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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period amounted to approximately HK$209.7 million (2017: approximately HK$457.4 million).
- Profit attributable to the equity holders of the Company for the Reporting Period amounted to approximately HK$8.8 million (2017: approximately HK$32.6 million).
- Basic and diluted earnings per share for the Reporting Period amounted to approximately HK cent 0.74 (2017: approximately HK cents 3.63).
- The Board has resolved not to declare any interim dividend for the Reporting Period (2017: nil).

The board (the "**Board**") of directors (the "**Directors**") of Dragon Rise Group Holdings Limited (the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2018 (the "**Reporting Period**"), together with the comparative unaudited figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(Note (i))
Revenue	4	**209,668**	457,362
Direct costs		**(188,660)**	(401,391)
Gross profit		**21,008**	55,971
Other gains and losses, net	5	**(459)**	543
Administrative expenses		**(9,465)**	(15,389)
Finance costs	6	**(134)**	(168)
Profit before income tax	7	**10,950**	40,957
Income tax expense	8	**(2,126)**	(8,332)
Profit and total comprehensive income for the period attributable to equity holders of the Company		**8,824**	32,625
		HK cent	*HK cents*
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	10	**0.74**	3.63

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated (refer to note 3 for details).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited) (Note (i))
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**56,230**	22,701
Investment properties		**5,110**	4,550
		61,340	27,251
Current assets			
Trade and other receivables	11	**57,054**	61,552
Contract assets	12	**82,335**	–
Amounts due from customers on construction contracts	12	**–**	94,137
Financial assets at amortised cost		**14,888**	–
Cash, bank balances and pledged deposits		**101,784**	147,267
		256,061	302,956
Current liabilities			
Trade and other payables	13	**16,615**	42,399
Borrowings, secured		**3,883**	–
Obligation under finance leases		**2,463**	2,404
Contract liabilities	12	**517**	–
Amounts due to customers on construction contracts	12	**–**	1,185
Tax payable		**1,709**	1,537
		25,187	47,525
Net current assets		**230,874**	255,431
Total assets less current liabilities		**292,214**	282,682

	Notes	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited) (Note (i))
Non-current liabilities			
Obligation under finance leases		**1,061**	2,307
Deferred tax liabilities		**4,027**	2,073
		5,088	4,380
Net assets		**287,126**	278,302
CAPITAL AND RESERVES			
Share capital	14	**12,000**	12,000
Reserves		**275,126**	266,302
Equity attributable to equity holders of the Company		**287,126**	278,302

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated (refer to note 3 for details).

NOTES

1. GENERAL INFORMATION

Dragon Rise Group Holdings Limited (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 Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 February 2018. The addresses of the registered office and the principal place of business of the Company are Office K, 12/F, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "Group") are principally engaged in undertaking foundation works in Hong Kong as a subcontractor.

As at 30 September 2018, the directors considered the Company's immediate and ultimate holding company to be Fame Circle Limited, a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Yip Yuk Kit ("Mr. Yip" or "Controlling Shareholder").

2. BASIS OF PREPARATION

The interim financial report for the six months ended 30 September 2018 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim financial report does not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2018.

The interim financial report is unaudited, but has been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited.

The interim financial report is presented in thousands of units of Hong Kong dollars ("HK$'000"), except when otherwise indicated, which was approved for issue by the Board of Directors on 28 November 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 March 2018, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as set out below:

(i) Adoption of new and amended HKFRSs

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's interim financial report for the period beginning on 1 April 2018.

Other than as noted below, the adoption of new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "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 establishes a single comprehensive 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:

1. Identify the contract(s) with customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

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

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods and services that are substantially the same. In determining the performance obligations, the Group considers whether the customer benefits from the good and service on its own and whether it is distinct in the context of the contract. Factors considered by the Group indicate the goods and services are not separately identifiable would include:

- Whether a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted;

- Whether one or more of the goods or services significantly modifies or customises, or are significantly modified or customised by, one or more of the other goods or services promised in the contract;

- the goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group provides foundation work services under contracts with customers which are entered into before the services begin. Under the terms of the contracts, the Group's performance creates and enhances an asset that the customer controls which referred as the designated areas where the foundation work services performed. Revenue from provision of foundation work services is therefore recognised over time. The progress towards complete satisfaction of a performance obligation in the foundation work services is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents).

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 April 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018.

There was no material impact of transition to HKFRS 15 on retained earnings at 1 April 2018. In summary, the following reclassification was made to the amounts recognised in the interim financial report at the date of initial application (1 April 2018):

	Carrying amount on 31 March 2018 under HKAS 18	**Reclassification**	**Carrying amount on 1 April 2018 under HKFRS 15**
	HK$'000	***HK$'000***	***HK$'000***
Current assets			
Amounts due from customers for contract work	94,137	(94,137)	–
Contract assets	–	94,137	94,137
Current liabilities			
Amounts due to customers for contract work	1,185	(1,185)	–
Contract liabilities	–	1,185	1,185

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" ("ECL") model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of HKFRS 9 has impacted the following areas:

(a) *Classification and measurement*

On 1 April 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the HKFRS 9.

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

For financial assets classified to be measured at amortised cost, the Group holds the investment to collect the contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

The classification of the Group's financial assets and liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(b) *Impairment*

Under the ECL 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 ECL or a lifetime ECL, depending on the asset and the facts and circumstances.

For trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

For all other financial assets at amortised cost, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- The receivables with low credit risk on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group;

- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired;

- If the receivables are credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on ECL on a lifetime basis.

Measurement of ECLs

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As at 1 April 2018, no credit loss allowance has been recognised against retained earnings.

4. REVENUE

The Group's principal activities are disclosed in Note 1 of the interim financial report.

Revenue recognised for the six months ended 30 September 2018 and 2017 are as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Contracting revenue	**209,668**	457,362

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. All the performance obligation of revenue from contracts with customers of the Group are satisfied over time.

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:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**191,066**	312,345
Customer B	**N/A***	63,235

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

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividend income	**–**	13
Net gain in fair value on investment properties	**560**	240
Net gain on disposal of financial assets at fair value through profit or loss	**–**	217
Rental income	**72**	68
Interest income	**3**	–
Interest income from financial asset at amortised cost	**309**	–
Exchange difference, net	**(1,432)**	5
Others	**29**	–
	(459)	543

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank loan interest	**33**	7
Finance charge on obligations under finance lease	**101**	161
	134	168

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax is stated after charging:		
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	**37,093**	43,577
Contributions to defined contribution retirement plans	**1,843**	1,764
Staff costs (including directors' remuneration) *(note (i))*	**38,936**	45,341

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	**5,791**	3,901
– Leased assets	**150**	1,267
Administrative expenses		
– Owned assets	**54**	59
	5,995	5,227
Subcontracting charges (included in direct costs)	**59,765**	107,723
Operating lease charges		
– Premises	**369**	369
– Machinery	**3,204**	10,925
Listing expenses	**–**	9,201
Auditor's remuneration	**75**	75

Note: (i) Staff costs (including directors' remuneration)

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Direct costs	**34,326**	41,854
Administrative expenses	**4,610**	3,487
	38,936	45,341

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Provision for Hong Kong Profits Tax		
– Current tax	**172**	8,483
Deferred tax	**1,954**	(151)
Total income tax expense	**2,126**	8,332

9. DIVIDENDS

No interim dividend proposed during the six months ended 30 September 2018 (2017: Nil) and 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:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company	**8,824**	32,625
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**1,200,000**	900,000

The calculation of the basic earnings per share for the six months ended 30 September 2018 is based on the profit for the period attributable to equity holders of the Company of HK$8,824,000 (2017: HK$32,625,000) and the weighted average number of ordinary shares of 1,200,000,000 in issue during the period (2017: 900,000,000 in issue during the period, as if the reorganisation and capitalisation issue as detailed in the Company's annual financial statements for the year ended 31 March 2018 had been effective since 1 April 2017).

There were no dilutive potential ordinary shares during the six months ended 30 September 2018 and 2017 and therefore, diluted earnings per share equals to basic earnings per share.

11. TRADE AND OTHER RECEIVABLE

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables		
– from third parties	**28,108**	28,074
Deposit, prepayment and other receivables		
Retention receivables	**27,558**	32,092
Other receivables and prepayment	**1,238**	1,236
Utility and other deposits	**150**	150
	28,946	33,478
	57,054	61,552

The directors 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.

Trade receivables

The Group usually provides customers with a credit term of 28 to 60 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.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix is negligible at 30 September 2018.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. No credit loss allowance is recognised on these debtors for the current interim period.

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

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
0–30 days	**28,108**	22,156
31–60 days	**–**	872
61–90 days	**–**	5,046
	28,108	28,074

Retention receivables

Retention receivables represents 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.

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
Due within one year	**19,077**	14,919
Due after one year	**8,481**	17,173
	27,558	32,092

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 30 September 2018 (31 March 2018: Nil). The directors make periodic collective assessments as well as individual assessment on the recoverability of other receivables bases on historical settlement records and past experience. The Group consider counter parties have a low risk of default and strong capacity of to meet contractual cash flow as performing.

12. CONTRACT ASSETS/CONTACT LIABILITIES/AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
Contract costs incurred plus recognised profits less recognised losses	**1,167,795**	1,093,087
Less: progress billings	**(1,085,977)**	(1,000,135)
Contract work-in-progress	**81,818**	92,952
Analysed for reporting purposes as:		
Amounts due from customers on construction contracts	**–**	94,137
Amounts due to customers on construction contracts	**–**	(1,185)
Contract assets	**82,335**	–
Contract liabilities	**(517)**	–
	81,818	92,952

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

13. TRADE AND OTHER PAYABLES

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
Trade payables	**13,893**	39,862
Accruals and other payables	**2,722**	2,537
	16,615	42,399

Ageing analysis of payables based on the invoices date is as follows:

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
0–30 days	**13,893**	39,682
31–60 days	**–**	180
	13,893	39,862

14. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
As at 30 September 2018 and 31 March 2018	10,000,000,000	100,000
Issued and fully paid:		
As at 30 September 2018 and 31 March 2018	1,200,000,000	12,000

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The construction industry in Hong Kong witnessed steady growth in 2018. Due to the ever-growing need for residential and commercial buildings and public infrastructure projects, the income of foundation industry is expected to increase from approximately HK$24.5 billion to approximately HK$31.4 billion from 2016 to 2020, at the compounded annual growth rate of approximately 6.4%.

As stated in the 2018 Policy Address, the government of Hong Kong (the "**Government**") would continue its efforts in increasing land supply and the number of residential units in the coming future to meet the public needs. The growth of foundation industry has also been greatly benefited from large-scale infrastructure projects, especially the Ten Major Infrastructure Projects launched in 2017. Moreover, the Government's plan for new town extensions and new development areas will boost the demand for residential and commercial buildings in the new development areas.

With numerous infrastructure and buildings projects from both public and private sectors, there should be good opportunities for the foundation industry. However, the industry also continually confronts the issues of labour shortage, growing operating costs and intensified competition for foundation projects available.

The problem of labour shortage has been escalated by the ageing workforce and the decreasing number of youngsters joining the industry. According to the Construction Industry Council, as of 30 April 2018, 191,293 out of 452,806 registered workers (which accounted for approximately 42.2%) and 105,823 out of 187,587 registered skilled workers (which accounted for approximately 56.4%) were aged over 50. In addition, the higher salaries offered in Macau and the PRC may attract some constructions workers, further exacerbating the labour shortage problem in Hong Kong. The upward trend of growing operating costs poses mounting pressure on the industry too. It is estimated that the average daily wage of foundation workers in Hong Kong will continue to rise in the coming years. The rising labour cost is coped with pressure from the average price of building materials, which according to Census and Statistics Department of the Government, witnessed an increasing trend during the past few years. Besides, the strict environmental rules require contractors to solve environmental problems arising from the construction process, leading to an increase in extra costs. Meanwhile, as some contractors are now raising capital to fund larger-scale projects, competition in Hong Kong's foundation industry will be further intensified. As a result of all the factors discussed above, the Group expects both opportunities and challenges for the future of Hong Kong's foundation works industry.

Business Review and Outlook

During the Reporting Period, the Group had been awarded three projects with a total original contract sum of approximately HK$114.1 million. The Group's major contracts on hand include, *inter alia*, public housing developments in Tung Chung, private residential developments in Kai Tak and Fanling, and commercial developments in Kai Tak and Tai Koo.

The Group will strive to maximise the return to shareholders and continue to solidify the existing principal business of foundation works services. Nevertheless, the Group encountered keen competition in the market for new projects during the Reporting Period and such competition is expected to remain keen in the near future due to the growing number of market players for available foundation projects in Hong Kong. Profit margins have been negatively affected given market factors such as labour shortages and increasing operation and construction costs. This trend is expected to affect the Group's performance for the financial year ending 31 March 2019. Taking the factors discussed above into consideration, the Group shall remain cautiously optimistic towards the future. The Group will further enhance its influence in the industry by actively pursuing more projects while contributing to the long-term development of the Group.

Financial Review

Revenue

For the Reporting Period, the revenue of the Group has decreased by approximately HK$247.7 million or approximately 54.2% compared to the corresponding period in 2017, from approximately HK$457.4 million to approximately HK$209.7 million. The decrease was primarily attributable to substantial decrease in contracting revenue due to (i) the delay in commencement of new projects being awarded to the Group and (ii) substantial completion of the projects on hand in the six months ended 30 September 2017 .

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 decisions 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

For the Reporting Period, the direct costs of the Group has decreased by approximately HK$212.7 million or approximately 53.0% compared to the corresponding period in 2017, from approximately HK$401.4 million to approximately HK$188.7 million. The gross profit of the Group has decreased by approximately HK$35.0 million or approximately 62.5% compared to the corresponding period in 2017, from approximately HK$56.0 million to approximately HK$21.0 million. The Group's gross profit margin for the Reporting Period was approximately 10.0%, as compared with approximately 12.2% in the corresponding period in 2017. The decrease in gross profit margin was mainly due to the increase in overall construction cost and the keen competition in the market for new projects. In order to maintain competitiveness in the foundation works industry in Hong Kong, we have adjusted our pricing strategy, which in term affects the gross profit margin in the Reporting Period.

Other Gains and Losses

Other gains and losses mainly included net gain from change in fair value, on investment properties, interest income and exchange difference. For the Reporting Period, the other gains has decreased by approximately HK$1.0 million or approximately 200.0% compared to the corresponding period in 2017, from net gains of approximately HK$0.5 million to net losses of approximately HK$0.5 million. The decrease was mainly due to exchange loss on financial assets denominated in Renminbi for the Reporting Period.

Administrative Expenses

For the Reporting Period, the administrative expenses have decreased by approximately HK$5.9 million or approximately 38.3% compared to the corresponding period in 2017, from approximately HK$15.4 million to approximately HK$9.5 million. The decrease was mainly because the Group did not incur any listing expenses during the Reporting Period (2017: approximately HK$9.2 million).

Finance Costs

For the Reporting Period, the finance costs have decreased by approximately HK$34,000 or approximately 20.2% compared to the corresponding period in 2017, from approximately HK$168,000 to approximately HK$134,000. The decrease in finance costs was mainly due to decrease in obligation under finance leases.

Income Tax Expenses

For the Reporting Period, the income tax expense has decreased by approximately HK$6.2 million or approximately 74.7% compared to the corresponding period in 2017, from approximately HK$8.3 million to approximately HK$2.1 million. Such decrease was driven by the decrease in revenue and gross profit for the Reporting Period as discussed above.

Net Profit

For the Reporting Period, the profit and total comprehensive income attributable to owners of the Company has decreased by approximately HK$23.8 million or approximately 73.0% compared to the corresponding period in 2017, from approximately HK$32.6 million to approximately HK$8.8 million. The decrease was primarily due to the decrease in revenue and gross profit as discussed above. The net profit margin for the Reporting Period was approximately 4.2%, as compared with approximately 7.1% for the corresponding period in 2017. The decrease in the net profit margin for the Reporting Period mainly due to the decrease in gross profit margin as discussed above.

Liquidity, Financial Position and Capital Structure

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 February 2018 (the "**Listing**") and there has been no change in capital structure of the Group since then. As at 30 September 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 30 September 2018, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK$101.8 million (31 March 2018: approximately HK$147.3 million). The decrease was mainly due to the purchase of property, plant and equipment during the Reporting Period.

As at 30 September 2018, the gearing ratio of the Group, calculated by total bank borrowings (including finance lease liabilities) as a percentage of total equity was approximately 2.6% (31 March 2018: approximately 1.7%).

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 30 September 2018, the Group's plant and equipment with an aggregate net book value of nil (31 March 2018: approximately HK$0.1 million) were pledged under finance lease, while the Group had pledged an investment property situated in Hong Kong of approximately HK$5.1 million (31 March 2018: approximately HK$4.6 million) and approximately HK$10.2 million bank deposits (31 March 2018: HK$10.2 million) in order to secure bank facilities granted to Kit Kee Engineering Limited.

Exposure to Foreign Exchange Rate Risks

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 Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately HK$39.5 million in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

Capital Commitments and Contingent Liabilities

As at 30 September 2018, the Group had no material capital commitments.

At 30 September 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 interim results.

Significant Investment Held, Material Acquisition and Disposals of Subsidiaries and Associated Companies

During the Reporting Period, the Group did not have any significant investment held or any material acquisitions or disposals of subsidiaries or associated companies.

Future Plans for Material Investment or Capital Assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 January 2018 (the "**Prospectus**"), the Group did not have any other plans for material investments or capital assets during the Reporting Period.

Interim Dividend

The Board has resolved not to declare any interim dividend for the Reporting Period (2017: nil).

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 30 September 2018**
	HK$'000	*HK$'000*
Enhancing the construction machinery fleet	60,311	44,060
Strengthening the workforce and manpower	19,272	1,011
Reinforcing sales and marketing efforts	4,761	1,379
Funding of general working capital	7,596	7,596
Total	91,940	54,046

As at 30 September 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 Reporting Period, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

Employees and Remuneration Policy

As at 30 September 2018, we employed a total of 201 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 249 full-time employees as at 31 March 2018. 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 Reporting Period was approximately HK$38.9 million compared to approximately HK$45.3 million for the corresponding period in 2017.

Events After the Reporting Period

There is no important event affecting the Group after the Period and up to the date of this announcement.

CORPORATE GOVERNANCE/OTHER INFORMATION

Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and the Associated Corporations

As at 30 September 2018, the interests and short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), notified to the Company and the Stock Exchange, were as follows:

i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of shares held/ interested	Percentage of shareholding
Mr. Yip Yuk Kit	Interest in a controlled corporation *(Note)*	900,000,000	75%

Note: The Company will be owned as to 75% by Fame Circle Limited immediately after the Listing. Fame Circle Limited is legally and beneficially owned as to 100% by Mr. Yip. Under the SFO, Mr. Yip is deemed to be interested in the same number of Shares held by Fame Circle Limited.

ii. Long position in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/ interested in	Percentage of interest
Mr. Yip Yuk Kit	Fame Circle Limited	Beneficial interest	50,000	100%

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

Substantial and Other Shareholders' Interest and Short Positions in Shares and Underlying Shares

As at 30 September 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	**Capacity/Nature**	**Number of shares held/interested in**	**Percentage of interest**
Fame Circle Limited	Beneficial interest *(Note 1)*	900,000,000	75%
Ms. Yip Lai Ping	Interest of spouse *(Note 2)*	900,000,000	75%

Notes:

1. Fame Circle Limited is owned as to 100% by Mr. Yip Yuk Kit. Mr. Yip Yuk Kit is the sole director of Fame Circle Limited. Under the SFO, Mr. Yip is deemed to be interested in the same number of Shares held by Fame Circle Limited.

2. Ms. Yip Lai Ping is the spouse of Mr. Yip Yuk Kit. Under the SFO, Ms. Yip Lai Ping is deemed to be interested in the same number of Shares in which Mr. Yip Yuk Kit is interested.

Save as disclosed above, as at 30 September 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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 30 September 2018.

Competing Interests

The Directors confirm that neither the Directors nor 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 Reporting Period, 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 30 September 2018, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 27 February 2018, neither 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.

Compliance with the Corporate Governance Code

The Group recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability because the Group believes that is the best way to maximise our shareholders' value.

The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 to 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 Yuk Kit was the Chairman and Chief Executive Officer during the Reporting Period. As Mr. Yip Yuk Kit has been assuming day-to-day responsibilities in operating and managing Kit Kee Engineering Limited since August 1993, the Board is of the view that it is in the best interest of the Group to have Mr. Yip Yuk Kit taking up both roles for effective management and business development.

Save for the above deviation, the Board considers that during the Reporting Period, 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 Directors confirmed that they complied with the Model Code at all applicable times during the Reporting Period.

Purchase, Sales or Redemption of the Company's Securities

During the Reporting Period and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Directors' Interests in Contracts of Significance

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

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 during the Reporting Period 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 the 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 Interim Results

The Group's interim results for the Reporting Period have not been audited, but have been reviewed by the Audit Committee. The interim results for the Reporting Period have also been reviewed by our auditor, Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review and discussions with the management, the Audit Committee was satisfied that the interim results were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Reporting Period.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.kitkee.com.hk). The interim report of the Company for the Reporting Period containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 November 2018

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