

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 6829)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the Reporting Period amounted to approximately HK\$517.6 million (six months ended 30 September 2019: approximately HK\$237.2 million).
- Loss attributable to the equity holders of the Company for the Reporting Period amounted to approximately HK\$4.7 million (loss attributable to the equity holders for the six months ended 30 September 2019: approximately HK\$5.6 million).
- Basic and diluted loss per share for the Reporting Period amounted to approximately HK cents 0.39 (basic and diluted loss per share for the six months ended 30 September 2019: approximately HK cents 0.47).
- The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended 30 September 2019: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Dragon Rise Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 (the “**Reporting Period**”), together with the comparative unaudited figures for the corresponding period in 2019.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2020*

	<i>Notes</i>	<b>Six months ended 30 September</b>	
		<b>2020</b>	<b>2019</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>	5	<b>517,588</b>	237,189
Direct costs		<b>(516,243)</b>	(230,073)
<b>Gross profit</b>		<b>1,345</b>	7,116
Other gains and losses, net	7	<b>6,453</b>	(770)
Administrative expenses		<b>(11,869)</b>	(11,921)
Finance costs	8	<b>(424)</b>	(316)
<b>Loss before income tax</b>	9	<b>(4,495)</b>	(5,891)
Income tax (expense)/credit	10	<b>(160)</b>	259
<b>Loss and total comprehensive expense for the period attributable to equity holders of the Company</b>		<b>(4,655)</b>	(5,632)
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted	12	<b>(0.39)</b>	(0.47)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2020*

		As at 30 September 2020	As at 31 March 2020
	<i>Notes</i>	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> <b>(audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		55,292	64,904
Investment property		4,770	4,740
		<b>60,062</b>	69,644
<b>Current assets</b>			
Trade and other receivables	13	40,043	81,538
Contract assets	14	142,727	126,296
Tax recoverable		2,547	2,547
Financial asset at amortised cost		14,791	–
Cash, bank balances and pledged deposits		54,312	72,035
		<b>254,420</b>	282,416
<b>Current liabilities</b>			
Trade and other payables	15	(29,258)	(58,697)
Contract liabilities		(860)	(690)
Borrowings, secured		(14,924)	(18,375)
Lease liabilities		(123)	(486)
		<b>(45,165)</b>	(78,248)
<b>Net current assets</b>		<b>209,255</b>	204,168
<b>Total assets less current liabilities</b>		<b>269,317</b>	273,812

		<b>As at 30 September 2020 <i>HK\$'000</i> (unaudited)</b>	<b>As at 31 March 2020 <i>HK\$'000</i> (audited)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>(5,934)</u>	<u>(5,774)</u>
		<u>(5,934)</u>	<u>(5,774)</u>
<b>Net assets</b>		<b><u>263,383</u></b>	<b><u>268,038</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>12,000</b>	12,000
Reserves		<u>251,383</u>	<u>256,038</u>
<b>Equity attributable to equity holders of the Company</b>		<b><u>263,383</u></b>	<b><u>268,038</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 1. GENERAL INFORMATION

Dragon Rise Group Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 22 February 2017. The Company’s shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2018. The address of the registered office and the principal place of business of the Company 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, the “**Group**”) are principally engaged in undertaking foundation works in Hong Kong as a subcontractor.

As at 30 September 2020, the directors considered the Company’s immediate and ultimate holding company to be Fame Circle Limited, a company incorporated in the British Virgin Islands (“**BVI**”) and wholly owned by Mr. Yip Yuk Kit (“**Mr. Yip**”, Mr. Yip and Fame Circle Limited each being a “**Controlling Shareholder**”).

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial statements do not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2020.

The condensed consolidated interim financial statements are unaudited, but has been reviewed by the Company’s independent auditor, Grant Thornton Hong Kong Limited.

The condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), except when otherwise indicated, which was approved for issue by the Board of Directors on 26 November 2020.

## 3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) that have become effective for accounting period beginning on or after 1 April 2020 as set out below. The Group has not early adopted any other standards, interpretation or amendment that has been issued but not yet effective:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

For those new and amended HKFRSs, have been published but are not yet effective, and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

#### **Amendments to HKAS 1 and HKAS 8 “Definition of Material”**

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The application of these amendments has had no impact on the Group's condensed consolidated interim financial statements.

## **4. ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES**

### **4.1 Accounting policies**

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in annual consolidated financial statements of the Group for the year ended 31 March 2020, except as described below:

#### ***Government grants***

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the costs that the grants are intended to compensate. Government grants related to subsidy income from government for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 4.2 Use of judgements and estimates

The preparation of the condensed consolidated interim financial statements require management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 March 2020.

## 5. REVENUE

The Group's principal activities are disclosed in note 1 of the condensed consolidated interim financial statements.

Revenue recognised for the six months ended 30 September 2020 and 2019 are as follows:

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by types of good or services		
Contracting revenue	<b>517,588</b>	232,292
Sourcing and distribution of construction materials	–	4,897
	<b>517,588</b>	<b>237,189</b>
<b>Timing of revenue recognition under HKFRS 15</b>		
Good transferred at a point in time	–	4,897
Services transferred over time	<b>517,588</b>	232,292
	<b>517,588</b>	<b>237,189</b>

### Contracting revenue

Revenue from construction contracts are recognised over time as the Group's performance creates and enhances an asset that the customer controls which referred as the designated areas where the construction work services performed. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

### Sourcing and distribution of construction materials

Revenue from sourcing and distribution of construction materials was generally recognised at a point in time when the customers obtain possession of and control of the promised goods.

## 6. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on undertaking foundation works in Hong Kong. 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 works with no discrete information available to the CODM. The CODM reviews the profit or loss for the period of the Group as a whole for performance assessment. Accordingly, no segment analysis information is presented.

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

Revenue from customers which individually contributed over 10% of the Group's revenue was derived from contracting revenue and was presented as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A	421,267	175,216
Customer B	86,335	24,764
	<u>507,602</u>	<u>200,000</u>

## 7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net gain in fair value on investment property	30	10
Rental income	78	74
Interest income	45	46
Interest income from financial asset at amortised cost	139	–
Exchange difference, net	587	(930)
Government grant and subsidies ( <i>note (a)</i> )	5,574	–
Others	–	30
	<u>6,453</u>	<u>(770)</u>

*Note a:* Being the grants received or receivables of HK\$1,476,000, HK\$4,008,000 and HK\$90,000 respectively from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme ("ESS"), COVID-19 Anti-epidemic Fund under ESS for the Construction Sector (Casual Employee) and other subsidy schemes launched by the Government of the Hong Kong Special Administrative Region.



## 8. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Bank loan interest	419	255
Interest on lease liabilities	5	61
	<u>424</u>	<u>316</u>

## 9. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss before tax is stated after charging:		
<b>(a) Staff costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	91,532	43,342
Contributions to defined contribution retirement plans	2,817	1,746
	<u>94,349</u>	<u>45,088</u>
Staff costs (including directors' remuneration) <i>(note (i))</i>		
<b>(b) Other items</b>		
Depreciation, included in:		
Direct costs		
– Owned assets	10,839	9,897
Administrative expenses		
– Owned assets	45	47
– Right-of-use assets	358	358
	<u>11,242</u>	<u>10,302</u>
Subcontracting charges (included in direct costs)	133,886	80,271
Lease charges:		
– Short term leases	16,545	6,635
Auditor's remuneration	25	75
Provision for expected credit losses ("ECL") allowance for trade receivables	–	234
Provision for ECL allowance for contract assets	1,117	1,176
Reversal for ECL allowance for trade receivables	(48)	–
	<u>133,886</u>	<u>80,271</u>

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

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Direct costs	<b>87,465</b>	38,664
Administrative expenses	<b>6,884</b>	6,424
	<b>94,349</b>	45,088

#### 10. INCOME TAX (EXPENSE)/CREDIT

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2020 and 2019. No provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial statements as the Group had no assessable profit for the six months ended 30 September 2020 and 2019.

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Deferred tax	<b>(160)</b>	259
Total Income tax (expense)/credit	<b>(160)</b>	259

#### 11. DIVIDENDS

No interim dividend was paid or declared by the Company during the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

#### 12. LOSS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to equity holders of the Company	<b>(4,655)</b>	(5,632)
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<b>1,200,000</b>	1,200,000

The calculation of the basic loss per share for the six months ended 30 September 2020 is based on the loss for the period attributable to equity holders of the Company of HK\$4,655,000 (loss attributable to equity holders of the Company for the six months ended 30 September 2019: HK\$5,632,000) and the weighted average number of ordinary shares of 1,200,000,000 in issue during the period (six months ended 30 September 2019: 1,200,000,000 in issue during the period).

There were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2020 and 2019 and therefore, diluted loss per share equals to basic loss per share.

### 13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
<b>Trade receivables</b>		
– from third parties	33,292	78,782
Less: ECL allowance	(357)	(405)
	32,935	78,377
<b>Deposit, prepayment and other receivables</b>		
Other receivables and prepayment	811	872
Government grant receivables ( <i>note (a)</i> )	4,008	–
Utility and other deposits	150	150
Amount due from a director	2,029	2,029
Amount due from the ultimate holding company	110	110
	7,108	3,161
	40,043	81,538

*Note a:* Balance presents government grants receivables from the COVID-19 Anti-epidemic Fund under the ESS for the Construction Sector (Casual Employee) launched by the Government of the Hong Kong Special Administrative Region.

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

#### Trade receivables

The Group usually provides customers with a credit term of 28 to 60 days (31 March 2020: 28 to 60 days). For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

To measure the ECL, trade receivables and contract assets have been grouped based on shared common credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The ECL allowance on trade receivables are estimated by reference to historical observed default experience of the debtors and an analysis of the debtor's current financial position, adjusted for forward-looking information that is available without undue cost or effort. As at 30 September 2020, ECL allowance of HK\$357,000 (31 March 2020: HK\$405,000) was recognised on these debtors.

Based on the invoice dates, the ageing analysis of the trade receivables net of ECL allowance is as follows:

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
0–30 days	27,623	65,570
31–60 days	–	5,764
61–90 days	–	–
Over 90 days	5,312	7,043
	<u>32,935</u>	<u>78,377</u>

#### 14. CONTRACT ASSETS

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Unbilled revenue	90,461	90,588
Retention receivables	53,964	36,289
Less: ECL allowance	(1,698)	(581)
	<u>142,727</u>	<u>126,296</u>

*Note:* 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 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\$36,305,000 (31 March 2020 (audited): HK\$27,251,000), all of the remaining balances were expected to be recovered/settled within one year.

As at 30 September 2020, ECL allowance of HK\$1,698,000 was recognised against the gross amount of contract assets (31 March 2020 (audited): HK\$581,000).

## 15. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	26,014	56,127
Accruals and other payables	2,504	2,570
Receipt in advance of Government grant ( <i>note (a)</i> )	740	–
	<u>29,258</u>	<u>58,697</u>

*Note a:* Balance represents the receipt in advance of government grants from the COVID-19 Anti-epidemic Fund under the ESS launched by the Government of the Hong Kong Special Administrative Region.

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

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
0–30 days	23,824	51,035
31–60 days	2,190	4,944
61–90 days	–	148
	<u>26,014</u>	<u>56,127</u>

## 16. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>		
As at 30 September 2020 (unaudited) and 31 March 2020	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
As at 30 September 2020 (unaudited) and 31 March 2020	<u>1,200,000,000</u>	<u>12,000</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY REVIEW**

The novel coronavirus (“**COVID-19**”) continued to weigh on Hong Kong’s economy in the second and third quarters (“**Q2**” and “**Q3**”) of 2020. Following the worst decline of 9.1% in the previous quarter, Hong Kong’s Gross Domestic Product (GDP) contracted 9.0% from a year earlier in the second quarter of 2020, indicating repeated setbacks of the local economy. In the midst of the economic recession, investors were on high alert for weak market performance and therefore hold pessimistic business sentiment, reflecting on the negative business confidence indicator during the first half of 2020, as revealed by Census and Statistics Department’s reports on Quarterly Business Tendency Survey. It is predicted that the economic downturn will continue in Q3 2020, although figures are not confirmed yet.

While the subdued economic condition persists, Hong Kong’s construction industry, especially on-site work such as foundation and piling works, was impacted heavily under suppressed construction activities during the Reporting Period. The overall gross value of construction works performed in Q2 2020 still dropped as compared to the corresponding period in the previous year, as the 14.4% increase generated from the public sector could not offset the sharp fall of 26.1% in the private sector. According to the figures estimated by the Development Bureau, the gross value of piling and related foundation works of Q2 2020 was HK\$5,422 million, which decreased from a year ago by 7.5%. Many contractors and subcontractors in the industry were pressured by increasing operation costs partially because of the delay in progress of the on-going projects.

Such market environment could make private developers reconsider their business plans in future development, which leads to decreased demand for foundation works between contractors and subcontractors in this industry.

### **BUSINESS REVIEW AND OUTLOOK**

As a seasoned subcontractor of foundation works services in Hong Kong, the Group is mainly engaged in providing services in the construction of commercial and residential buildings. During the period under review, our foundation works primarily include (i) ELS and pile cap construction works; (ii) disposal of excavated materials from piling; and (iii) ancillary services including dismantling of shoring, site formation, steel fixing and site clearance.

Although for the Reporting Period, the revenue of the Group has increased by approximately HK\$280.4 million as compared to the corresponding period in 2019, amid the unfavourable market condition, the COVID-19 pandemic has further inflicted impacts on the Group with regard to higher operating costs during the Reporting Period, due to delays of certain projects on hand and under construction.

Ahead of the unpredictable situation of COVID-19, the Group believes the upcoming housing development in both public and private sectors might be infused with more opportunities. While there is more land sale to come, the Hong Kong government mentioned that about HK\$500 billion in public works would be accelerated over the coming five years, and those large-sized projects would be divided up, which implies that more tenders would be available to contractors of different sizes in the industry. The Board still has confidence in the bounce-back of investments into Hong Kong's construction industry and the demand for foundation works services.

The Group continues to explore other business opportunities and/or expansion in the geographical coverage of the principal business of the Group beyond the Hong Kong market in order to enhance our future development and to strengthening the revenue bases of the Group.

During the Reporting Period, the Group had been awarded 10 projects with a total original contract sum of approximately HK\$406.2 million.

## **FINANCIAL REVIEW**

### **Revenue**

For the Reporting Period, the revenue of the Group has increased by approximately HK\$280.4 million or approximately 118.2% compared to the corresponding period in 2019, from approximately HK\$237.2 million to approximately HK\$517.6 million. The increase was primarily attributable to the increase in size and number of projects handled by the Group.

### **Gross profit and gross profit margin**

For the Reporting Period, the direct costs of the Group has increased by approximately HK\$286.1 million or approximately 124.3% compared to the corresponding period in 2019, from approximately HK\$230.1 million to approximately HK\$516.2 million. The gross profit of the Group has decreased by approximately HK\$5.8 million or approximately 81.7% compared to the corresponding period in 2019, from approximately HK\$7.1 million to approximately HK\$1.3 million. The Group's gross profit margin for the Reporting Period was approximately 0.3%, as compared with approximately 3.0% in the corresponding period in 2019. The decrease in gross profit margin was mainly due to (i) competitive project pricing arising from intense market competition; and (ii) an increase in direct costs incurred from (a) unexpected complexity arising from construction works for certain construction projects; and (b) delays in certain projects as a result of the outbreak of the COVID-19 epidemic.

### **Other gains and losses**

Other gains and losses mainly included government grant and subsidies, net gain from change in fair value on investment property, interest income and exchange difference. For the Reporting Period, the other gains has increased by approximately HK\$7.3 million or approximately 912.5% compared to the corresponding period in 2019, from other losses of approximately HK\$0.8 million to other gains of approximately HK\$6.5 million. The increase was mainly due to recognition of the government grant and subsidies to help business amid the COVID-19 which amounts to approximately \$5.6 million for the Reporting Period.

### **Administrative expenses**

Administrative expenses mainly included staff costs, professional fee, rental and general office expense. For the Reporting Period, there is no material change of administrative expenses, approximately HK\$11.9 million for the Reporting Period and corresponding period in 2019.

### **Finance costs**

For the Reporting Period, finance costs increased by approximately HK\$0.1 million or approximately 33.3% compared to the corresponding period in 2019, from approximately HK\$0.3 million to approximately HK\$0.4 million. The increase in finance costs was mainly due to the increase in short-term borrowings during the Reporting Period.

### **Income tax expense or credit**

For the Reporting Period, income tax expense increased by approximately HK\$0.5 million or approximately 166.7% compared to the corresponding period in 2019, from income tax credit of approximately HK\$0.3 million to income tax expense of approximately HK\$0.2 million. Such increase was driven by the increase in deferred tax expense for the Reporting Period.

### **Net loss**

For the Reporting Period, loss and total comprehensive expense attributable to owners of the Company decreased by approximately HK\$0.9 million or approximately 16.1% compared to the corresponding period in 2019, from approximately HK\$5.6 million to approximately HK\$4.7 million. The decrease was primarily due to the combined impact of decrease in gross profit and increase in other gains as discussed above.

## **LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE**

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2018 (the “**Listing**”) and there has been no change in the capital structure of the Group since then. As at 30 September 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 30 September 2020, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK\$54.3 million (31 March 2020: approximately HK\$72.0 million). The decrease was mainly due to the purchase of financial asset at amortised cost and repayment of borrowings during the Reporting Period.

As at 30 September 2020, the Group had short-term bank borrowings amounting to approximately HK\$14.9 million (31 March 2020: HK\$18.4 million), representing a decrease of 19.0% from 31 March 2020. The gearing ratio of the Group as at 30 September 2020, calculated by dividing total bank borrowings (including lease liabilities) by total equity was approximately 5.7% (31 March 2020: approximately 7.0%).

## **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.

## **CHARGE ON GROUP ASSETS**

As at 30 September 2020, Group had pledged (i) an investment property situated in Hong Kong of approximately HK\$4.8 million (31 March 2020: approximately HK\$4.7 million); and (ii) bank deposits of approximately HK\$5.2 million and certificate of deposit of approximately RMB13.0 million (31 March 2020: approximately HK\$10.2 million and RMB13.0 million bank deposits) in order to secure bank facilities granted to Kit Kee Engineering Limited.

## **EXPOSURE TO FOREIGN EXCHANGE RATE RISKS**

Although the Group has bank deposits in RMB, 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 Reporting Period.

## **CAPITAL EXPENDITURE**

During the Reporting Period, the Group invested approximately HK\$1.6 million in the purchase of property, plant and equipment. All of these capital expenditures were financed by internal resources.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 September 2020, the Group had no material capital commitments (31 March 2020: Nil).

As at 30 September 2020, the Group was involved in a number of claims, litigations and potential claims against the Group in relation to work-related injuries and non-compliances. The Directors are of the opinion that the claims, litigations and non-compliances are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the interim results.

## **SEGMENT INFORMATION**

Management considers that the Group had only one operating segment which is undertaking foundation works in Hong Kong.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

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

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the Reporting Period (2019: nil).

## USE OF PROCEEDS

The net proceeds received by the Group, after deducting related expenses, were approximately HK\$91.9 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed “Future Plans and Use of Proceeds” 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:

	<b>Planned use of proceeds</b>	<b>Amount utilised up to 30 September 2020</b>	<b>Balance of unutilised amount up to 30 September 2020</b>	<b>Expected timeline of full utilisation of the remaining proceeds as at 30 September 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
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	2,391	2,370	Expect to be fully utilised by 31 December 2021
Funding of general working capital	7,596	7,596	–	–
	<hr/>	<hr/>	<hr/>	
<b>Total</b>	<b>91,940</b>	<b>89,570</b>	<b>2,370</b>	

As at 30 September 2020 and up to the date of this announcement, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and are expected to be fully utilised by 31 December 2021.

During the period ended 30 September 2020, the actual application for the net proceeds from the Share Offer were used and expected to be used according to the intentions previously disclosed in the Prospectus and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus. Given the impacts of the social events occurred in Hong Kong since about July 2019 and the outbreak of the novel coronavirus (COVID-19) since January 2020 on the economy, the Company was concerned about the promotional effectiveness of sponsoring business events and charity functions organised by our customers when people in Hong Kong were recommended to stay at home and reduce gathering. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2020, we employed a total of 333 full-time employees (including two executive Directors but excluding four independent non-executive Directors), as compared to a total of 426 full-time employees as at 31 March 2020. 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 costs incurred by the Group for the Reporting Period was approximately HK\$94.3 million compared to approximately HK\$45.1 million for the corresponding period in 2019. Various on-the-job trainings were provided to the employees.

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.

## **Events After the Reporting Period**

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

## CORPORATE GOVERNANCE/OTHER INFORMATION

### Interests of Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and the Associated Corporations

As at 30 September 2020, the interests and short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), notified to the Company and the Stock Exchange, were as follows:

#### *i. Long position in our Shares*

Name of Director(s)	Capacity/Nature	Number of ordinary shares held/ interested in	Percentage of shareholding
Mr. Yip Yuk Kit	Interest in a controlled corporation ( <i>Note</i> )	890,000,000	74.17%

*Note:* The Company is owned as to 74.17% by Fame Circle Limited. Fame Circle Limited is legally and beneficially owned as to 100% by Mr. Yip. Under the SFO, Mr. Yip is deemed to be interested in the same number of Shares held by Fame Circle Limited.

#### *ii. Long position in the shares of associated corporation*

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

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

## Interests of Substantial and Other Shareholders in the Shares and Underlying Shares

As at 30 September 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of shares held/ interested in	Percentage of interest
Fame Circle Limited	Beneficial interest ( <i>Note 1</i> )	890,000,000	74.17%
Ms. Yip Lai Ping	Interest of spouse ( <i>Note 2</i> )	890,000,000	74.17%

*Notes:*

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

Save as disclosed above, as at 30 September 2020, no other person had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## Share Option Scheme

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 18 January 2018. Pursuant to the Scheme, certain eligible participants, among others, the directors of the Company and employees of the Group, may be granted options to subscribe for shares of the Company. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The purpose of the Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 18 January 2018, and there is no outstanding share option as at 30 September 2020.

## **Purchase, Sale or Redemption of the Company's Securities**

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

## **Directors' Interests in Contracts of Significance**

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

## **Sufficiency of Public Float**

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

## **Competing Interests**

The Directors confirm that none of the Directors, the Controlling Shareholders of the Company, the substantial shareholders of the Company or their respective close associates are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period, or has any other conflict of interests with the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## **Corporate Governance Practices**

### *Compliance with the Corporate Governance Code*

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

The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 to the Listing Rules. Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman of the Board ("**the Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**") should be separate and should not be performed by the same individual. Mr. Yip was the Chairman and Chief Executive Officer during the Reporting Period. 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 Reporting Period, the Company has complied with all of the code provisions set out in the CG Code.

### **Compliance With the Model Code for Securities Transactions by Directors**

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 all Directors, all Directors confirmed that they complied with the Model Code and its code of conduct regarding directors’ securities transactions at all applicable times during the Reporting Period.

### **Audit Committee**

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

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

### **Review of Interim Results**

The Group’s condensed consolidated interim results for the Reporting Period have not been audited, but have been reviewed by the Audit Committee. The unaudited interim results for the Reporting Period have also been reviewed by our auditor, Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review and discussions with the management, there is no disagreement by the auditors or the audit committee with the accounting treatment adopted by the Group, the Audit Committee was satisfied that the interim results were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the Reporting Period.



## **Appreciation**

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

## **PUBLICATION OF THE UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

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

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

Hong Kong, 26 November 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.*