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## **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 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the Reporting Period amounted to approximately HK\$325.3 million (six months ended 30 September 2021: approximately HK\$330.2 million).
- Profit attributable to the equity holders of the Company for the Reporting Period amounted to approximately HK\$5.0 million (six months ended 30 September 2021: loss approximately HK\$3.7 million).
- Basic and diluted earnings per share for the Reporting Period amounted to approximately HK cents 0.42 (six months ended 30 September 2021: loss per share approximately HK cents 0.31).
- The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended 30 September 2021: 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 2022 (the “**Reporting Period**”), together with the comparative unaudited figures for the corresponding period in 2021.

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

*For the six months ended 30 September 2022*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>	5	<b>325,270</b>	330,158
Direct costs		<u><b>(309,668)</b></u>	<u>(325,381)</u>
<b>Gross profit</b>		<b>15,602</b>	4,777
Other gains, net	7	<b>1,106</b>	1,455
Administrative expenses		<b>(10,061)</b>	(9,159)
Expected credit losses (“ECL”) allowance on trade receivables and contract assets		<b>(345)</b>	(121)
Finance costs	8	<u><b>(79)</b></u>	<u>(298)</u>
<b>Profit/(loss) before income tax</b>	9	<b>6,223</b>	(3,346)
Income tax expense	10	<u><b>(1,240)</b></u>	<u>(331)</u>
<b>Profit/(loss) and total comprehensive income/ (expense) for the period attributable to equity holders of the Company</b>		<u><b>4,983</b></u>	<u>(3,677)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(loss) per share attributable to equity holders of the Company</b>			
Basic and diluted	12	<u><b>0.42</b></u>	<u>(0.31)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022	As at 31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		44,153	45,134
Investment property		4,660	4,790
Deferred tax assets		–	339
		<u>48,813</u>	<u>50,263</u>
<b>Current assets</b>			
Trade and other receivables	13	50,874	47,655
Contract assets	14	85,748	79,526
Financial asset at amortised cost		15,601	–
Cash, bank balances and pledged deposits		129,439	120,419
		<u>281,662</u>	<u>247,600</u>
<b>Current liabilities</b>			
Trade and other payables	15	(64,610)	(35,331)
Contract liabilities		(360)	(45)
Borrowings, secured		(4,139)	(6,639)
Lease liabilities		(123)	(489)
		<u>(69,232)</u>	<u>(42,504)</u>
<b>Net current assets</b>		<u>212,430</u>	<u>205,096</u>
<b>Total assets less current liabilities</b>		<u><u>261,243</u></u>	<u><u>255,359</u></u>

		<b>As at</b>	As at
		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>(901)</u>	<u>–</u>
<b>Net assets</b>		<b><u>260,342</u></b>	<b><u>255,359</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>12,000</b>	12,000
Reserves		<u>248,342</u>	<u>243,359</u>
<b>Equity attributable to equity holders of the Company</b>		<b><u>260,342</u></b>	<b><u>255,359</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 1. GENERAL INFORMATION

Dragon Rise Group Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 22 February 2017. The Company’s shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2018. The addresses of the registered office and the principal place of business of the Company are Office K, 12/F., Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, Hong Kong.

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

As at 30 September 2022, the Directors considered the Company’s immediate and ultimate holding company to be Fame Circle Limited, a company incorporated in the British Virgin Islands (the “**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 2022 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 and disclosures required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2022.

The condensed consolidated interim financial information is unaudited.

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 14 November 2022.

## 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 2022, except for the adoption of the following amended HKFRSs effective as of 1 April 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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.

#### 4. 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 2022.

#### 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 2022 and 2021 are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</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>		
Contracting revenue	323,187	330,158
Sales of construction materials	2,083	–
	<u>325,270</u>	<u>330,158</u>
<b>Timing of revenue recognition under HKFRS 15</b>		
Services transferred over time	323,187	330,158
Good transferred at a point in time	2,083	–
	<u>325,270</u>	<u>330,158</u>

##### **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.

##### **Sales of construction materials**

Revenue from sales of construction materials are recognised at a point in time when the Group transfers control of the assets to the customer.

## 6. SEGMENT INFORMATION

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 are as follows:

	Six months ended	
	30 September	
	2022	2021
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Customer A	N/A*	122,441
Customer B	N/A*	80,033
Customer C	139,924	49,499
Customer D	44,624	N/A*
Customer E	67,680	N/A*

\* The corresponding revenue did not contributed over 10% of total revenue of the Group.

## 7. OTHER GAINS, NET

	Six months ended	
	30 September	
	2022	2021
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Net (losses)/gains from changes in fair value on investment property	(130)	180
Rental income	78	78
Interest income	235	200
Exchange difference, net	(1,693)	357
Government grant and subsidies ( <i>note</i> )	2,616	640
	<u>1,106</u>	<u>1,455</u>

*Note:* During the six months ended 30 September 2022, the Group recognised the subsidies of approximately of HK\$2,616,000 in relation to COVID-19 Anti-epidemic Fund under the Employment Support Scheme (“ESS”) launched by the Government of the Hong Kong Special Administrative Region (six months ended 30 September 2021: HK\$640,000 in relation to Construction Innovation and Technology Fund launched by the Construction Industry Council).

## 8. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Bank loans interest	76	287
Finance charges on lease liabilities	3	11
	<u>79</u>	<u>298</u>

## 9. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit/(loss) before tax is stated after charging:		
<b>(a) Staff costs (including Directors' remuneration)</b>		
– Salaries, wages and other benefits	47,214	54,490
– Retirement scheme contributions	1,514	1,749
	<u>48,728</u>	<u>56,239</u>
Staff costs (including Directors' remuneration) ( <i>note (i)</i> )	<u>48,728</u>	<u>56,239</u>
<b>(b) Other items</b>		
Depreciation, included in:		
Direct costs		
– Owned assets	10,330	8,801
Administrative expenses		
– Owned assets	–	45
– Right-of-use assets	361	361
	<u>10,691</u>	<u>9,207</u>
Subcontracting charges (included in direct costs)	94,087	81,793
Service charges paid for machinery (included in direct costs)	10,842	7,357
Auditor's remuneration	616	611
Provision for ECL allowance for trade receivables and contract assets, net	345	121
Donation	63	93
	<u>63</u>	<u>93</u>



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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Direct costs	<b>42,741</b>	50,942
Administrative expenses	<b>5,987</b>	5,297
	<b>48,728</b>	<b>56,239</b>

## 10. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial statements as the Group has available tax losses brought forward from prior years to offset the assessable profits generated for the six months ended 30 September 2022. (For the six months ended 30 September 2021, no provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial statements as the Group had no assessable profit.)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Provision for Hong Kong Profits Tax	–	–
Deferred tax	<b>1,240</b>	331
Total income tax expense	<b>1,240</b>	<b>331</b>

## 11. DIVIDENDS

No interim dividend was paid or declared by the Company during the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

## 12. EARNINGS/(LOSS) PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to equity holders of the Company	<u><u>4,983</u></u>	<u><u>(3,677)</u></u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u><u>1,200,000</u></u>	<u><u>1,200,000</u></u>

The calculation of the basic earnings per share for the six months ended 30 September 2022 is based on the profit for the period attributable to equity holders of the Company of HK\$4,983,000 (six months ended 30 September 2021: loss of HK\$3,677,000) and the weighted average number of ordinary shares of 1,200,000,000 in issue during the period (six months ended 30 September 2021: 1,200,000,000 in issue during the period).

There were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2022 and 2021 and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

## 13. TRADE AND OTHER RECEIVABLES

	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2022</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Trade receivables</b>		
– from third parties	<b>50,176</b>	39,997
Less: ECL allowance, net of reversal	<u><u>(360)</u></u>	<u><u>(509)</u></u>
	<b>49,816</b>	39,488
<b>Deposit, prepayment and other receivables</b>		
Other receivables	<b>244</b>	354
Prepayment	<b>610</b>	3,506
Advance to sub-contractors	<b>–</b>	3,000
Utility and other deposits	<b>150</b>	150
Amount due (to)/from a director	<b>(56)</b>	1,047
Amount due from the ultimate holding company	<u><u>110</u></u>	<u><u>110</u></u>
	<b>1,058</b>	8,167
	<u><u>50,874</u></u>	<u><u>47,655</u></u>

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.

### Trade receivables

The Group usually provides customers with a credit term of 28 to 45 days (31 March 2022: 28 to 45 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 2022, ECL allowance of HK\$360,000 (31 March 2022 (audited): HK\$509,000) was recognised on these debtors.

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

	<b>As at 30 September 2022 HK\$'000 (unaudited)</b>	<b>As at 31 March 2022 HK\$'000 (audited)</b>
0–30 days	41,092	38,492
31–60 days	8,724	–
61–90 days	–	–
Over 90 days	–	996
	<b>49,816</b>	<b>39,488</b>

### 14. CONTRACT ASSETS

	<b>As at 30 September 2022 HK\$'000 (unaudited)</b>	<b>As at 31 March 2022 HK\$'000 (audited)</b>
Unbilled revenue	34,024	49,350
Retention receivables	53,430	31,388
Less: ECL allowance, net of reversal	(1,706)	(1,212)
	<b>85,748</b>	<b>79,526</b>

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

The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The amount of contract assets expected to be recovered/settled over one year is HK\$17,748,000 (31 March 2022 (audited): HK\$12,634,000), all of the remaining balances were expected to be recovered/settled within one year.

As at 30 September 2022, ECL allowance of HK\$1,706,000 was recognised against the gross amount of contract assets (31 March 2022 (audited): HK\$1,212,000).

## 15. TRADE AND OTHER PAYABLES

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Trade payables ( <i>note (a)</i> )	60,896	32,361
Accruals and other payables ( <i>note (b)</i> )	3,714	2,970
	<u>64,610</u>	<u>35,331</u>

*Notes:*

(a) Ageing analysis of trade payables based on the invoices date is as follows:

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
0–30 days	53,163	29,424
31–60 days	7,733	2,937
	<u>60,896</u>	<u>32,361</u>

(b) As at 30 September 2022, accruals and other payables mainly comprised of: (1) accrued professional fee of HK\$1,166,000 (31 March 2022 (audited): HK\$1,447,000); (2) accrued purchase costs for acquisition of plant and machinery which amounted to HK\$1,210,000 (31 March 2022 (audited): HK\$414,000); and (3) accrued employee benefits of approximately HK\$950,000 (31 March 2022 (audited): HK\$860,000).

**16. SHARE CAPITAL**

	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>		
As at 30 September 2022 and 31 March 2022	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
As at 30 September 2022 and 31 March 2022	<u>1,200,000,000</u>	<u>12,000</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

The Omicron variant brought the novel coronavirus (“**COVID-19**”) pandemic to a new stage where, though the caseload may remain high, patients’ severity of illness and the death rate of those infected both saw a drastic decrease. The subsequent boost in the business environment and investment sentiment gave global recovery high hopes until it was met with high-and-persisting inflation that triggered aggressive monetary tightening and Russia’s invasion of Ukraine, which caused so much instability and uncertainties, arguably more than the previous year when the pandemic was still soaring. Contrary to anticipation, global economic growth deteriorated during the Reporting Period, with many of the world’s economies exhibiting sharp growth slowdowns, or worse, contractions.

Due to new waves of COVID-19 infections and measures introduced to control the rise in cases, China’s GDP growth for the first half of the year missed expectations. It landed at a year-on-year rate of 2.5%, disappointingly mild in the context of China’s history of rapid expansion but still outstanding from a global point of view as many nations try to combat the risk of contraction.

Still caught between the weakened economic recovery and operational disruptions resulting from the lingering COVID-19 pandemic, Hong Kong’s construction industry has been for years and is still navigating an adverse environment. Thanks to sufficient management improvement and appropriate use of government aid, the strong market players survive the most challenging times, awaiting the return of business dynamics. During each of the first two quarters of 2022, net output in Hong Kong’s construction sector recorded year-on-year increases of 3.3% and 7.5%, respectively, in real terms. This sets the foundation for a better business environment, provided that the local epidemic stays under control.

### BUSINESS REVIEW AND OUTLOOK

The Group is a seasoned subcontractor in Hong Kong’s construction industry, with its history dating back to 1993, mainly engaging in foundation works for commercial and residential building construction. The Group has developed the experience and capability to offer a comprehensive range of foundation construction and related services. It specialises in (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. 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 Reporting Period, the Group had been awarded 8 projects with original contract sum of approximately HK\$246.5 million. The Group's revenue during the Reporting Period amounted to approximately HK\$325.3 million, representing a decrease of approximately HK\$4.9 million, or 1.5%, compared to the corresponding period in 2021. With continuous improvements in cost control measures and actively expansion of our customer base, the Group's gross profit registered an approximately 225% or HK\$10.8 million increase compared to the corresponding period in 2021, amounting to approximately HK\$15.6 million for the Reporting Period. The Group's net profit amounted to approximately HK\$5.0 million, representing an increase of approximately HK\$8.7 million, or 235.1% compared to the corresponding period in 2021.

The world is facing tremendous economic pressure at the moment. The two dominating factors, the lingering COVID-19 pandemic and the war in Ukraine overshadow the global prospect, forcing the International Monetary Forum to further reduce its world economic outlook. In Hong Kong, after experiencing two consecutive quarters of contraction in 2022, authorities are also conservative about the estimated year-end performance.

Moreover, the continuous interest rate hikes in Hong Kong have brought the city's real estate price index to a low point as investment sentiment drops. The unfavourable and uncertain economic outlook may mean that Hong Kong's construction industry will not be granted its long-overdue stimulus soon. Still, the latest Policy Address reassured that providing housing units, both public and private, remains one of the government's major missions. The Policy Address also included some large-scale infrastructure plans like Northern Metropolis Development Strategy, giving hopes of a rise in sizable construction projects. In addition, the government funding to support the Hong Kong Institute of Construction is well-welcomed by the industry as it could help provide training to frontline workers and lure more younger generations to join the industry, a relief of the lasting labour shortage that's been pressing many of the market players for long.

Looking ahead, the Group shall stay alert to the challenges and the possibility of a further extension of the COVID-19-related restrictions. The Group will also continue 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 enhance our future development.

## **FINANCIAL REVIEW**

### **Revenue**

For the Reporting Period, the revenue of the Group has decreased by approximately HK\$4.9 million or approximately 1.5% compared to the corresponding period in 2021, from approximately HK\$330.2 million to approximately HK\$325.3 million. The decrease was primarily attributable to substantial completion of the projects on hand in the six months ended 30 September 2021.

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

For the Reporting Period, the direct costs of the Group has decreased by approximately HK\$15.7 million or approximately 4.8% compared to the corresponding period in 2021, from approximately HK\$325.4 million to approximately HK\$309.7 million. The gross profit of the Group has increased by approximately HK\$10.8 million or approximately 225% compared to the corresponding period in 2021, from approximately HK\$4.8 million to approximately HK\$15.6 million. The Group's gross profit margin for the Reporting Period was approximately 4.8%, as compared with approximately 1.4% in the corresponding period in 2021. The increase in gross profit margin was mainly due to (i) improving costs control and efficiency; and (ii) expanding our customer base to obtain profit-generating projects.

## **Other gains**

Other gains mainly included government grant and subsidies, net loss from changes in fair value on investment property, interest income and net exchange difference. For the Reporting Period, other gains has decreased by approximately HK\$0.4 million or approximately 26.7% compared to the corresponding period in 2021, from approximately HK\$1.5 million to approximately HK\$1.1 million. The decrease was mainly due to the exchange loss of approximately HK\$1.7 million arising from the certificates of deposit denominated in Renminbi.

## **Administrative expenses**

Administrative expenses mainly included staff costs, professional fee and general office expense. For the Reporting Period, administrative expenses has increased by approximately HK\$0.9 million or approximately 9.8% compared to the corresponding period in 2021, from approximately HK\$9.2 million to approximately HK\$10.1 million. The increase was primarily attributable to the increase in administrative staff costs.

## **Finance costs**

For the Reporting Period, finance costs decreased by approximately HK\$219,000 or approximately 73.5% compared to the corresponding period in 2021, from approximately HK\$298,000 to approximately HK\$79,000. The decrease in finance costs was mainly due to the decrease in short-term borrowings during the Reporting Period.

## **Income tax expense**

For the Reporting Period, income tax expense increased by approximately HK\$0.9 million or approximately 300% compared to the corresponding period in 2021, from approximately HK\$0.3 million to approximately HK\$1.2 million. Such increase was driven by the increase in deferred tax expense for the Reporting Period.



## **Net profit/loss**

For the Reporting Period, profit and total comprehensive income attributable to owners of the Company increased by approximately HK\$8.7 million or approximately 235.1% compared to the corresponding period in 2021, from loss approximately HK\$3.7 million to profit approximately HK\$5.0 million. The increase was primarily due to the impact of the increase in gross profit 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 2022, 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 2022, the Group had total cash, bank balances and pledged bank deposits of approximately HK\$129.4 million (31 March 2022: approximately HK\$120.4 million). The increase was mainly due to the settlement of trade receivable for completed projects during the Reporting Period.

As at 30 September 2022, the Group had short-term bank borrowings amounting to approximately HK\$4.1 million (31 March 2022: approximately HK\$6.6 million). The gearing ratio of the Group as at 30 September 2022, calculated by dividing total bank borrowings (including lease liabilities) by total equity was approximately 1.6% (31 March 2022: approximately 2.8%).

## **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 2022, Group had pledged (i) an investment property situated in Hong Kong of approximately HK\$4.7 million (31 March 2022: approximately HK\$4.8 million); and (ii) bank deposits of approximately HK\$5.2 million and certificates of deposit of approximately RMB13.0 million (31 March 2022: approximately HK\$5.2 million bank deposits 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 certificate of deposit 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\$9.7 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 2022, the Group had no material capital commitments (31 March 2022: nil).

As at 30 September 2022, 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 (six months ended 30 September 2021: 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 2022</b>	<b>Balance of unutilised amount up to 30 September 2022</b>	<b>Expected timeline of full utilisation of the remaining proceeds as at 30 September 2022</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	3,115	1,646	Expect to be fully utilised by 31 December 2023 <sup>(Note)</sup>
Funding of general working capital	7,596	7,596	–	–
Total	<u>91,940</u>	<u>90,294</u>	<u>1,646</u>	

*Note:* 31 December 2022 was the original expected date by which the remaining proceeds would be fully utilised, however the Group had not fully utilised such proceeds during the Reporting Period. 31 December 2023 is the delayed expected date.

As at 30 September 2022 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 2023.

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. Despite Hong Kong's epidemic situation gradually improving and the government's relaxation on social distancing measures, the Company remains concerned about the effectiveness of sponsoring business events and charity functions organised by our customers during the gradual resumption of social and economic activities at this time. Therefore in order to effectively utilise the remaining proceeds and to maximize the interests of the shareholders, the Company intends to delay the expected date by which the remaining proceeds would be fully utilised. Our Directors will continue to closely monitor the latest developments in the COVID-19 pandemic and 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. The Board is of the view that the delay mentioned is in the best interests of the Company and the Shareholders as a whole.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2022, we employed a total of 256 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 205 full-time employees as at 31 March 2022. 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\$48.7 million compared to approximately HK\$56.2 million for the corresponding period in 2021. 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 2022, 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 2022, 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 2022, 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 2022, 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 2022.

## **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 C.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. Chan Wa Shing, 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 interim financial results of the Group for the Review Period are unaudited but have been reviewed and approved by the Audit Committee, which 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.

### **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, 14 November 2022

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