

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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Year amounted to approximately HK\$922.9 million (FY2020: approximately HK\$509.3 million).
- Gross loss margin for the Review Year was approximately 1.4% (FY2020: gross profit margin of approximately 1.0%).
- Loss attributable to the equity holders of the Company for the Review Year amounted to approximately HK\$20.1 million (FY2020: approximately HK\$20.1 million).
- Basic and diluted loss per share for the Review Year amounted to approximately HK cents 1.68 (FY2020: approximately HK cents 1.67).
- The Board has resolved not to recommend the declaration of a final dividend for the Review Year (FY2020: 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 2021 (the “**Review Year**”), together with the comparative figures for the corresponding year ended 31 March 2020 (the “**FY2020**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	922,888	509,298
Direct costs		<u>(936,164)</u>	<u>(504,127)</u>
Gross (loss)/profit		(13,276)	5,171
Other gains/(losses), net	5	15,450	(925)
Administrative expenses		(21,143)	(21,564)
Expected credit loss (“ECL”) allowance on trade receivables and contract assets		(1,071)	(986)
Finance costs	6	<u>(771)</u>	<u>(817)</u>
Loss before income tax	7	(20,811)	(19,121)
Income tax credit/(expense)	8	<u>701</u>	<u>(976)</u>
Loss and total comprehensive expense for the year		<u>(20,110)</u>	<u>(20,097)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to equity holders of the Company			
Basic and diluted	10	<u>(1.68)</u>	<u>(1.67)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		47,438	64,904
Investment property		4,720	4,740
Deposits paid for acquisition of property, plant and equipment		420	–
		<u>52,578</u>	<u>69,644</u>
Current assets			
Trade and other receivables	11	55,180	81,538
Contract assets	12	131,064	126,296
Tax recoverable		2,547	2,547
Financial asset at amortised cost		16,483	–
Cash, bank balances and pledged deposits		44,255	72,035
		<u>249,529</u>	<u>282,416</u>
Current liabilities			
Trade and other payables	13	(36,330)	(58,697)
Contract liabilities	12	(180)	(690)
Borrowings, secured		(11,387)	(18,375)
Lease liabilities	14	(720)	(486)
		<u>(48,617)</u>	<u>(78,248)</u>
Net current assets		<u>200,912</u>	<u>204,168</u>
Total assets less current liabilities		<u>253,490</u>	<u>273,812</u>
Non-current liabilities			
Lease liabilities	14	(489)	–
Deferred tax liabilities		(5,073)	(5,774)
		<u>(5,562)</u>	<u>(5,774)</u>
Net assets		<u>247,928</u>	<u>268,038</u>
CAPITAL AND RESERVE			
Share capital	15	12,000	12,000
Reserves		235,928	256,038
Equity attributable to equity holders of the Company		<u>247,928</u>	<u>268,038</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 Windward 3, Regatta Office Park, P.O. Box 1350, 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

(i) Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2020

In the current year, the Group has applied for the first time the following 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 2020:

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 the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Amendments to HKAS 1 and HKAS 8 "Definition of Materials"

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 consolidated financial statements.

(ii) **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 and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁶
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁷
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁵

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

⁷ Effective for annual periods beginning on or after 1 April 2021

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 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Contracting revenue	922,888	504,401
Sourcing and distribution of construction materials	–	4,897
	<u>922,888</u>	<u>509,298</u>
Timing of revenue recognition under HKFRS 15		
Services transferred over time	922,888	504,401
Good transferred at a point in time	–	4,897
	<u>922,888</u>	<u>509,298</u>

(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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	656,989	341,213
Customer B	169,037	81,485

5. OTHER GAINS/(LOSSES), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net losses from change in fair value on investment property	(20)	(230)
Rental income	156	152
Interest income	337	152
Exchange difference, net	1,236	(1,029)
Government grant and subsidies (<i>note</i>)	12,971	–
Gain on disposal of property, plant and equipment	770	–
Others	–	30
	<u>15,450</u>	<u>(925)</u>

Note: Being the grants received of HK\$2,214,000, HK\$10,667,000 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.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans interest	756	731
Finance charges on lease liabilities	15	86
	<u>771</u>	<u>817</u>

7. LOSS BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before income tax is stated after charging:		
(a) Staff costs (including directors' remuneration)		
– Salaries, wages, bonus and other benefits	166,872	116,084
– Retirement scheme contributions	<u>5,034</u>	<u>4,206</u>
Staff costs (including Directors' remuneration) (<i>note</i>)	<u>171,906</u>	<u>120,290</u>
(b) Other items		
Depreciation, included in:		
Direct cost		
– Owned assets	20,699	20,556
Administrative expenses		
– Owned assets	91	93
– Right-of-use assets	<u>718</u>	<u>716</u>
	<u>21,508</u>	<u>21,365</u>
Subcontracting charges (included in direct costs)	221,411	167,820
Service charges paid for machinery	25,452	15,627
Auditor's remuneration	1,037	1,027
Provision of ECL allowance for trade receivables and contract assets	1,071	986
Donation	<u>63</u>	<u>20</u>

Note:

Staff costs (including Directors' remuneration)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Direct costs	158,231	106,565
Administrative expenses	<u>13,675</u>	<u>13,725</u>
	<u>171,906</u>	<u>120,290</u>

8. INCOME TAX (CREDIT)/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 2021 and 2020.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	–	–
– Over provision in respect of prior years	–	–
	–	–
– Deferred tax (income)/expense	<u>(701)</u>	<u>976</u>
Total income tax (credit)/expense	<u><u>(701)</u></u>	<u><u>976</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before income tax	<u><u>(20,811)</u></u>	<u><u>(19,121)</u></u>
Tax at Hong Kong profits tax rates of 16.5% (2020: 16.5%)	(3,434)	(3,155)
Tax effect of non-deductible expenses	853	2,069
Tax effect of non-taxable income	(2,527)	(26)
Tax effect of tax losses not recognised	4,430	1,795
Tax effect of prior year difference recognised	–	300
Others	<u>(23)</u>	<u>(7)</u>
Income tax (credit)/expense for the year	<u><u>(701)</u></u>	<u><u>976</u></u>

9. DIVIDENDS

No dividend was paid or proposed for the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to equity holders of the Company	<u>(20,110)</u>	<u>(20,097)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares	<u>1,200,000</u>	<u>1,200,000</u>

There were no dilutive potential ordinary shares during the years ended 31 March 2021 and 2020 and therefore, diluted loss per share equals to basic loss per share.

11. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables			
– from third parties	(a)	48,672	78,782
Less: ECL allowance		<u>(1,346)</u>	<u>(405)</u>
		<u>47,326</u>	<u>78,377</u>
Deposit, prepayment and other receivables			
Other receivables		347	428
Prepayment (<i>note</i>)		4,683	444
Utility and other deposits		150	150
Amount due from a Director	(b)	2,564	2,029
Amount due from the ultimate holding company	(b)	<u>110</u>	<u>110</u>
		<u>7,854</u>	<u>3,161</u>
		<u>55,180</u>	<u>81,538</u>

Note: As at 31 March 2021, prepayment mainly represents payment for purchasing materials of approximately HK\$4,295,000 (2020: nil).

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	44,485	65,570
31–60 days	–	5,764
61–90 days	–	–
Over 90 days	2,841	7,043
	<u>47,326</u>	<u>78,377</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 April	405	–
ECL allowance recognised during the year	941	405
	<u>1,346</u>	<u>405</u>
Balance as at 31 March	<u>1,346</u>	<u>405</u>

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

The amounts due are unsecured, interest-free and repayable on demand.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

12.1 Contract assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unbilled revenue	79,041	90,588
Retention receivables	52,734	36,289
Less: ECL allowance	(711)	(581)
	<u>131,064</u>	<u>126,296</u>

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.

Changes of contract assets during the year ended 31 March 2021 were mainly due to:

- (i) Changes in retention receivables as a result of an increase in number of ongoing and completed contracts during the year; and
- (ii) Changes in number of contract works that the relevant services were completed but yet been certified at the end of each reporting period.

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\$12,041,000 (31 March 2020: HK\$27,251,000), 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 April	581	–
ECL allowance recognised during the year	130	581
	<u>711</u>	<u>581</u>
Balance as at 31 March	<u>711</u>	<u>581</u>

12.2 Contract liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities arising from construction contracts from billings in advance of performance	180	690
	<u>180</u>	<u>690</u>

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

Revenue recognised in relation to contract liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	690	1,021
	<u>690</u>	<u>1,021</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	340,984	710,637
	<u>340,984</u>	<u>710,637</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables (<i>note i</i>)	32,207	56,127
Accruals and other payables (<i>note ii</i>)	4,123	2,570
	<u>36,330</u>	<u>58,697</u>

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:

- (i) Payment terms granted by suppliers are 0 to 30 days (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	29,185	51,035
31–60 days	3,022	4,944
61–90 days	–	148
	<u>32,207</u>	<u>56,127</u>

- (ii) As at 31 March 2021, accruals and other payables mainly represent refund of Government grant of approximately HK\$1,357,000 (2020: nil) and accrued employee benefits of approximately HK\$1,058,000 (2020: HK\$1,053,000).

14. LEASE LIABILITIES

The analysis of the Group's lease liabilities is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total minimum lease payments:		
Within one year	738	492
After one year but within two years	492	–
	<u>1,230</u>	492
Future finance charges	(21)	(6)
Present value of lease liabilities	<u>1,209</u>	<u>486</u>
Present value of minimum lease payment:		
Within one year	720	486
After one year but within two years	489	–
	<u>1,209</u>	486
Less: Portion due within one year included under current liabilities	<u>(720)</u>	<u>(486)</u>
Portion due after one year included under non-current liabilities	<u>489</u>	<u>–</u>

During the year ended 31 March 2021, the Group has renewed the lease arrangement for office premise with a remaining lease term of 20.6 months for an additional period after the end of the original lease term. No option to renew the lease after the end of the contract. The Group makes fixed payments during the contract period.

During the year ended 31 March 2021, the total cash outflows for the leases are HK\$737,000 (2020: HK\$3,100,000).

15. SHARE CAPITAL

	2021		2020	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
As at 1 April and 31 March	<u>10,000,000,000</u>	<u>100,000</u>	10,000,000,000	<u>100,000</u>
Issued and fully paid:				
As at 1 April and 31 March	<u>1,200,000,000</u>	<u>12,000</u>	1,200,000,000	<u>12,000</u>

16. CONTINGENT LIABILITIES

At 31 March 2021 and 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Prior to the COVID-19 outbreak, Hong Kong's construction industry has already entered into a downslope trend, as shown in its 6.2% gross value contraction due to a slowdown in residential construction and other infrastructure works in 2019. A full year of COVID-19 pandemic had been a real setback for Hong Kong's construction sector. Since the early phase of the outbreak in the first quarter of 2020, the entire construction industry has been disrupted by unprecedented challenges regarding the availability of resources, deliverables, on-site health and safety measures, and project delays or even terminations. Project owners have evaluated plans considering the risks of time extension and cost escalation; contractors and subcontractors were pressured to secure contracts amid such a dire state. The impacts were shown on the decline in Hong Kong's total gross value of construction works performed by main contractors in 2020 according to Census and Statistic Department, shrinking by approximately 2.8% from approximately HK\$236,438 million to approximately HK\$229,870 million compared to a year ago.

Although the Hong Kong Government has not imposed a full lockdown on the city, the impacts of the COVID-19 pandemic have been broader and more significant on the on-site construction works amongst all categories. During the year, a number of COVID-19 confirmed cases involving construction site workers concerned the local community severely. In consideration of workers' inevitable close contacts and working environment at the construction sites, those individual sites had once been closed, and compulsory testing was imposed on all the site workers, which has affected the schedule of those construction projects.

Due to the continuous demand for housing and increasing infrastructure investment from the Government, Hong Kong's construction industry was expected to be stable over the years. However, even though the gross value of public construction works increased, the actual public housing production dropped to 9-year lowest of merely 11,261 units in the Year 2020/21, marking an approximately 14.1% decline from 13,105 units of the Year 2019/20. Apart from the public construction sector, from the figures published, the private sector notably ended with an approximately 20.0% decline of gross value from approximately HK\$73,286 million to approximately HK\$58,664 million this year, hitting the lowest since 2014. Such fall reflects the weak industry performance of the year under the COVID-19 pandemic, despite the continuous and strong demand for residential and commercial buildings in the city.

Given the volatility of the COVID-19 outbreaks in Hong Kong and worldwide, it might take a longer time for Hong Kong's economy as well as the global economy to fully recover from market uncertainty and gain momentum in the coming quarters of 2021. Although the declines in the quarterly gross value of construction works in Hong Kong were narrowed down since the second quarter of 2020, business sentiment has remained pessimistic among the construction industry. The industry players are still expected to stay prudent in their business decisions.

BUSINESS REVIEW AND OUTLOOK

The Group has been operating for over two decades in the industry, mainly engaging in the foundation works for commercial and residential buildings' construction. The Group focuses primarily on providing foundation works services as a subcontractor, and has developed the experience and capability to offer a comprehensive range of foundation construction and related services. It specialises in (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.

During the Review Year, the COVID-19 pandemic has further pressured the Group alongside the existing issues in the competitive industry. Due to the nature of foundation construction works at sites, it was inevitable that some of the Group's projects on hand were delayed amid the COVID-19 outbreaks in Hong Kong. Despite the Group ending with a higher revenue for the Review Year, the Group recorded a gross loss as a result of the increased direct costs.

During the Review Year, we had been awarded 10 projects with a total original contract sum of approximately HK\$406.2 million.

Looking into the future, the declining COVID-19 confirmed cases and the adoption of vaccines in Hong Kong since the first quarter of 2021 offer some hope for a controllable and stabilised COVID-19 situation. Under an improved social condition, the Group believes that a recovery in economic activities should enable the developments in residential and commercial building construction works, offering possible opportunities to the Group. Hence, the Group will continue to retain its market position with its competitive strengths and seize the emerging business opportunities.

FINANCIAL REVIEW

Revenue

For the Review Year, the revenue of the Group has increased by approximately HK\$413.6 million, or approximately 81.2% compared to the year ended 31 March 2020, from approximately HK\$509.3 million to approximately HK\$922.9 million. The increase was primarily attributable to an increase in contract 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 Loss/Profit and Gross Loss/Profit Margin

Our direct costs increased by approximately HK\$432.1 million or approximately 85.7% from approximately HK\$504.1 million for the year ended 31 March 2020 to approximately HK\$936.2 million for the Review Year.

The gross loss of the Group for the Review Year amounted to approximately HK\$13.3 million, turning profit into loss as compared to a gross profit of approximately HK\$5.2 million for the year ended 31 March 2020. The gross loss margin for the Review Year was approximately 1.4%, compared to the gross profit margin for the year ended 31 March 2020 of approximately 1.0%. The decrease in gross profit margin was mainly due to (i) competitive project pricing arising from intense market competition; and (ii) additional construction costs incurred for (a) a project at Kai Tak in dealing with unexpected complexity in construction sites and delay in construction progress where additional resources have been employed and (b) delays in certain projects as a result of the outbreak of the novel coronavirus (COVID-19) pandemic.

Other Gains and Losses, Net

Other gains and losses, net mainly included Government grant and subsidies, exchange difference and gain on disposal of property, plant and equipment. For the Review Year, other gains amounted to approximately HK\$15.5 million as compared with other losses of approximately HK\$925,000 for the year ended 31 March 2020. The other gains for the Review Year was mainly due to (i) government grant and subsidies under Anti-epidemic Fund of approximately HK\$13.0 million; and (ii) exchange gain of approximately HK\$1.2 million on certificates of deposit denominated in Renminbi.

Administrative Expenses

For the Review Year, the administrative expenses have decreased by approximately HK\$421,000 or approximately 2.3% compared to the year ended 31 March 2020, from approximately HK\$21.6 million to approximately HK\$21.1 million. The decrease was primarily due to the decrease in the legal and professional fee of approximately HK\$471,000 for the Review Year.

Finance Costs

For the Review Year, the finance costs amounted to approximately HK\$771,000, as compared to the year ended 31 March 2020 of approximately HK\$817,000. The decrease was primarily due to the decrease in bank borrowings for the Review Year.

Income Tax Credit/Expense

For the Review Year, the income tax expense has decreased by approximately HK\$1.7 million or approximately 171.8% compared to the year ended 31 March 2020, from tax expense of approximately HK\$976,000 to tax credit of approximately HK\$701,000. Such decrease was mainly due to movement of deferred tax liabilities for the Review Year.

Net Loss

For the Review Year, the net loss amounted to approximately HK\$20.1 million, as compared to the year ended 31 March 2020 of approximately HK\$20.1 million. Our net loss margin for the Review Year was approximately 2.2%, as compared with net loss margin of approximately 3.9% for the year ended 31 March 2020. The decrease in the net loss margin for the Review Year was mainly due to the increase in revenue during the Review Year.

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 2021, 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 2021, the Group had total cash, bank balances, pledged deposits and certificates of deposit of approximately HK\$60.7 million (31 March 2020: approximately HK\$72.0 million).

Current Ratio

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

Our Group's current ratio increased from approximately 3.6 times as at 31 March 2020 to approximately 5.1 times as at 31 March 2021. The increase was mainly due to the decrease in trade and other payables as at 31 March 2021.

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 decreased from approximately 7.0% as at 31 March 2020 to approximately 5.1% as at 31 March 2021. The decrease was primarily due to the decrease in bank borrowings as at 31 March 2021.

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 2021, the Group had pledged (i) an investment property situated in Hong Kong of approximately HK\$4.7 million (31 March 2020: approximately HK\$4.7 million); (ii) approximately HK\$5.2 million bank deposits and RMB13.0 million certificates of deposit (31 March 2020: 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.

During the Review Year, the Group placed a portion of its cash reserves in RMB in certificates of deposit for interest return, and we incurred an exchange gain of approximately HK\$1.2 million (For the year ended 31 March 2020: exchange loss of approximately HK\$1.0 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2021, the Group had capital commitments for acquiring machine of approximately HK\$1.7 million (31 March 2020: nil).

As at 31 March 2021 and 2020, 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 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:

	Planned use of proceeds <i>HK\$'000</i>	Amount utilised up to 31 March 2021 <i>HK\$'000</i>	Balance of unutilised amount up to 31 March 2021 <i>HK\$'000</i>	Expected timeline of full utilisation of the remaining proceeds as at 31 March 2021
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	2,564	2,197	Expect to be fully utilised by 31 December 2021
Funding of general working capital	<u>7,596</u>	<u>7,596</u>	<u>–</u>	–
Total	<u>91,940</u>	<u>89,743</u>	<u>2,197</u>	

As at 31 March 2021 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 year ended 31 March 2021, 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. To the best knowledge of the Directors, the delay in use of proceeds under the category of “Reinforcing sales and marketing efforts” was mainly attributable to 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, therefore decided to postpone a number of sales and marketing expenses. 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 31 March 2021, we employed a total of 335 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 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\$171.9 million compared to approximately HK\$120.3 million in the year ended 31 March 2020.

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 2020: 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 separated 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 2021.

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

There have no other material events occurring after 31 March 2021 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 2021 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, 24 June 2021

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.