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 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Year amounted to approximately HK$509.3 million (FY2019: approximately HK$458.2 million).

- Gross profit margin for the Review Year was approximately 1.0% (FY2019: approximately 7.1%).

- Loss attributable to the equity holders of the Company for the Review Year amounted to approximately HK$20.1 million (FY2019: profit attributable to the equity holders of the Company approximately HK$9.8 million).

- Basic and diluted loss per share for the Review Year amounted to approximately HK cents 1.67 (FY2019: earnings per share approximately HK cents 0.82).

- The Board has resolved not to recommend the declaration of a final dividend for the Review Year (FY2019: 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 2020 (the "**Review Year**"), together with the comparative figures for the corresponding year ended 31 March 2019 (the "**FY2019**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000* *(note)*
Revenue	4	**509,298**	458,174
Direct costs		**(504,127)**	(425,750)
Gross profit		**5,171**	32,424
Other (losses)/gains, net	5	**(1,911)**	84
Administrative expenses		**(21,564)**	(19,848)
Finance costs	6	**(817)**	(297)
(Loss)/profit before income tax	7	**(19,121)**	12,363
Income tax expense	8	**(976)**	(2,530)
Total comprehensive (expense)/income for the year		**(20,097)**	9,833
		HK cents	*HK cents*
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	10	**(1.67)**	0.82

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000 (note)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**64,904**	57,073
Investment property		**4,740**	4,970
		69,644	62,043
Current assets			
Trade and other receivables	11	**81,538**	14,072
Contract assets	12	**126,296**	113,158
Tax recoverable		**2,547**	4,197
Cash, bank balances and pledged deposits		**72,035**	136,815
		282,416	268,242
Current liabilities			
Trade and other payables	13	**(58,697)**	(30,501)
Contract liabilities	12	**(690)**	(1,021)
Borrowings, secured		**(18,375)**	(3,523)
Lease liabilities/Obligation under finance leases	14	**(486)**	(2,307)
		(78,248)	(37,352)
Net current assets		**204,168**	230,890
Total assets less current liabilities		**273,812**	292,933
Non-current liabilities			
Deferred tax liabilities		**(5,774)**	(4,798)
		(5,774)	(4,798)
Net assets		**268,038**	288,135
CAPITAL AND RESERVE			
Share capital	15	**12,000**	12,000
Reserves		**256,038**	276,135
Equity attributable to equity holders of the Company		**268,038**	288,135

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 ("**Fame Circle**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Yip Yuk Kit ("**Mr. Yip**" or "**Controlling Shareholder**").

2. BASIS OF PREPARATION

These 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 Hong Kong Institute of Certified Public Accountants (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 ("**CO**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented in the consolidated financial statements. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for investment property which is stated at fair value. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Group, and all values are rounded to the nearest thousands ("**HK$'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 2019

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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

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 16 "Leases" ("HKFRS 16")

HKFRS 16 replaces HKAS 17 "Leases" ("**HKAS 17**") along with three Interpretations (HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" ("**HK(IFRIC) – Int 4**"), HK(SIC) – Int 15 "Operating Leases – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in retained earnings at the date of initial application. Comparative information has not been restated and continues to be reported under HKAS 17.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

Upon adoption of HKFRS 16, the Group, as a lessee, recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) – Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) – Int 4.

As a lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 April 2019. At this date the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 3.88%.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019 upon the initial application of HKFRS 16:

	HK$'000
Operating lease commitments at 31 March 2019	1,248
Discounting using incremental borrowing rate as at 1 April 2019	(55)
Operating leases liabilities	1,193
Obligation under finance leases	2,307
Total lease liabilities recognised under HKFRS 16 at 1 April 2019	3,500
Classified as:	
Current lease liabilities	3,014
Non-current lease liabilities	486
	3,500

As a Lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019:

	HK$'000
Increase in right-of-use assets presented in property, plant and equipment	1,193
Increase in lease liabilities	3,500
Decrease in obligation under finance lease	(2,307)

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 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date to be determined
4 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
5 Effective for annual periods on or after 1 June 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. The Group considered that all issued but not yet effective HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue recognised for the years ended 31 March 2020 and 2019 are as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Contracting revenue	**504,401**	458,174
Sourcing and distribution of construction materials	**4,897**	–
	509,298	458,174
Timing of revenue recognition under HKFRS 15		
Services transferred over time	**504,401**	458,174
Good transferred at a point in time	**4,897**	–
	509,298	458,174

(b) Segment information

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**") has been identified as the executive directors of the Company. The CODM regard the Group's business of foundation construction services as a single operating segment and review the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis 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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**341,213**	430,408
Customer B	**81,485**	N/A*

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

5. OTHER (LOSSES)/GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
Net (losses)/gains from change in fair value on investment property	**(230)**	420
Rental income	**152**	144
Interest income	**152**	551
Exchange difference, net	**(1,029)**	(1,031)
Provision of expected credit loss ("**ECL**") allowance for trade receivables and contract assets	**(986)**	–
Others	**30**	–
	(1,911)	84

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Bank loans interest	**731**	124
Finance charge on leases liabilities (2019: obligation under finance leases)	**86**	173
	817	297

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2020 *HK$'000*	2019 *HK$'000*
(Loss)/profit before income tax is stated after charging:		
(a) Staff costs (including Directors' remuneration)		
– Salaries, wages, bonus and other benefits	**116,084**	81,218
– Retirement scheme contributions	**4,206**	3,609
Staff costs (including Directors' remuneration) *(note)*	**120,290**	84,827
(b) Other items		
Depreciation, included in:		
Direct cost		
– Owned assets	**20,556**	13,964
– Right-of-use assets (2019: leased assets)	**–**	150
Administrative expenses		
– Owned assets	**93**	108
– Right-of-use assets (2019: leased assets)	**716**	–
	21,365	14,222
Subcontracting charges (included in direct costs)	**167,820**	128,603
Service charges paid for machinery	**15,627**	–
Lease charges		
– Premises held under operating leases	**–**	738
– Machinery held under operating leases	**–**	7,946
Auditors' remuneration	**1,010**	1,110
Provision of ECL allowance for trade receivables and contract assets	**986**	–

Note:

Staff costs (including Directors' remuneration)

	2020 *HK$'000*	2019 *HK$'000*
Direct costs	**106,565**	73,715
Administrative expenses	**13,725**	11,112
	120,290	84,827

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit for the years ended 31 March 2020 and 2019.

	2020	2019
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax		
– Current tax	**–**	–
– Over provision in respect of prior years	**–**	(195)
	–	(195)
– Deferred tax	**976**	2,725
Total income tax expense	**976**	2,530

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(19,121)**	12,363
Tax at Hong Kong profits tax rates of 16.5% (2019: 16.5%)	**(3,155)**	2,040
Tax effect of non-deductible expenses	**2,069**	827
Tax effect of non-taxable income	**(26)**	(160)
Tax effect of tax losses not recognised	**1,795**	–
Tax effect of prior year difference recognised	**300**	–
Over provision in respect of prior years	**–**	(195)
Others	**(7)**	18
Income tax expense for the year	**976**	2,530

9. DIVIDENDS

No dividend was paid or proposed for the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

10. (LOSS)/EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to equity holders of the Company	**(20,097)**	9,833
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**1,200,000**	1,200,000

There were no dilutive potential ordinary shares during the years ended 31 March 2020 and 2019 and therefore, diluted (loss)/earnings per share equals to basic (loss)/earnings per share.

11. TRADE AND OTHER RECEIVABLES

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Trade receivables			
– from third parties	(a)	**78,782**	12,903
Less: ECL allowance		**(405)**	–
		78,377	12,903
Deposit, prepayment and other receivables			
Other receivables and prepayment		**872**	909
Utility and other deposits		**150**	150
Amount due from a director	(b)	**2,029**	–
Amount due from the ultimate holding company	(b)	**110**	110
		3,161	1,169
		81,538	14,072

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, was as follows:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**65,570**	12,634
31 – 60 days	**5,764**	269
61 – 90 days	**–**	–
Over 90 days	**7,043**	–
	78,377	12,903

The movement in the ECL allowance on trade receivables is as follows:

	2020	2019
	HK$'000	*HK$'000*
Balance as at 1 April	**–**	–
ECL allowance recognised during the year	**405**	–
Balance as at 31 March	**405**	–

(b) Amount due from a director/the ultimate holding company

The amount due is unsecured, interest-free and repayable on demand.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

12.1 Contract assets

	2020	2019
	HK$'000	*HK$'000*
Unbilled revenue	**90,588**	96,232
Retention receivables	**36,289**	16,926
Less: ECL allowance	**(581)**	–
	126,296	113,158

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

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 amount of contract assets expected to be recovered/settled over one year is HK$27,251,000 (31 March 2019: HK$7,800,000), all of the remaining balances were expected to be recovered/settled within one year.

The movement in the ECL allowance on contract assets are as follows:

	2020	2019
	HK$'000	*HK$'000*
Balance as at 1 April	**–**	–
ECL allowance recognised during the year	**581**	–
Balance as at 31 March	**581**	–

12.2 Contract liabilities

	2020	2019
	HK$'000	*HK$'000*
Contract liabilities arising from construction contracts from billings in advance of performance	**690**	1,021

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

Revenue recognised in relation to contract liabilities

	2020	2019
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,021**	1,185

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:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**710,637**	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.

13. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(note)*	**56,127**	27,782
Accruals and other payables	**2,570**	2,719
	58,697	30,501

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.

Notes:

Payment terms granted by suppliers are 0 to 30 days (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**51,035**	23,725
31 – 60 days	**4,944**	2,300
61 – 90 days	**148**	1,757
	56,127	27,782

14. LEASE LIABILITIES/OBLIGATION UNDER FINANCE LEASES

The analysis of the Group's lease liabilities (2019: obligations under finance leases*) is as follows:

	2020	2019
	HK$'000	*HK$'000*
Total minimum lease payments:		
Within one year	**492**	2,362
After one year but within two years	**–**	–
	492	2,362
Future finance charges	**(6)**	(55)
Present value of lease obligation	**486**	2,307
Present value of minimum lease payment:		
Within one year	**486**	2,307
After one year but within two years	**–**	–
	486	2,307
Less: Portion due within one year included under current liabilities	**(486)**	(2,307)
Portion due after one year included under non-current liabilities	**–**	–

Note:

The Group has entered into lease arrangements (2019: obligation under finance leases) for certain plant and machinery and motor vehicles. These lease periods are for five years. At the end of the lease term, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases including contingent rentals.

The Group has also entered into lease arrangement (2019: operating lease) for office premise. The lease typically run on an initial period of two years. The Group makes fixed payments during the contract period. The lease include an option to renew the lease for an additional period after the end of the contract term. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and concluded that it is not reasonably certain to exercise the extension options.

During the year ended 31 March 2020, the total cash outflows for the leases are HK$3,100,000.

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as obligation under finance leases. Comparative information is not restated and relates solely to leases previously classified as obligation under finance lease. Details for transitions to HKFRS 16 are set out in note 3.

15. SHARE CAPITAL

	2020		2019	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
As at 1 April and 31 March	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
As at 1 April and 31 March	**1,200,000,000**	**12,000**	1,200,000,000	12,000

16. CONTINGENT LIABILITIES

At 31 March 2020 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 potential claims and litigations against the Group, as a subcontractor, are insured by main contractor's insurance policy, 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.

17. EVENTS AFTER THE REPORTING PERIOD

Due to the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") epidemic in January 2020, a series of precautionary and control measures have been and continue to be implemented. The economic activities in Hong Kong in general are expected to be affected by the epidemic due to postponement of work resumption in Hong Kong. The Group evaluated the impact of COVID-19 on its financial position and financial performance but given the dynamic nature of the disease, the Group is not yet able to quantify the influence. The Group will pay close attention to the development of COVID-19 and its impact and will continue to perform relevant assessment and take proactive measure as appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Surrounded by intensifying tension under the China-US trade conflict, the global economy weakened and entered a recession during the Review Year. China's economic growth plunged to its slowest annual rate of 6.1% since 1990 after almost three decades of rapid expansion, taking a heavy toll on companies' and consumers' sentiment beyond its domestic market. Such conditions led to a slowdown in consumer spending and investment intention.

The contraction of Hong Kong's construction industry was mainly attributable to both foreign and domestic affairs. Due to the rising demand for housing and infrastructure, Hong Kong's overall construction industry experienced steady growth for over a decade. However, in 2019, it recorded the first decline in total gross value after 13 years. According to the Census and Statistics Department, the gross value of construction works in Hong Kong during 2019 amounted to approximately HK$236,438 million in certain public sector sites, private sector sites and the remaining groups, indicating a decline of 6.2% compared to that of the prior year. Amongst all broad trade groups, the gross output value of on-site construction sector shrank more significantly than that of off-site construction sector in proportion. Under Hong Kong's social turmoil since June 2019, companies and consumers are losing confidence in the local market, with this in turn influencing their capital investment intention. Investors have been on high alert for signs of weak market performance and hold pessimistic business sentiment. As such, private developers aware of such market environment reconsidered their business development strategies. As a subcategory in the construction industry, foundation works are engaged at the early stage of projects; its demand in the private sector relies heavily on the plans of private developers. Along with a growing number of comparable subcontractors in the foundation work industry, while private sector construction continues to slow down, the market segments have become more competitive to contractors and subcontractors. The cumulation of such factors set an increasingly fierce scene of market competition in bidding for new construction projects for the industry players during the Review Year.

The pressing social need for housing construction and the need for the provision of hospital facilities as part of the 10-Year Hospital Development Plan launched by Hong Kong Hospital Authority was seen to hold opportunities for the local construction industry. Yet, the outbreak of COVID-19 that started at the begining of 2020 has assailed the industry unpredictably. Under the COVID-19 pandemic, workers who worked at the same site were required to work separately in order to prevent cross-infection or spreading the virus. The implementation of necessary quarantine measures resulted in delays in the progress of projects, an impact felt across the industry for both main contractors and subcontractors, resulting in an increase in operation costs and a reduction in profit margins.

Business Review and Outlook

The Group has been operating for over two decades in the industry, mainly engaging in commercial and residential buildings' constructions. The Group focuses primarily on providing foundation works services as a subcontractor, and have developed the experience and capability to offer a comprehensive range of foundation construction and related services. Our expertise is in the specialist areas of (i) excavation and lateral support works, and pile caps construction works; (ii) disposal of excavated materials from piling; and (iii) 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 was subjected to enormous pressure under the severe market competition in bidding for new projects, as there was a growing number of competitors who became capable of undertaking sizeable projects. Despite the proactive pricing strategy that was adopted in response, its effect on reinforcing the Group's competitiveness amongst the foundation industry was not as strong as we expected, due to the unfavourable market conditions. Furthermore, declining profit margins for the Review Year resulted from an increase of direct costs incurred from unexpected complexities arising from construction works for certain construction projects of the Group, and delays of certain projects due to the outbreak of COVID-19 epidemic since the end of 2019. Notwithstanding the current predicament, the Group will strive to consolidate its market position amid the fierce competition by enhancing its strengths in project management, technological advancement and quality control, in order to obtain higher returns for our shareholders. The Board remains prudent about the prospects of the Group for the future.

During the Review Year, we had been awarded 13 projects with a total original contract sum of approximately HK$430.3 million.

Financial Review

Revenue

For the Review Year, the revenue of the Group has increased by approximately HK$51.1 million, or approximately 11.2% compared to the year ended 31 March 2019, from approximately HK$458.2 million to approximately HK$509.3 million. The increase was primarily attributable to an increase in contracting revenue due to an increase in the number of projects with revenue contribution during the Review Year.

The Board regards the Group's business of foundation works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented 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 increased by approximately HK$78.3 million or approximately 18.4% from approximately HK$425.8 million for the year ended 31 March 2019 to approximately HK$504.1 million for the Review Year.

The gross profit of the Group has decreased by approximately HK$27.2 million, or approximately 84.0% compared to the year ended 31 March 2019, from approximately HK$32.4 million to approximately HK$5.2 million. The gross profit margin for the Review Year was approximately 1.0%, compared to the gross profit margin for the year ended 31 March 2019 of approximately 7.1%. The decrease in gross profit margin was mainly due to (i) our continuing proactive pricing strategy in response to increasingly competitive market conditions; and (ii) an increase in direct costs incurred from (a) unexpected complexity arising from construction works for certain construction projects of the Group; and (b) delays in certain projects as a result of the outbreak of the novel coronavirus (COVID-19) epidemic during the Review Year.

Other Losses and Gains, Net

Other losses and gains, net mainly included net loss from change in fair value on investment property, net loss on exchange difference and provision of expected credit loss allowance for trade receivables and contract assets. For the Review Year, other losses amounted to approximately HK$1.9 million as compared with other gains of approximately HK$84,000 for the year ended 31 March 2019. The other losses for the Review Year was mainly due to (i) provision of expected credit loss allowance for trade receivables and contract assets of approximately HK$1.0 million; and (ii) exchange loss of approximately HK$1.0 million on bank deposits denominated in Renminbi.

Administrative Expenses

For the Review Year, the administrative expenses have increased by approximately HK$1.8 million or approximately 9.1% compared to the year ended 31 March 2019, from approximately HK$19.8 million to approximately HK$21.6 million. The increase was primarily due to the increase in staff costs included in administrative expenses of HK$2.6 million for the Review Year.

Finance Costs

For the Review Year, the finance costs have increased by approximately HK$520,000 or approximately 175.1% compared to the year ended 31 March 2019, from approximately HK$297,000 to approximately HK$817,000. The increase was primarily due to the increase in bank borrowings for the Review Year.

Income Tax Expense

For the Review Year, the income tax expense has decreased by approximately HK$1.5 million or approximately 60.0% compared to the year ended 31 March 2019, from approximately HK$2.5 million to approximately HK$1.0 million. Such decrease was mainly due to decrease in gross profit for the Review Year as discussed above.

Net Loss/Profit

For the Review Year, the total comprehensive income has decreased by approximately HK$29.9 million or approximately 305.1% compared to the year ended 31 March 2019, from net profit of approximately HK$9.8 million to net loss of approximately HK$20.1 million. Our net loss margin for the Review Year was approximately 3.9%, as compared with net profit margin of approximately 2.1% for the year ended 31 March 2019. 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. The Group continued to finance its working capital with internally generated cash flows and bank borrowings.

As at 31 March 2020, 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 2020, the Group had total cash, bank balances and pledged deposits of approximately HK$72.0 million (31 March 2019: approximately HK$136.8 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 decreased from approximately 7.2 times as at 31 March 2019 to approximately 3.6 times as at 31 March 2020. The decrease was mainly due to the increase in trade and other payables as at 31 March 2020.

Gearing Ratio

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

Our Group's gearing ratio increased from approximately 2.0% as at 31 March 2019 to approximately 7.0% as at 31 March 2020. The increase was primarily due to the increase in bank borrowings as at 31 March 2020.

Treasury Policy

The Group has adopted a prudent financial management approach towards its 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 2020, the Group had pledged (i) an investment property situated in Hong Kong of approximately HK$4.7 million (31 March 2019: approximately HK$5.0 million); (ii) approximately HK$10.2 million and RMB13.0 million bank deposits (31 March 2019: approximately HK$10.2 million and RMB13.0 million bank deposits); and (iii) corporate guarantee given by the Company 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 (For the year ended 31 March 2019: approximately HK$1.0 million) owing to the trade heightened tension between China and the US during the Review Year.

Capital Commitments and Contingent Liabilities

As at 31 March 2020 and 2019, the Group had no material capital commitments.

As at 31 March 2020 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 investments held, nor 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$'000*	**Actual usage up to 31 March 2020** *HK$'000*
Enhancing the construction machinery fleet	60,311	60,311
Strengthening the workforce and manpower	19,272	19,272
Reinforcing sales and marketing efforts	4,761	2,260
Funding of general working capital	7,596	7,596
Total	91,940	89,439

Owing to the social unrest which had commenced in 2019 and the COVID-19 outbreak, the Group decided to withhold or postpone a number of marketing expenses. Unutilised proceeds for the reinforcement of sales and marketing efforts therefore stood at approximately HK$2.5 million as at 31 March 2020.

As at 31 March 2020 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 2020, we employed a total of 426 full-time employees (including two executive Directors but excluding four independent non-executive Directors), as compared to a total of 210 full-time employees as at 31 March 2019. 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 Group also adopted a share option scheme whereby qualified participants may be granted options to acquire shares in the Company. The total staff cost incurred by the Group for the Review Year was approximately HK$120.3 million compared to approximately HK$84.8 million in the year ended 31 March 2019.

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 (For the year ended 31 March 2019: 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 of 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 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 2020.

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.

Events after the Review Year

Due to the COVID-19 outbreak, a series of precautionary and control measures were adopted to prevent cross-infection or further spreading of the virus. This has resulted in delays in the progress of projects, an impact felt across the industry. In striving to minimise delays, the Group has been required to incur additional expenses, the impact of which may not be passed on to our customers. The effects of the COVID-19 outbreak are therefore expected to impact the Group's profitability. There have been no other material events occurring after 31 March 2020 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 confirm 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.hk** and the website of Hong Kong Exchanges and Clearing Limited at **www.hkexnews.hk**. The 2020 Annual Report will be despatched to shareholders of the Company and made 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, 23 June 2020

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.