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 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Year amounted to approximately HK$458.2 million (FY2018: approximately HK$805.7 million).
- Gross profit margin for the Review Year was approximately 7.1% (FY2018: approximately 12.1%).
- Profit before income tax of the Group for the Review Year was approximately HK$12.4 million (FY2018: approximately HK$64.1 million).
- Profit attributable to the equity holders of the Company for the Review Year amounted to approximately HK$9.8 million (FY2018: approximately HK$51.0 million).
- Basic and diluted earnings per share for the Review Year amounted to approximately HK cents 0.82 (FY2018: approximately HK cents 5.41).
- The Board has resolved not to recommend the declaration of a final dividend for the Review Year (FY2018: nil).

The board (the "**Board**") of directors (the "**Directors**") of Dragon Rise Group Holdings Limited (the "**Company**") is pleased to present the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019 (the "**Review Year**"), together with the comparative figures for the corresponding year ended in 31 March 2018 (the "**FY2018**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000* *(note)*
Revenue	4	**458,174**	805,716
Direct costs		**(425,750)**	(708,568)
Gross profit		**32,424**	97,148
Other gains and losses, net	5	**84**	2,110
Administrative expenses		**(19,848)**	(34,861)
Finance costs	6	**(297)**	(299)
Profit before income tax	7	**12,363**	64,098
Income tax expense	8	**(2,530)**	(13,070)
Profit and total comprehensive income for the year attributable to equity holders of the Company		**9,833**	51,028
		HK cents	*HK cents*
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	10	**0.82**	5.41

Note: 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).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000 (note)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**57,073**	22,701
Investment properties		**4,970**	4,550
		62,043	27,251
Current assets			
Trade and other receivables	11	**14,072**	61,552
Contract assets	13	**113,158**	–
Amounts due from customers on construction contracts	12	**–**	94,137
Tax recoverable		**4,197**	–
Cash, bank balances and pledged deposits		**136,815**	147,267
		268,242	302,956
Current liabilities			
Trade and other payables	14	**(30,501)**	(42,399)
Borrowings, secured		**(3,523)**	–
Obligation under finance leases		**(2,307)**	(2,404)
Contract liabilities	13	**(1,021)**	–
Amounts due to customers on construction contracts	12	**–**	(1,185)
Tax payable		**–**	(1,537)
		(37,352)	(47,525)
Net current assets		**230,890**	255,431
Total assets less current liabilities		**292,933**	282,682
Non-current liabilities			
Obligation under finance leases		**–**	(2,307)
Deferred tax liabilities		**(4,798)**	(2,073)
		(4,798)	(4,380)
Net assets		**288,135**	278,302
CAPITAL AND RESERVES			
Share capital	15	**12,000**	12,000
Reserves		**276,135**	266,302
Equity attributable to equity holders of the Company		**288,135**	278,302

Note: 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

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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, 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, and its subsidiaries (collectively referred to as 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.

2. BASIS OF PREPARATION

The consolidated financial statements have 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, 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

New and amended HKFRSs that are effective for annual periods beginning or after 1 April 2018

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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 over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

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 earnings 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. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

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 consolidated statement of financial position at the date of initial application (1 April 2018):

	Carrying amount on 31 March 2018 under HKAS 18 and HKAS 11	**Reclassification**	**Carrying amount on 1 April 2018 under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Trade and other receivables *(note ii)*	61,552	(32,092)	29,460
Amounts due from customers on construction contracts *(note i)*	94,137	(94,137)	–
Contract assets	–	126,229	126,229
Current liabilities			
Amounts due to customers on construction contracts *(note i)*	1,185	(1,185)	–
Contract liabilities	–	1,185	1,185

Notes:

i. At the date of initial application, unbilled revenue of HK$94,137,000 arising from the construction contracts are conditional on the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers, and such balance was reclassified from amounts due from customers on construction contract to contract assets. Besides, the reclassification of HK$1,185,000 from amounts due to customers on construction contracts to contract liabilities under HKFRS 15 represented the Group's obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers.

ii. At the date of initial application, retentions receivable of HK$32,092,000 arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and balance was reclassified from trade and other receivables to contract assets.

The adoption of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income and the 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 ECL model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 April 2018 in accordance with the transition requirement and also 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.

Trade and other receivables, cash, bank balances and pledged deposits previously classified as "loans and receivables" under HKAS 39 are now classified at financial assets measured at amortised cost under HKFRS 9 upon initial application of HKFRS 9. There have been no changes to the classification or measurement of financial assets and financial liabilities as a result of the application of HKFRS 9.

(b) Impairment

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. 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 and contract assets, the Group applies a simplified approach 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 ECL 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.

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.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2020.

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

4 Effective date to be determined.

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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or 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 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a "lease liability" at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK$1,248,000 for premises, approximately HK$738,000 is payable within one year.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 1 April 2019 onwards.

4. REVENUE AND SEGMENT INFORMATION

Revenue recognised for the years ended 31 March 2019 and 2018 are as follows:

	2019	2018
	HK$'000	*HK$'000*
Contracting revenue	**458,174**	805,716

The Group's operating activities are attributable to a single operating segment focusing on foundation construction services. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the executive directors, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance. The CODM monitors the revenue from the engagement in foundation construction services with no discrete information available to the CODM. All performance obligations of revenue from contracts with customers of the Group are satisfied over time.

The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no segment information is presented.

Geographical information

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.

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**430,408**	577,803
Customer B	**N/A***	89,731

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

5. OTHER GAINS AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Dividend income	**–**	13
Net gain from change in fair value on investment properties	**420**	530
Net gain on disposal of financial assets at fair value through profit or loss	**–**	217
Rental income	**144**	140
Interest income	**551**	1,199
Exchange difference, net	**(1,031)**	–
Others	**–**	11
	84	2,110

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Bank loans interest	**124**	7
Finance charge on obligations under finance leases	**173**	292
	297	299

7. PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before tax is stated after charging:		
(a) Staff costs (including directors' remuneration		
– Salaries, wages, bonus and other benefits	**81,218**	93,839
– Retirement scheme contributions	**3,609**	3,648
Staff costs (including directors' remuneration) *(note)*	**84,827**	97,487
(b) Other items		
Depreciation, included in:		
Direct cost		
– Owned assets	**13,964**	8,873
– Leased assets	**150**	1,961
Administrative expenses		
– Owned assets	**108**	118
	14,222	10,952
Subcontracting charges (included in direct costs)	**128,603**	202,243
Operating lease charges		
– Premises	**738**	742
– Machinery	**7,946**	16,366
Listing expenses	**–**	13,480
Auditors' remuneration	**1,110**	850
Donation	**–**	1,010

Note:

Staff costs (including directors' remuneration)

	2019	2018
	HK$'000	*HK$'000*
Direct costs	**73,715**	85,215
Administrative expenses	**11,112**	12,272
	84,827	97,487

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.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit for the year ended 31 March 2019.

	2019	2018
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax		
– Current tax	**–**	12,034
– (Over)/Under provision in respect of prior years	**(195)**	41
	(195)	12,075
– Deferred tax	**2,725**	995
	2,530	13,070

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

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**12,363**	64,098
Tax at Hong Kong profits tax rates of 16.5% (2018: 16.5%)	**2,040**	10,576
Tax effect of non-deductible expenses	**827**	2,720
Tax effect of non-taxable income	**(160)**	(289)
(Over)/Under provision in respect of prior years	**(195)**	41
Others	**18**	22
Income tax expense for the year	**2,530**	13,070

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: nil). 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:

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**9,833**	51,028
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**1,200,000**	942,740

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 15(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 15(iv)).

There were no dilutive potential ordinary shares during the years ended 31 March 2019 and 2018 and therefore, diluted earnings per share equals to basic earnings per share.

11. TRADE AND OTHER RECEIVABLES

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Trade receivables			
– from third parties	(a)	**12,903**	28,074
Deposit, prepayment and other receivables			
Retention receivables	(b)	**–**	32,092
Other receivables and prepayment		**909**	1,236
Utility and other deposits		**150**	150
Amount due from the ultimate holding company	(c)	**110**	–
		1,169	33,478
		14,072	61,552

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

Based on the invoice dates (or date of revenue recognition, if earlier), the ageing analysis of the trade receivables, net of ECL allowance (2018: provision for impairment), was as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**12,634**	22,156
31 – 60 days	**269**	872
61 – 90 days	**–**	5,046
	12,903	28,074

As at 31 March 2019, 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.

As at 31 March 2018, 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

Upon initial application of HKFRS 15, the retentions receivable was reclassified to contract assets.

(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

	2019	2018
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	**–**	1,093,087
Less: progress billings	**–**	(1,000,135)
Contract work-in-progress	**–**	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)
	–	92,952

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

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

13.1 Contract assets

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	*HK$'000*	*HK$'000*
Unbilled revenue	**96,232**	94,137	–
Retention receivables	**16,926**	32,092	–
	113,158	126,229	–

Notes:

Unbilled revenue represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 April 2018.

Upon the adoption of HKFRS 15, amounts previously included as "Retention receivables" under "Trade and other receivables" and "Amounts due from customers on construction contracts" were reclassified to contract assets.

The contract assets are transferred to trade receivables when the rights become unconditional. The amount of contract assets expected to be recovered/settled over one year is HK$7,800,000, all of the remaining balances were expected to be recovered/settled within one year.

13.2 Contract liabilities

	2019	2018
	HK$'000	*HK$'000*
Contract liabilities arising from construction contracts from billings in advance of performance	**1,021**	–

Notes:

The Group has initially applied HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 April 2018.

Upon the adoption of HKFRS 15, amounts previously included as "Amounts due to customers on construction contracts" were reclassified to contract liabilities.

All of the contract liabilities is expected to be recovered/settled within one year.

Movements in contract liabilities

	2019
	HK$'000
Balance at 1 April	**1,185**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,185)**
Increase in contract liabilities as a result of billing in advance of construction activities	**1,021**
Balance at 31 March	**1,021**

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligation as at 31 March are as follows:

	2019
	HK$'000
Within one year	**320,795**

The amounts disclosed above do not include transaction price allocated to performance obligations which have been satisfied but not yet recognised due to variable consideration constraint.

14. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**27,782**	39,862
Accruals and other payables	**2,719**	2,537
	30,501	42,399

Notes:

(a) Trade payables

Payment terms granted by suppliers are 0 to 30 days (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**23,725**	39,682
31 – 60 days	**2,300**	180
61 – 90 days	**1,757**	–
	27,782	39,862

(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.

15. SHARE CAPITAL

	2019		2018	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
As at 1 April	**10,000,000,000**	**100,000**	38,000,000	380
Increase during the year *(note (ii))*	**–**	**–**	9,962,000,000	99,620
As at 31 March	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
As at 1 April	**1,200,000,000**	**12,000**	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	**1,200,000,000**	**12,000**	1,200,000,000	12,000

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

Notes:

(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

In retrospect, Hong Kong's foundation industry contended with some lingering adversities in 2018. The overall trend in the construction industry has persisted with high labour costs and lower productivity mainly caused by, among other factors, the ageing or lesser-skilled work force. According to the Construction Industry Council's data on register workers for the year ended 31 August 2018, about 65.6% of workers aged over 40 and the largest concentration of about 25.5% of workers aged between 50 and 59. Average daily wage of foundation workers in Hong Kong is estimated to keep soaring in the coming years. In addition, the higher salaries offered in Macau and the PRC may attract some construction workers. Contractors are bound to compete for young and skilled labour or perhaps require longer production schedules with lesser-skilled labour, meanwhile facing rising costs of raw material.

On the demand side, Hong Kong currently has a number of ongoing and planned projects in various areas. Responding to the tense healthcare system, Hong Kong Hospital Authority launched the first 10-year Hospital Development Plan entailing constructions and expansions of hospitals and related healthcare facilities. Besides, West Kowloon Cultural District, Kai Tak Development, Hong Kong International Airport's third runway and MTR extension projects are still underway.

The shortage of public housing in Hong Kong emerged as a hot topic when the average waiting time exceeded 5 years, at an 18-year high. The Hong Kong Government had pledged to address the issue by identifying more land supply and speeding up public housing projects. The latest projection of total public housing production in the five-year period from 2018-19 to 2022-23 is estimated to be 100,800 units, with target for the ten-year period 2019-20 to 2028-29 of 315,000 units. Coupled with infrastructure projects, demand for the foundation industry in the coming years is deemed to remain stable.

Although there is no lack of projects in the pipeline, the foundation industry in Hong Kong still faces barriers which call for long-term solutions. Judging from circumstances of the industry, the Group remains prudently optimistic and will stay alert to industry trends and development to seize viable opportunities.

Business Review and Outlook

The Group has been established in the industry for over two decades, focusing 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. Our specialized areas of expertise include 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 the Review Year, the Group's business experienced delay in commencement of new projects. This prevented revenue to be realised in time while most projects on hand came to completion in the year ended 31 March 2018. On top of this, profit margins for the Review Year also shows the negative impact from heightening overall construction costs. Meanwhile, the Group faced intense competition for new projects with a growing number of competitors with funding for larger-scale projects. Despite the above, we will continue our endeavours in strengthening our principle business of foundation works services and achieving higher returns for our shareholders.

During the Review Year, we had been awarded 18 projects with a total original contract sum of approximately HK$410.5 million.

Financial Review

Revenue

For the Review Year, the revenue of the Group has decreased by approximately HK$347.5 million, or approximately 43.1% compared to the corresponding year ended 31 March 2018, from approximately HK$805.7 million to approximately HK$458.2 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 year ended 31 March 2018.

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 and 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

Our direct costs decreased by approximately HK$282.8 million or approximately 39.9% from approximately HK$708.6 million for the year ended 31 March 2018 to approximately HK$425.8 million for the Review Year.

The gross profit of the Group has decreased by approximately HK$64.7 million, or approximately 66.6% compared to the corresponding year ended 31 March 2018, from approximately HK$97.1 million to approximately HK$32.4 million. The decrease in gross profit was greater than the decrease in revenue as the gross profit margin for the Review Year was approximately 7.1%, compared to the gross profit margin for the corresponding year ended 31 March 2018 of approximately 12.1%. 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 Review Year.

Other Gains and Losses, Net

Other gains and losses, net mainly included net gain from change in fair value on investment properties and interest income and net loss on exchange difference. For the Review Year, other gains amounted to approximately HK$84,000 (FY2018: approximately HK$2.1 million). The decrease in other gains during the Review Year was mainly due to (i) recognition of the one-off bank interest income of approximately HK$1.2 million derived from the proceeds received from the share offer during the year ended 31 March 2018; and (ii) exchange loss of approximately HK$1.0 million on bank deposits denominated in Renminbi for the Review Year.

Administrative Expenses

For the Review Year, the administrative expenses have decreased by approximately HK$15.1 million or approximately 43.3% compared to the corresponding year ended 31 March 2018, from approximately HK$34.9 million to approximately HK$19.8 million. The decrease was primarily due to the recognition of the one-off listing expenses of approximately HK$13.5 million during the year ended 31 March 2018.

Finance Costs

For the Review Year, the finance costs remained stable, which have decreased by approximately HK$2,000 or approximately 0.7% compared to the corresponding year ended 31 March 2018, from approximately HK$299,000 to approximately HK$297,000.

Income Tax Expense

For the Review Year, the income tax expense has decreased by approximately HK$10.6 million or approximately 80.9% compared to the corresponding year ended 31 March 2018, from approximately HK$13.1 million to approximately HK$2.5 million. Such decrease was mainly due to (i) the decrease in revenue and gross profit for the Review Year as discussed above; and (ii) the tax effect of non-deductible one-off listing expenses for the year ended 31 March 2018.

Net Profit

For the Review Year, the profit and total comprehensive income has decreased by approximately HK$41.2 million or approximately 80.8% compared to the corresponding year ended 31 March 2018, from approximately HK$51.0 million to approximately HK$9.8 million. The decrease in our net profit for the Review Year was mainly due to the decrease in revenue and gross profit as discussed above. Our net profit margin for the Review Year was approximately 2.1%, as compared with approximately 6.3% for the year ended 31 March 2018. The decrease in the net profit margin for the Review Year was mainly due to the decrease in gross profit margin as discussed above.

Liquidity, Financial Position and Capital Structure

During the Review Year, there has been no change in capital structure of the Group.

As at 31 March 2019, 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 2019, the Group had total cash, bank balances and pledged deposits of approximately HK$136.8 million (31 March 2018: approximately HK$147.3 million).

Current Ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our Group's current ratio increased from approximately 6.4 times as at 31 March 2018 to approximately 7.2 times as at 31 March 2019. The increase was mainly due to the decrease in trade and other payables as at 31 March 2019.

Gearing Ratio

Gearing ratio is calculated as total borrowings (including finance lease liabilities) divided by the total equity as at the respective reporting dates.

Our Group's gearing ratio increased from approximately 1.7% as at 31 March 2018 to approximately 2.0% as at 31 March 2019. The increase was primarily due to the increase in bank borrowings as at 31 March 2019.

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 2019, our plant and equipment with zero book value (31 March 2018: approximately HK$0.1 million) were pledged under finance lease, while the Group had pledged (i) an investment property situated in Hong Kong of approximately HK$5.0 million (31 March 2018: approximately HK$4.6 million); and (ii) approximately HK$10.2 million and RMB13.0 million bank deposits (31 March 2018: approximately HK$10.2 million bank deposits) 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 dollars, 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.

Whilst during the Review Year, the Group placed a portion of its cash reserves in RMB in bank deposits for interest return, we incurred an exchange loss of approximately HK$1.0 million owing to the unexpected changes in the economic environment as trade tension heightens between China and the US during the Review Year.

Capital Commitments and Contingent Liabilities

As at 31 March 2018 and 2019, the Group had no material capital commitments.

As at 31 March 2018 and 2019, 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.

Future Plans for Material Investment or Capital Assets

Save as disclosed 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 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 under the section headed "Future Plans and Use of Proceeds" in 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 *HK$'000*	Actual usage up to 31 March 2019 *HK$'000*
Enhancing the construction machinery fleet	**60,311**	**52,980**
Strengthening the workforce and manpower	**19,272**	**6,654**
Reinforcing sales and marketing efforts	**4,761**	**1,857**
Funding of general working capital	**7,596**	**7,596**
Total	**91,940**	**69,087**

As at 31 March 2019 and the date of this report, the unutilised proceeds were placed in interest-bearing deposits with 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 2019, we employed a total of 210 full-time employees (including two executive Directors but excluding four 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 Review Year was approximately HK$84.8 million compared to approximately HK$97.5 million in the corresponding year ended 31 March 2018.

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 (FY2018: 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 Review Year, 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 2019.

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.

Purchase, Sale or Redemption of the Company's Securities

During the Review Year, 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 2019 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 during the Review Year 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 draft 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 2019 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, 26 June 2019

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, Mr. Lee Kwok Lun and Mr. Chan Wa Shing as independent non-executive Directors.