit decreased from approximately HK\$30.0 million for the six months ended 30 September 2021 to approximately HK\$26.0 million for the six months ended 30 September 2022, representing a decrease of approximately HK\$4.0 million, or 13.3%. Gross profit margin decreased from approximately 33.3% for the six months ended 30 September 2021 to approximately 24.8% for the six months ended 30 September 2022. Such decrease in gross profit margin was mainly due to (i) the increase in number of workers hired by the Group for relatively large projects; (ii) the overall increase in construction costs; and (iii) some of the Group's building protection work projects on hand with higher gross profit margin were at their ending phase, with revenue already recognised in prior years.

## *Other Income, Gains and Losses*

Other income increased from approximately HK\$351,000 for the six months ended 30 September 2021 to approximately HK\$1.3 million for the six months ended 30 September 2022, which was mainly attributable to the increase in subsidy received from the Hong Kong government under the Employment Support Scheme launched in April 2022. Other gains, on a net basis, increased from approximately HK\$99,000 for the six months ended 30 September 2021 to approximately HK\$158,000 for the six months ended 30 September 2022. Such increase in other gains was mainly attributable to the increase in exchange gain and gain from early termination of a lease contract for the six months ended 30 September 2022.

## *Selling and Distribution Costs*

Selling and distribution costs decreased from approximately HK\$4.8 million for the six months ended 30 September 2021 to approximately HK\$4.1 million for the six months ended 30 September 2022, representing a decrease of approximately HK\$0.7 million, or 14.6%. Such decrease in selling and distribution costs was mainly attributable to the decrease in storage cost.

## *Administrative Expenses*

Administrative expenses increased from approximately HK\$16.1 million for the six months ended 30 September 2021 to approximately HK\$18.7 million for the six months ended 30 September 2022, representing an increase of approximately HK\$2.6 million, or 16.1%. Such increase in administrative expenses was mainly attributable to the increase in staff costs and the increase in depreciation arising from a property acquired during the year ended 31 March 2022.

## *Finance Costs*

Finance costs increased from HK\$149,000 for the six months ended 30 September 2021 to approximately HK\$321,000 for the six months ended 30 September 2022, representing an increase of approximately HK\$172,000, or 115.4%. Such increase in finance costs was mainly derived from the new bank borrowings raised during the year ended 31 March 2022.

## *Income Tax Expenses*

Income tax expenses increased from approximately HK\$1.8 million for the six months ended 30 September 2021 to approximately HK\$2.0 million for the six months ended 30 September 2022. Such increase was attributable to the increase in profit before taxation in a subsidiary of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Profit and Total Comprehensive Income for the Period*

As a result of the foregoing, profit and total comprehensive income decreased from approximately HK\$7.6 million for the six months ended 30 September 2021 to approximately HK\$2.3 million for the six months ended 30 September 2022.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2022, the Group had total assets of approximately HK\$267.1 million (31 March 2022: approximately HK\$258.2 million), including net cash and cash equivalents of approximately HK\$41.3 million (31 March 2022: approximately HK\$47.8 million). As at 30 September 2022, the Group's current assets amounted to approximately HK\$209.7 million (31 March 2022: approximately HK\$205.7 million) and the Group's current liabilities amounted to approximately HK\$79.4 million (31 March 2022: approximately HK\$73.7 million).

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 end of the reporting period) was approximately 15.5% as at 30 September 2022 (31 March 2022: approximately 15.7%). Such decrease was mainly due to the decrease in bank borrowings.

As at 30 September 2022, the Group had net current assets of approximately HK\$130.3 million (31 March 2022: approximately HK\$132.0 million). As at 30 September 2022, the Group's current ratio was approximately 2.6 times (31 March 2022: approximately 2.8 times) which was calculated based on the total current assets divided by total current liabilities at the end of the reporting period.

## **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.

## **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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

As at 30 September 2022 and 31 March 2022, the share capital of the Group comprised only ordinary shares. The capital structure of the Group is solely equity attributable to equity holders of the Group, in which comprises share capital and reserves.

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 September 2022, the Company did not have any significant acquisition or disposal of subsidiaries, associates or joint ventures.

## CAPITAL EXPENDITURE

Save for the acquisition of property and equipment as disclosed elsewhere in this report, during the six months ended 30 September 2022, the Group had no significant capital expenditure.

## SIGNIFICANT INVESTMENT HELD

As at 30 September 2022, the Group did not have any significant investment held (31 March 2022: Nil).

## CHARGES ON ASSETS

Save for the mortgaged property acquired as disclosed elsewhere in this report, as at 30 September 2022, the Group had no charges on assets (31 March 2022: Nil).

## CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any contingent liabilities (31 March 2022: Nil).

## CAPITAL COMMITMENTS

As at 30 September 2022, the Group had no significant capital commitments (31 March 2022: Nil).

## PERFORMANCE GUARANTEE

As at 31 March 2022, a performance bond of HK\$755,000 was given by a bank in favour of a Group's customer as security for the due performance and observance of the Group's obligations under the contract for building protection works entered into between the Group and such customer. Such performance guarantee was secured by a pledged deposit in the sum of HK\$0.8 million placed by Sunray Engineering (HK) Company Limited with the bank.

As at 30 September 2022, the aforesaid performance bond and pledged deposit have been released by the customer and withdrawn from the bank respectively.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not have any other plan for material investments and capital assets as at 30 September 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group had 103 employees excluding the Directors. Total staff costs incurred excluding Directors' remuneration during the six months ended 30 September 2022 were approximately HK\$15.0 million (six months ended 30 September 2021: approximately HK\$13.7 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.

## SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, after 30 September 2022 and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL IMPLEMENTATION PROGRESS

The following is a comparison of the Group's business strategies as set out in the section headed "Business Objectives, Future Plans and Use of Proceeds" in the Prospectus with the Group's actual implementation progress up to 30 September 2022:

<b>Business strategies up to 30 September 2022 as set out in the Prospectus</b>	<b>Actual implementation progress up to 30 September 2022</b>
Acquire additional machinery and equipment for building protection works	<p>The Group has acquired two plural-component proportioning units engineered for waterproofing work projects that require fast, accurate ratio control and excellent spraying quality. These two machines were then assembled into the Group's vehicle newly acquired in February 2022.</p> <p>The Group has also acquired a total of six spraying machines, two concrete encounters and five pumps for the use in construction sites.</p>
Expand workforce	<p>The Group has recruited one quantity surveyor manager, one quantity surveyor, two project managers, three foremen and one project clerk to support our increasing number of building protection projects, particularly the provision of waterproofing works for a sports park in Kai Tak and a logistics centre at the airport in Hong Kong.</p>
Strengthen the Group's financial position for payment of upfront cost	<p>The Group has secured several sizeable pipeline projects as disclosed in the Prospectus and has fully utilised such proceeds mainly for the procurement of building protection materials.</p>
Expand the Group's building protection product mix and continue to develop its own-brand "DP ChemTech" and "DP" products	<p>The Group has recruited two sales representatives to promote our own-brand "DP ChemTech" and "DP" products.</p> <p>The Group has engaged testing centres to conduct laboratory tests and certifications on its new waterproofing products.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

The Company's shares were successfully listed on GEM of the Stock Exchange on 23 April 2020. The net proceeds after deducting the underwriting commission and related listing expenses payable by the Company (the "Net Proceeds") were approximately HK\$21.6 million.

The table below sets forth the breakdown of the intended use and the timeline for utilisation of the Net Proceeds as at the date of this report:

	Intended use of Net Proceeds HK\$'000	Approximate percentage of Net Proceeds %	Amount utilised as at the date of this report HK\$'000	Remaining balance as at the date of this report HK\$'000	Expected timetable
Acquire additional machinery and equipment for building protection works	2,110	9.8	2,110	—	—
Expand workforce	6,280	29.1	6,280	—	—
Strengthen the Group's financial position for payment of upfront cost	6,700	31.0	6,700	—	—
Expand the Group's building protection product mix and continue to develop its own-brand "DP ChemTech" and "DP" products	6,510	30.1	1,976	4,534	From Listing Date to 31 March 2023
	<u>21,600</u>	<u>100.0</u>	<u>17,066</u>	<u>4,534</u>	

As disclosed in the table above, approximately HK\$17.1 million of the Net Proceeds from the Listing had been utilised as at 30 September 2022. The unutilised Net Proceeds from the Listing have been placed with a licensed bank in Hong Kong.

As at the date of this report, save as the delay in the planned use of unutilised Net Proceeds in relation to the purchase of additional machinery and equipment as previously disclosed in the annual report of the Company for the year ended 31 March 2021, whereby such unutilised Net Proceeds have been fully utilised as at 31 March 2022, there was no change in the intended use of the Net Proceeds and the expected timetable as previously disclosed in the Prospectus.

The implementation plans for business strategies and the use of net proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The Group implemented its business strategies and applied the Net Proceeds based on the actual developments of the Group's business and industry, as well as market conditions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

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

The Group estimates that the extent of impact of the Epidemic would be dependent on the outcome of various preventive measures and the duration of the Epidemic. The economic recovery can be uneven across different industries and the lingering effects of the Epidemic may continue to affect the general economy of Hong Kong and Macau. Given the unpredictability of future development of COVID-19, the impacts to the Group could not be reasonably and accurately estimated at this stage. However, for the time being, the Group’s building protection work projects on hand are in steady progress and the Group did not experience any shortages or difficulties in the supply of building protection products.

Since the outbreak of the Epidemic, the Group has implemented effective measures, including frequent workspace cleaning with disinfectant, ensuring the wearing of surgical masks of all staff at work, and conducting body temperature test to protect the health and safety of the employees so as to minimise the impact of the Epidemic on the Group’s operating and financial performance. The Group will continue to closely monitor the development of the Epidemic and will take necessary actions to control costs and drive efficiency to maintain profitability and competitiveness in the market.

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

## ENVIRONMENT POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strive to make the most efficient use of resources in its operations, and minimising wastes and emission.

As a building protection solution provider, the Group will continue to monitor its business operations in order to ensure that it does not have any significant adverse effect on the environment and that the Group’s environment protection measures are adequate to ensure compliance with all applicable laws or regulations in Hong Kong.

As at the date of this report, no prosecution, penalty or punishment has been imposed upon the Group for the violation of any applicable environmental laws or regulations.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 outbreak of COVID-19 worldwide may significantly and adversely impact the Group's business operation 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, principal risks and uncertainties affecting the Group as disclosed in the Prospectus remain substantially unchanged since the Listing Date and up to the date of this report. 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 effort to ensure it has sufficiently mitigated the risks present in its operations and financial position as efficiently and effectively as possible.



# OTHER INFORMATION

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 September 2022 and up to the date of this report, none of the Directors, the controlling shareholders and the substantial shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interests in a business that competes or may compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2022, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) would be required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

### *Long positions in the shares of the Company (the "Shares")*

Name of Directors	Nature of interest/holding capacity	Number of Shares held	Percentage of shareholding
Mr. Lam <sup>(1)</sup>	Interest in a controlled corporation	750,000,000	75%
Ms. Wong Pui Yee Edith ("Mrs. Lam") <sup>(2)</sup>	Interest of spouse	750,000,000	75%

Notes:

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

### *Long positions in the shares of associated corporation*

Name of Directors	Name of associated corporation	Nature of interest/holding capacity	Number of ordinary share held	Percentage of shareholding
Mr. Lam	Ultra Success	Beneficial owner	1	100%

## OTHER INFORMATION

Save as disclosed above, as at 30 September 2022, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded into the register required to be kept therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

### INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2022, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules, or (iii) who were deemed to be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### Long position in the Shares

Name of shareholder	Nature of interest/holding capacity	Number of Shares held	Percentage of shareholding
Ultra Success	Beneficial owner	750,000,000 <sup>(Note)</sup>	75%

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

Save as disclosed above, as at 30 September 2022, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

### SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") has been conditionally adopted by the Company on 18 March 2020 and became effective on the Listing Date. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

There were no outstanding options as at 30 September 2022. No options had been granted, agreed to be granted, exercised or cancelled or lapsed under the Share Option Scheme since the Listing Date and up to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2022.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures to promote and ensure accountability. The Company's corporate governance practices are based on principles and code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 15 to the GEM Listing Rules (the "**CG Code**"). Since the Listing Date and up to the date of this report, the Company's corporate governance practices have been complied, except for the following code provision C.2.1 of the CG Code.

#### *Chairman and Chief Executive Officer*

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 September 2022, Mr. Lam was the chairman of the Board and the chief executive officer of the Group. In view of the fact that Mr. Lam has been operating and managing the Group since its establishment, the Directors believe that it is in the best interest of the Group to have Mr. Lam taking up both roles for effective management and business development. Therefore, the Board considers that deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Ethics and Securities Transactions (the "**Code**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code regarding securities transactions during the six months ended 30 September 2022 and up to the date of this report.

### INTERESTS OF THE COMPLIANCE ADVISER

As notified by compliance adviser of the Company, Alpha Financial Group Limited (the "**Compliance Adviser**"), as at 30 September 2022, save for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 18 March 2020, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

### AUDIT COMMITTEE

The Company established the Audit Committee on 18 March 2020 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee is responsible for reviewing and providing supervision over the Group's financial reporting process, risk management and internal control system, and providing advice to the Board.

This report and the Interim Financial Statements have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosure have been made.

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

Hong Kong, 11 November 2022