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Dragon Rise Group Holdings Limited
龍昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6829)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Year amounted to approximately HK$805.7 million (FY2017: approximately HK$593.6 million).
- Gross profit margin for the Review Year was at approximately 12.1% which was similar to the corresponding year ended 31 March 2017 (FY2017: approximately 12.0%).
- Profit before income tax of the Group for the Review Year was approximately HK$64.1 million (FY2017: approximately HK$57.4 million).
- Profit attributable to the equity holders of the Company for the Review Year amounted to approximately HK$51.0 million (FY2017: approximately HK$47.3 million).
- Basic and diluted earnings per share for the Review Year amounted to approximately HK cents 5.41 (FY2017: approximately HK cents 5.26).
- The Board has resolved not to recommend the declaration of a final dividend for the Review Year (FY2017: nil).

The board (the "**Board**") of directors (the "**Directors**") of Dragon Rise Group Holdings Limited (the "**Company**") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018 (the "**Review Year**"), together with the comparative figures for the corresponding year ended in 31 March 2017 (the "**FY2017**"). The information contained in this announcement should be read in conjunction with the prospectus of the Company dated 26 January 2018 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	4	**805,716**	593,572
Direct costs		**(708,568)**	(522,078)
Gross profit		**97,148**	71,494
Other income, net	5	**2,110**	952
Administrative expenses		**(34,861)**	(14,355)
Finance costs	6	**(299)**	(691)
Profit before income tax	7	**64,098**	57,400
Income tax expense	8	**(13,070)**	(10,063)
Profit and total comprehensive income for the year attributable to equity holders of the Company		**51,028**	47,337
		HK cents	*HK cents*
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	10	**5.41**	5.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**22,701**	13,524
Investment properties		**4,550**	4,020
		27,251	17,544
Current assets			
Trade and other receivables	11	**61,552**	79,345
Amounts due from customers on construction contracts	12	**94,137**	31,107
Financial assets at fair value through profit or loss		**–**	2,589
Cash, bank balances and pledged deposits		**147,267**	36,675
		302,956	149,716
Current liabilities			
Trade and other payables	13	**(42,399)**	(33,568)
Borrowings, secured		**–**	(895)
Obligation under finance leases		**(2,404)**	(2,285)
Amounts due to customers on construction contracts	12	**(1,185)**	(1,093)
Amount due to a director		**–**	(4,227)
Tax payable		**(1,537)**	(1,023)
		(47,525)	(43,091)
Net current assets		**255,431**	106,625
Total assets less current liabilities		**282,682**	124,169
Non-current liabilities			
Obligation under finance leases		**(2,307)**	(4,711)
Deferred tax liabilities		**(2,073)**	(1,078)
		(4,380)	(5,789)
Net assets		**278,302**	118,380
Capital and reserves			
Share capital	14	**12,000**	690
Reserves		**266,302**	117,690
Equity attributable to equity holders of the Company		**278,302**	118,380

NOTES

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 22 February 2017. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KYI-1108, Cayman Islands and principal place of business is Office K, 12/F, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in undertaking foundation works in Hong Kong as a subcontractor.

The Company's immediate and ultimate holding company is Fame Circle Limited, a company incorporated in the British Virgin Islands (the "BVI") and wholly owned by Mr. Yip Yuk Kit ("Mr. Yip" or "Controlling Shareholder").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 February 2018.

1.2 Reorganisation and basis of presentation

Pursuant to a group reorganisation (the "Reorganisation") of the Company in connection with the listing of its shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 21 August 2017. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History and Development" in the Company's prospectus dated 26 January 2018. The Group is under the common control of the Controlling Shareholder prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 March 2018 and 2017, which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 March 2018 and 2017, or since their respective dates of incorporation, where it is a shorter period.

The consolidated statements of financial position as at 31 March 2018 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those respective dates.

2. BASIS OF PREPARATION

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are stated at fair values. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("HK$'000"), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW AND AMENDED HKFRSs

The Group has consistently applied all the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning 1 April 2017 for both current and prior years.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Repayment Features with Negative Compensation[3]
Amendments to HKFRS 10 and and HKAS 28	Sale or Contribution of Assets between an Investor its Associate or Joint Venture[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or settlements[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Considersation[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective date not yet determined.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2021.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group has started to assess the impact of HKFRS 15 and expects to apply HKFRS 15, in accordance with modified retrospective approach under which the cumulative effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). When applying HKFRS 15, the director considers that an output method will be used in measuring the work progress and the director does not anticipate that the application of HKFRS 15 will have a material impact on the Group's consolidated financial statements but will result in more disclosures to be made in the consolidated financial statements.

HKFRS 9 Financial instrument

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income for the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(a) Classification and measurement – HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"). The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment – The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses. For trade and other receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components. Based on a preliminary assessment, the directors of the Group anticipate that the adoption of HKFRS 9 would not have material impact on the results and financial position of the Group.

HKFRS 16 Leases

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the consolidated statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The director is yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.

- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions assessing the additional disclosures that will be required.

The management of the Group confirms the adoption of HKFRS 16 would not result in a significant impact on the Group's financial position and performance. As at 31 March 2018, the operating lease commitments amounted to HK$510,000 and which will be required to be recognised in the consolidated financial statements as right-of-use assets and lease liabilities if HKFRS 16 would have been applied.

4. REVENUE AND SEGMENT INFORMATION

The Group's principal activities are engaged in undertaking foundation works in Hong Kong as a subcontractor.

	2018	2017
	HK$'000	*HK$'000*
Contracting revenue	**805,716**	593,572

The chief operating decision maker has been identified as the executive directors of the Company. The directors regards the Group's business of foundation works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**577,803**	474,783
Customer B	**89,731**	N/A*

* The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year.

5. OTHER INCOME, NET

	2018	2017
	HK$'000	*HK$'000*
Dividend income	**13**	375
Loss on disposal of property, plant and equipment	**–**	(294)
Net gain from change in fair value on investment properties	**530**	420
Net gain from change in fair value of financial assets at fair value through profit or loss	**–**	337
Net gain/(loss) on disposal of financial assets at fair value through profit or loss	**217**	(18)
Rental income	**140**	132
Interest income	**1,199**	–
Others	**11**	–
	2,110	952

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Bank loans interest	**7**	98
Finance charge on obligations under finance leases	**292**	593
	299	691

7. PROFIT BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before tax is stated after charging:		
(a) Staff costs (including directors' remuneration)		
– Salaries, wages, bonus and other benefits	**93,839**	92,788
– Contributions to defined contribution retirement plans	**3,648**	3,660
Staff costs (including directors' remuneration) *(note)*	**97,487**	96,448
(b) Other items		
Depreciation, included in:		
Direct cost		
– Owned assets	**8,873**	7,804
– Leased assets	**1,961**	3,081
Administrative expenses		
– Owned assets	**118**	64
	10,952	10,949
Subcontracting charges (included in direct costs)	**202,243**	87,993
Operating lease charges		
– Premises	**742**	246
– Machinery	**16,366**	12,715
Listing expenses	**13,480**	3,474
Auditors' remuneration	**850**	150

Note:

Staff costs (including directors' remuneration)

	2018	2017
	HK$'000	*HK$'000*
Direct costs	**85,215**	91,154
Administrative expenses	**12,272**	5,294
	97,487	96,448

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2018 (2017: 16.5%).

	2018	2017
	HK\$'000	*HK\$'000*
Provision for Hong Kong Profits Tax		
– Current tax	**12,034**	10,470
– Under provision in respect of prior years	**41**	–
	12,075	10,470
– Deferred tax	**995**	(407)
	13,070	10,063

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

	2018	2017
	HK\$'000	*HK\$'000*
Profit before income tax	**64,098**	57,400
Tax at Hong Kong profits tax rates of 16.5% (2017: 16.5%)	**10,576**	9,471
Tax effect of non-deductible expenses	**2,720**	754
Tax effect of non-taxable income	**(289)**	(144)
Under provision in respect of prior years	**41**	–
Others	**22**	(18)
Income tax expense for the year	**13,070**	10,063

9. DIVIDENDS

	2018	2017
	HK\$'000	*HK\$'000*
Interim dividends	**–**	46,725

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, Kit Kee Engineering Limited, a subsidiary of the Company, had declared and appropriated dividends to its then equity owner of HK$46,725,000 for the year ended 31 March 2017.

The rates for dividends and the number of shares ranking for dividend for the year ended 31 March 2017 are not presented as such information is not meaningful having regard to the purpose of this report.

No final dividend proposed after the reporting date.

10. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**51,028**	47,337
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**942,740**	900,000
	HK cents	*HK cents*
Basic and diluted earnings per share	**5.41**	5.26

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2018 includes (i)1 and 349,999 ordinary shares in issue at beginning of the year and during the year; (ii) 899,650,000 new ordinary shares issued pursuant to the capitalisation issue (note 14(iii)), as if all these shares had been in issue throughout the year ended 31 March 2018, and (iii) 42,740,000 shares, representing the weighted average of 300,000,000 new ordinary shares issued pursuant to the share offer (note 14(iv)).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2017 representing the number of ordinary shares of the company immediately after the capitalisation issue (note 14(iii)), as if all these shares had been in issue throughout the year ended 31 March 2017.

There were no dilutive potential ordinary shares during the years ended 31 March 2018 and 2017 and therefore, diluted earnings per share equals to basic earnings per share.

11. TRADE AND OTHER RECEIVABLES

		2018	2017
	Notes	*HK$'000*	*HK$'000*
Trade receivables			
– from third parties	(a)	**28,074**	37,366
Deposit, prepayment and other receivables			
Retention receivables	(b)	**32,092**	38,230
Other receivables and prepayment		**1,236**	3,209
Utility and other deposits		**150**	150
		33,478	41,589
Amount due from the ultimate holding company	(c)	**–**	390
		33,478	41,979
		61,552	79,345

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

(a) Trade receivables

The Group usually provides customers with a credit term of 28 to 60 days (2017: 28 to 45 days). For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Based on the invoice dates (or date of revenue recognition, if earlier), the ageing analysis of the trade receivables, net of provision for impairment, was as follows:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**22,156**	37,366
31–60 days	**872**	–
61–90 days	**5,046**	–
	28,074	37,366

At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no provision for impairment has been recognised at 31 March 2018 (2017: nil).

Ageing of trade receivables which are past due but not impaired were as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**22,156**	37,366
Less than 30 days past due	**2,671**	–
31–60 days past due	**3,247**	–
	28,074	37,366

Trade receivables which were past due but not impaired related to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Retention receivables

Retention receivables represent certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum.

Based on the invoice dates, the ageing analysis of the retention receivables, net of provision for impairment, was as follows:

	2018	2017
	HK$'000	*HK$'000*
Due within one year	**14,919**	30,581
Due after one year	**17,173**	7,649
	32,092	38,230

Retention receivables are interest-free and repayable approximately one year after the expiry of the maintenance period of construction projects.

No amounts in relation to other receivables were past due at 31 March 2018 (2017: nil).

(c) Amount due from the ultimate holding company

The amount due from the ultimate holding company is unsecured, interest-free and repayable on demand.

12. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	2018	2017
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	**1,093,087**	390,032
Less: progress billings	**(1,000,135)**	(360,018)
Contract work-in-progress	**92,952**	30,014
Analysed for reporting purposes as:		
Amounts due from customers on construction contracts	**94,137**	31,107
Amounts due to customers on construction contracts	**(1,185)**	(1,093)
	92,952	30,014

The gross amounts due from/(to) customers on construction contracts are expected to be recovered/settled within one year.

13. TRADE AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade payables	(a)	**39,862**	31,535
Accruals and other payables		**2,537**	2,033
		42,399	33,568

(a) Trade payables

Payment terms granted by suppliers are 0 to 30 days (2017: 0 to 30 days) from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	**39,682**	31,535
31–60 days	**180**	–
	39,862	31,535

(b) All trade and other payables are denominated in HK$.

(c) All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value.

14. SHARE CAPITAL

The share capital balance in the consolidated statement of financial position as at 31 March 2017 represented the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

Movements of the authorised and issued share capital of the Company for the period from 22 February 2017 (date of incorporation of the Company) to 31 March 2018 are as follows:

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
Upon incorporation *(note (i))* and as at 31 March 2017 and 1 April 2017	**38,000,000**	380
Increase during the year *(note (ii))*	**9,962,000,000**	99,620
As at 31 March 2018	**10,000,000,000**	100,000
Issued and fully paid:		
Ordinary share of HK$0.01 each		
Upon incorporation *(note (i))* and as at 31 March 2017 and 1 April 2017	**1**	–*
Issue of shares *(note (i))*	**349,999**	4
Issue of shares pursuant to the capitalisation issue *(note (iii))*	**899,650,000**	8,996
Issue of shares pursuant to the share offer *(note (iv))*	**300,000,000**	3,000
As at 31 March 2018	**1,200,000,000**	12,000

* The balance represents an amount less than HK$1,000.

Note:

(i) The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 22 February 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On 22 February 2017 and 26 May 2017, 1 share and 349,999 shares of HK$0.01 each are allotted and issued respectively.

(ii) Pursuant to the written resolution of the shareholder passed on 18 January 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each.

(iii) Pursuant to the written resolutions of the shareholder passed on 18 January 2018, 899,650,000 ordinary shares of HK$0.01 each were allotted and issued at par by way of capitalisation of the sum of HK$8,996,500 from the share premium account of the Company (the "Capitalisation Issue").

(iv) On 8 February 2018, upon listing on the Stock Exchange, 300,000,000 new shares with par value of HK$0.01 each of the Company were allotted and issued at a price of HK$0.40 per share by way of share offer. The proceeds of HK$3,000,000 representing the par value of these ordinary shares were credited to the Company's share capital. The shares capital of the Company was then increased to HK$12,000,000 divided into 1,200,000,000 shares of HK$0.01 each. The remaining proceeds, less the listing costs directly attributable to the issue of shares amounted to HK$105,894,000, were credited to the Company's share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The construction industry in Hong Kong recorded a stable growth in 2017. According to the 2017 Policy Address, new development areas and new town extension will be vital medium to long term large-scale projects in Hong Kong, including Kwu Tung North and Fanling North, Tung Chung, Hung Shui Kiu and Yuen Long South. These development plans would increase the demand for residential and commercial buildings in the new development areas. As a result, a sustained investment in private sector construction projects in these areas is envisaged due to the expected increase in demand for private and public residential buildings, commercial and other buildings in the new development areas. The growth of foundation industry has also been benefited from large-scale infrastructure projects, especially the Ten Major Infrastructure Projects launched in 2007. Given that many of the projects are still in the progress, including the New Development Areas Project, West Kowloon Cultural District and Kai Tak Development, MTR extension projects, etc., the future growth of foundation industry will be supported. The government of Hong Kong (the "**Government**") targets to provide approximately 94,500 units of public housing between 2016/17 and 2020/21, including around 71,800 public rental housing units and around 22,600 subsidised sale flats units. According to the 2017 Policy Address, the Government has adopted the public housing supply target of 280,000 units for the ten-year period from 2017/18 to 2026/27. For the private sector, the Government is expected to provide 28 residential sites to be comprised in 2017/18 Land Sales Program for the supply of private residential units. As per the 2017 Policy address, the private sector is expected to produce about 94,000 residential units by 2021. The Government's initiative to increase housing supply will therefore fuel the growth of the foundation industry in the future.

Despite the above industry drivers, the foundation industry is also facing challenges. Competition remains intense due to the growing number of market players for available foundation projects in Hong Kong. There is also shortage in supply of skilled labour due to ageing workforce and the decreasing number of youngsters joining construction and foundation industries. The foundation industry in Hong Kong has been facing the problem of increasing operating costs. Growing operating costs and its upward trend were observable in the foundation industry in Hong Kong due to the rising cost of certain raw materials and increasing wage of construction workers.

Taking the factors discussed above into consideration, the Group shall remain cautiously optimistic towards the future. In the coming year, the Group will continue to seize business opportunities but at the same time, remain vigilant for any possible future development within the foundation industry.

Business Review and Outlook

In the Group's operating history of over 20 years, the Group focuses primarily on providing foundation works services as a subcontractor and have developed the experience and capability to provide a comprehensive range of foundation construction and related services. The Group is particularly experienced in excavation and lateral support works, pile caps construction works, disposal of excavated materials from piling and ancillary services including dismantling of shoring, site formation, steel fixing and site clearance. Kit Kee Engineering Limited ("**Kit Kee Engineering**"), the principal operating subsidiary, is registered with the Construction Industry Council under the Subcontractor Registration Scheme under the sub-register of the structural and civil trade group.

In addition to certain challenges including keen competition in the foundation industry and the increasing operation costs may exert pressure on the business of the Group, the Group also noticed recent indications of possible delays in hanging over the relevant sites to the Group which could result in delays in the Group's work. Nevertheless, the Group will continue to strengthen its market position and the Board remains prudence about the prospects of the Group for the future.

The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange (the "**Listing**") on 8 February 2018 (the "**Listing Date**"). The proceeds received from the share offer have strengthened the Group's cash flow and the Group will implement its future plans as set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus.

During the Review Year and up to the date of this announcement, the Group had been awarded 31 projects with a total original contract sum of approximately HK$998.7 million. The Group's major contracts on hand include, inter alia, the public housing developments in Fanling and Tung Chung, private residential developments in Pak Shek Kok, Kai Tak and Fanling, and commercial developments in Kai Tak and Tai Koo.

Financial Review

Revenue

For the Review Year, the revenue of the Group has increased by approximately HK$212.1 million, or approximately 35.7% compared to the corresponding year ended 31 March 2017, from approximately HK$593.6 million to approximately HK$805.7 million. The increase was primarily due to (i) the increased efforts in pursuing projects of relatively larger scale and higher income; and (ii) there was an increase in the number of projects with revenue contribution during the Review Year.

The Board regards the Group's business of foundation works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Gross profit and gross profit margin

The Group's direct costs increased by approximately HK$186.5 million or approximately 35.7% from approximately HK$522.1 million for the year ended 31 March 2017 to approximately HK$708.6 million for the Review Year. Such increase in direct costs was generally in line with the increase in the revenue.

For the Review Year, the gross profit of the Group has increased by approximately HK$25.6 million, or approximately 35.8% compared to the corresponding year ended 31 March 2017, from approximately HK$71.5 million to approximately HK$97.1 million. The increase in gross profit was in line with the increase in revenue. The gross profit margin for the Review Years was approximately 12.1%, which remained stable as compared to the gross profit margin for the corresponding year ended 31 March 2017 of approximately 12.0%.

Other income

Other income mainly included net gain from change in fair value on investment properties and interest income. For the Review Year, other income amounted to approximately HK$2.1 million (FY2017: approximately HK$1.0 million). The increase in other income during the Review Year was mainly due to (i) the increase in net gain from change in fair value on investment properties; and (ii) bank interest income of approximately HK$1.2 million derived from the proceeds received from the share offer.

Administrative expenses

For the Review Year, the administrative expenses have increased by approximately HK$20.5 million or approximately 142.4% compared to the corresponding year ended 31 March 2017, from approximately HK$14.4 million to approximately HK$34.9 million. The increase was primarily due to the recognition of the one-off listing expenses of approximately HK$13.5 million during the Review Year (FY2017: approximately HK$3.5 million).

Finance costs

For the Review Year, the finance costs have decreased by approximately HK$392,000 or approximately 56.7% compared to the corresponding year ended 31 March 2017, from approximately HK$691,000 to approximately HK$299,000. The decrease was primarily due to the repayment of bank borrowings and obligation under finance leases during the Review Year.

Income tax expense

For the Review Year, the income tax expense has increased by approximately HK$3.0 million or approximately 29.7% compared to the corresponding year ended 31 March 2017, from approximately HK$10.1 million to approximately HK$13.1 million. Such increase was due to the increase in revenue net off with the increase of non-deductible listing expenses for the Review Year.

Net profit

For the Review Year, the profit and total comprehensive income has slightly increased by approximately HK$3.7 million or approximately 7.8% compared to the corresponding year ended 31 March 2017, from approximately HK$47.3 million to approximately HK$51.0 million. The increase in the Group's net profit for the Review Year was mainly due to the increase in revenue net off with the increase in administrative expenses as discussed above. The Group's net profit margin for the Review Year was approximately 6.3%, as compared with approximately 8.0% for the year ended 31 March 2017. The decrease in the net profit margin for the Review Year was mainly due to the increase in administrative expenses as discussed above.

Liquidity, Financial Resources and Capital Structure

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date and there has been no change in capital structure of the Group since then.

As at 31 March 2018, the Company's issued capital was HK$12.0 million and the number of its issued ordinary shares was 1,200,000,000 shares of HK$0.01 each.

As at 31 March 2018, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK$147.3 million (31 March 2017: approximately HK$36.7 million). The increase was due to the net proceeds received from the Listing.

The Group's gearing ratio decreased from approximately 10.2% as at 31 March 2017 to approximately 1.7% as at 31 March 2018. The decrease was primarily due to (i) the repayment of bank borrowings and obligation under finance leases; and (ii) the enlarged share capital of the Group as a result of the issuance of shares pursuant to the capitalisation issue and the share offer in relation to the Listing.

Treasury Policy

The Group has adopted a prudent financial management approach towards it treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Pledge of Assets

As at 31 March 2018, the Group's plant and equipment with an aggregate net book value of approximately HK$0.1 million (31 March 2017: approximately HK$2.1 million) were pledged under finance lease, while the Group had pledged an investment property situated in Hong Kong of approximately HK$4.6 million (31 March 2017: approximately HK$4.0 million) and approximately HK$10.2 million bank deposits (31 March 2017: nil) in order to secure bank facilities granted to Kit Kee Engineering.

Foreign Exchange Exposure

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Review Year.

Capital Commitments and Contingent Liabilities

As at 31 March 2017 and 2018, the Group had no material capital commitments.

At 31 March 2017 and 2018, the Group has been involved in a number of claims, litigations and potential claims against the Group in relation to work-related injuries and non-compliances. The Directors are of the opinion that the claims, litigations and non-compliances are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

Significant Investment, Material Acquisitions or Disposals of Subsidiaries and Associated Companies

During the Review Year, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries or associated companies apart from the corporate reorganisation as disclosed in the Prospectus.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have other future plans for material investments or capital assets during the Review Year.

Use of Proceeds

The net proceeds received by the Group, after deducting related expenses, were approximately HK$91.9 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus. Such uses include: (i) enhancing the construction machinery fleet; (ii) strengthening the workforce and manpower; (iii) reinforcing sales and marketing efforts; and (iv) funding of general working capital. Details of the use of the proceeds are listed as below:

	Planned use of proceeds	**Actual usage up to 31 March 2018**
	HK$'000	*HK$'000*
Enhancing the construction machinery fleet	60,311	5,430
Strengthening the workforce and manpower	19,272	–
Reinforcing sales and marketing efforts	4,761	1,311
Funding of general working capital	7,596	7,596
Total	91,940	14,337

As at 31 March 2018 and the date of this announcement, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Review Year, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

Employees and Remuneration Policy

As at 31 March 2018, the Group employed a total of 249 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 341 full-time employees as at 31 March 2017. The remuneration packages that the Group offers to employees includes salary, discretionary bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the Review Year was approximately HK$97.5 million compared to approximately HK$96.4 million in the corresponding year ended 31 March 2017.

The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

Dividends

The Board has resolved not to recommend the declaration of final dividend for the Review Year (FY2017: nil).

CORPORATE GOVERNANCE CODE/ OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman of the Board ("the **Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**") should be separate and should not be performed by the same individual. Mr. Yip was the Chairman and Chief Executive Officer during the Review Year. As Mr. Yip has been assuming day-to-day responsibilities in operating and managing Kit Kee Engineering since August 1993, the Board is of the view that it is in the best interest of the Group to have Mr. Yip taking up both roles for effective management and business development.

Save for the above deviation, the Board considers that during the period from the Listing Date to 31 March 2018, the Company has complied with all the code provisions set out in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the period from the Listing Date and up to the date of this announcement.

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 18 January 2018. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The purpose of the Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 18 January 2018, and there is no outstanding share option as at 31 March 2018.

Competing Interests

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Review Year, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Compliance Adviser's Interests

As notified by the Company's compliance adviser, Grande Capital Limited (the "**Compliance Adviser**"), as at 31 March 2018, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 27 February 2018, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

Purchase, Sale or Redemption of the Company's Securities

The Shares of the Company were listed on the Listing Date. Since the Listing Date and up to 31 March 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Event after the Review Year

There is no material subsequent event undertaken by the Group after 31 March 2018 and up to the date of this announcement.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules since the Listing Date and up to the date of this announcement.

Audit Committee

The Company established an Audit Committee on 18 January 2018 with written terms of reference in compliance with the CG code. The primary roles of our audit committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring the integrity of our financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Lo Chi Wang, Mr. Chan Ka Yu and Mr. Lee Kwok Lun. Mr. Lee Kwok Lun is the chairman of the Audit Committee.

Review of Annual Results

The Group's consolidated financial statements for the Review Year have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The figures in respect of the announcement of the Group's results for the Review Year have been agreed with the Company's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton 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 HKICPA and consequently no assurance has been expressed by Grant Thornton on this announcement.

Publication of Final Results and Annual Report

This results announcement is published on the Company's website at **www.kitkee.com** and the website of Hong Kong Exchanges and Clearing Limited at **www.hkexnews.hk**. The 2018 Annual Report will be despatched to shareholders of the Company and available on the same websites in due course.

Appreciation

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

By order of the Board
Dragon Rise Group Holdings Limited
Yip Yuk Kit
Chairman and Executive Director

Hong Kong, 25 June 2018

As at the date of this announcement, the Board comprises Mr. Yip Yuk Kit and Mr. Cheung Chun Fai as executive Directors; Mr. Ling Zheng as non-executive Director; and Mr. Lo Chi Wang, Mr. Chan Ka Yu and Mr. Lee Kwok Lun as independent non-executive Directors.