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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Year amounted to approximately HK\$786.2 million (FY2022: approximately HK\$613.6 million).
- Gross profit margin for the Review Year was approximately 3.1% (FY2022: approximately 3.2%).
- Profit attributable to the equity holders of the Company for the Review Year amounted to approximately HK\$7.9 million (FY2022: approximately HK\$7.4 million).
- Basic and diluted earnings per share for the Review Year amounted to approximately HK cents 0.66 (FY2022: approximately HK cents 0.62).
- The Board has resolved not to recommend the declaration of a final dividend for the Review Year (FY2022: 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 2023 (the “**Review Year**”), together with the comparative figures for the corresponding year ended 31 March 2022 (the “**FY2022**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	786,209	613,617
Direct costs		<u>(762,014)</u>	<u>(594,243)</u>
Gross profit		24,195	19,374
Other gains, net	5	7,127	1,814
Administrative expenses		(22,023)	(18,958)
Expected credit losses (“ECL”) (allowance)/ reversal on trade receivables and contract assets, net		(74)	336
Finance costs	6	<u>(186)</u>	<u>(547)</u>
Profit before income tax	7	9,039	2,019
Income tax (expense)/credit	8	<u>(1,116)</u>	<u>5,412</u>
Profit and total comprehensive income for the year		<u>7,923</u>	<u>7,431</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	10	<u>0.66</u>	<u>0.62</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		35,179	45,134
Investment property		4,480	4,790
Trade and other receivables	11	168	–
Deferred tax assets		–	339
		<u>39,827</u>	<u>50,263</u>
Current assets			
Trade and other receivables	11	39,867	47,655
Contract assets	12	132,070	79,526
Cash, bank balances and pledged deposits		96,261	120,419
		<u>268,198</u>	<u>247,600</u>
Current liabilities			
Trade and other payables	13	(40,490)	(35,331)
Contract liabilities	12	(99)	(45)
Borrowings, secured		(1,883)	(6,639)
Lease liabilities	14	(876)	(489)
		<u>(43,348)</u>	<u>(42,504)</u>
Net current assets		<u>224,850</u>	<u>205,096</u>
Total assets less current liabilities		<u>264,677</u>	<u>255,359</u>
Non-current liabilities			
Lease liabilities	14	(618)	–
Deferred tax liabilities		(777)	–
		<u>(1,395)</u>	<u>–</u>
Net assets		<u><u>263,282</u></u>	<u><u>255,359</u></u>
CAPITAL AND RESERVE			
Share capital	15	12,000	12,000
Reserves		251,282	243,359
Equity attributable to equity holders of the Company		<u><u>263,282</u></u>	<u><u>255,359</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's 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 is principally engaged in undertaking foundation works in Hong Kong as a subcontractor.

As at 31 March 2023, the Directors considered 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 is wholly owned by Mr. Yip Yuk Kit ("**Mr. Yip**", Mr. Yip and Fame Circle each being a "**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 HKFRSs, 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 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 1 April 2022

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 2022:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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.

(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 other amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

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 new and amended 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 2023 and 2022 are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Contracting revenue	784,126	613,617
Sales of construction materials	<u>2,083</u>	<u>–</u>
	<u>786,209</u>	<u>613,617</u>
Timing of revenue recognition under HKFRS 15		
Services transferred over time	784,126	613,617
Good transferred at a point in time	<u>2,083</u>	<u>–</u>
	<u>786,209</u>	<u>613,617</u>

(b) 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 is as follows:

	2023	2022
	HK\$'000	HK\$'000
Customer A ¹	387,609	131,405
Customer B ¹	128,694	85,988
Customer C ¹	103,711	96,287
Customer E ¹	N/A ²	148,071
Customer F	<u>N/A²</u>	<u>83,213</u>

¹ The customer represents a collection of companies within a group.

² The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year.

5. OTHER GAINS, NET

	2023	2022
	HK\$'000	HK\$'000
Net (losses)/gains from changes in fair value on investment property	(310)	70
Rental income	156	156
Interest income	722	364
Net foreign exchange (loss)/gain	(1,258)	584
Government grant and subsidies (note)	<u>7,817</u>	<u>640</u>
	<u>7,127</u>	<u>1,814</u>

Note:

During the year ended 31 March 2023, the Group received a subsidy amount of HK\$7,817,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government.

During the year ended 31 March 2022, the Group recognised the subsidies of approximately of HK\$640,000 in relation to Construction Innovation and Technology Fund launched by the Construction Industry Council.

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loans interest	146	529
Finance charges on lease liabilities	<u>40</u>	<u>18</u>
	<u><u>186</u></u>	<u><u>547</u></u>

7. PROFIT BEFORE INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before tax is stated after charging/(crediting):		
(a) Staff costs (including Directors' remuneration)		
– Salaries, wages, bonus and other benefits	153,591	93,340
– Retirement scheme contributions (<i>note a</i>)	<u>4,253</u>	<u>2,893</u>
Staff costs (including Directors' remuneration) (<i>note b</i>)	<u><u>157,844</u></u>	<u><u>96,233</u></u>
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	20,861	17,955
Administrative expenses		
– Owned assets	40	61
– Right-of-use assets	<u>777</u>	<u>722</u>
	<u><u>21,678</u></u>	<u><u>18,738</u></u>
Lease charges:		
– Short term lease of office	25	–
– Short term lease of machinery	<u>27,339</u>	<u>16,341</u>
Total lease charges	<u><u>27,364</u></u>	<u><u>27,364</u></u>
Subcontracting charges (included in direct costs)	172,637	205,408
Cost of sales of construction materials (included in direct costs)	2,050	–
Outgoings in respect of investment property	18	18
Auditor's remuneration	1,159	1,060
ECL allowance/(reversal) on trade receivables and contract assets, net	74	(336)
Donation	<u>63</u>	<u>133</u>

Notes:

- (a) During the years ended 31 March 2023 and 2022, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. As at 31 March 2023 and 2022, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.
- (b) Staff costs (including Directors' remuneration) are as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct costs	144,460	85,132
Administrative expenses	13,384	11,101
	<u>157,844</u>	<u>96,233</u>

8. INCOME TAX EXPENSE/(CREDIT)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the years ended 31 March 2023 and 2022.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax	–	–
Deferred tax	1,116	(5,412)
Income tax expense/(credit) for the year	<u>1,116</u>	<u>(5,412)</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before income tax	<u>9,039</u>	<u>2,019</u>
Tax at Hong Kong profits tax rates of 16.5% (2022: 16.5%)	1,491	333
Tax effect of non-deductible expenses	1,049	770
Tax effect of non-taxable income	(1,409)	(306)
Tax effect of tax losses not recognised	(5)	–
Tax effect of recognition of tax losses previously not recognised	–	(5,217)
Utilisation of tax losses previously not recognised	–	(999)
Others	<u>(10)</u>	<u>7</u>
Income tax expense/(credit) for the year	<u>1,116</u>	<u>(5,412)</u>

9. DIVIDENDS

No dividend was paid or proposed for the years ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to equity holders of the Company	<u>7,923</u>	<u>7,431</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 2023 and 2022 and therefore, diluted earnings per share equals to basic earnings per share.

11. TRADE AND OTHER RECEIVABLES

	Notes	2023 HK\$'000	2022 HK\$'000
Trade receivables			
– from third parties	(a)	39,078	39,997
Less: ECL allowance, net		<u>(262)</u>	<u>(509)</u>
		38,816	39,488
Deposit, prepayment and other receivables			
Other receivables		361	354
Prepayment (<i>note</i>)		500	3,506
Advance to sub-contractors		–	3,000
Utility and other deposits		248	150
Amount due from a director	(b)	–	1,047
Amount due from the ultimate holding company	(b)	<u>110</u>	<u>110</u>
		1,219	8,167
		40,035	47,655
Portion classified as non-current assets		<u>(168)</u>	–
Current portion		<u>39,867</u>	<u>47,655</u>

Note: No prepayment was made for purchasing materials as at 31 March 2023 (2022: HK\$3,000,000).

The directors of the Company consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	26,692	38,492
31 – 60 days	12,124	–
61 – 90 days	–	–
Over 90 days	–	996
	<u>38,816</u>	<u>39,488</u>

(a) Trade receivables

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 April	509	1,346
ECL reversal recognised during the year, net	<u>(247)</u>	<u>(837)</u>
Balance as at 31 March	<u>262</u>	<u>509</u>

(b) Amounts 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unbilled revenue	76,655	49,350
Retention receivables	56,948	31,388
Less: ECL allowance, net	<u>(1,533)</u>	<u>(1,212)</u>
	<u>132,070</u>	<u>79,526</u>

Note:

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

Retention receivables included in contract assets 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 2023 were mainly due to:

- (i) Changes in retention receivables as a result of changes 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 gross amount of contract assets expected to be recovered/settled over one year is HK\$16,233,000 (2022: HK\$12,634,000), all of the remaining balances were expected to be recovered/settled within one year.

Based on ECL assessment, ECL allowance of HK\$1,533,000 (2022: HK\$1,212,000) has been recognised as at 31 March 2023.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance as at 1 April	1,212	711
ECL allowance recognised during the year, net	<u>321</u>	<u>501</u>
Balance as at 31 March	<u><u>1,533</u></u>	<u><u>1,212</u></u>

12.2 Contract liabilities

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities arising from construction contracts from billings in advance of performance	<u>99</u>	<u>45</u>

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

Revenue recognised in relation to contract liabilities

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>45</u>	<u>180</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	<u><u>991,538</u></u>	<u><u>716,012</u></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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	36,702	32,361
Accruals and other payables (<i>note (b)</i>)	<u>3,788</u>	<u>2,970</u>
	<u><u>40,490</u></u>	<u><u>35,331</u></u>

Notes:

- (a) Payment terms granted by suppliers are 0 to 30 days (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	29,509	29,424
31 – 60 days	7,166	2,937
61 – 90 days	<u>27</u>	<u>–</u>
	<u><u>36,702</u></u>	<u><u>32,361</u></u>

- (b) As at 31 March 2023, accruals and other payables mainly comprised of: (1) accrued professional fee which amounted to HK\$1,761,000 (2022: HK\$1,447,000); (2) accrued purchase costs for acquisition of plant and machinery which amounted to HK\$Nil (2022: HK\$414,000); (3) accrued employee benefits of approximately HK\$1,058,000 (2022: HK\$860,000); and (4) amount due to a director which amounted to HK\$267,000 (2022: nil). The amount due is unsecured, interest-free and repayable on demand.
- (c) All trade and other payables are denominated in HK\$.
- (d) 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.

14. LEASE LIABILITIES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total minimum lease payments:		
Within one year	946	492
After one year but within two years	<u>630</u>	<u>–</u>
	1,576	492
Future finance charges	<u>(82)</u>	<u>(3)</u>
Present value of lease liabilities	<u><u>1,494</u></u>	<u><u>489</u></u>
Present value of minimum lease payment:		
Within one year	876	489
After one year but within two years	<u>618</u>	<u>–</u>
	1,494	489
Less: Portion due within one year included under current liabilities	<u>(876)</u>	<u>(489)</u>
Portion due after one year included under non-current liabilities	<u><u>618</u></u>	<u><u>–</u></u>

During the year ended 31 March 2023, the total cash outflows for the leases are HK\$808,000 (2022: HK\$738,000).

15. SHARE CAPITAL

	2023		2022	
	<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>	<u>10,000,000,000</u>	<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>	<u>1,200,000,000</u>	<u>12,000</u>

16. CONTINGENT LIABILITIES

As at 31 March 2023 and 2022, 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

2022 presented significant challenges to the construction foundation industry in Hong Kong. The contraction of the economy, the impact of COVID-19 restrictions, and tightening financial conditions all affected the industry's performance. However, with the lifting of COVID-19 restrictions and the reopening of the border with the PRC, there is renewed optimism for the industry's recovery in the first quarter of 2023.

Hong Kong's construction industry demonstrated a mixed performance in the past year. The total Gross Value of Construction Work ("GVCW") undertaken by main contractors in 2022 registered a nominal increase of 5.7% compared to 2021, amounting to HK\$247.1 billion. However, after adjusting for price fluctuations, the real-term growth was more modest at 3.8% over the preceding year. Despite the overall growth in GVCW, the gross value of piling and related foundation works carried out by main contractors at construction sites experienced a decline. The nominal value reached HK\$13,430 million, indicating a decrease of 14.7% compared to 2021. This decline can be attributed to the challenging business environment, including the impact of COVID-19 restrictions and tightening financial conditions.

A survey conducted by the Census and Statistics Department of the Hong Kong Special Administrative Region at the end of 2022 shed light on the business sentiment among large enterprises in the construction industry. Among the respondents, 11% expressed optimism, anticipating an improvement in their business conditions during the first quarter of 2023. Conversely, 18% anticipated a worsening of their business outlook. These contrasting sentiments reflect the uncertainties and challenges confronted by the industry during this period.

BUSINESS REVIEW AND OUTLOOK

The Group is a seasoned subcontractor in Hong Kong's construction industry, with three decades of experience, 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 Review Year, the Group had been awarded 13 projects with a total original contract sum of approximately HK\$616.8 million. With years of experience navigating the adverse business environment under the influence of COVID-19, the Group has developed an improved cost control system and gained immersed experience. The year's overall revenue reached HK\$786.2 million, an increase of 28.1% compared to the year ended 31 March 2022. The Group's gross profit amounted to HK\$24.2 million, an increase of approximately 24.7% compared to HK\$19.4 million for the year ended 31 March 2022. As a result, the Group's net profit amounted to HK\$7.9 million.

The Hong Kong government's 2023–24 budget highlighted the large-scale Northern Metropolis project. This could potentially create new opportunities for construction companies involved in infrastructure development. Furthermore, the budget outlines the release of 12 residential sites, railway property development, private development and redevelopment projects, as well as projects by the Urban Renewal Authority (“URA”) that would provide approximately 20,000 residential units. Additionally, there are plans for the allocation of land for the provision of at least 72,000 private housing units over the next five years. These measures indicate a steady demand for construction services and potential growth opportunities for the Group.

As for the operating environment, although the inflationary pressure on fuel and raw material costs has somewhat eased, fluctuations in these costs can still impact the Group's profitability. The chronic shortage of skilled labour in the construction industry also continues to be a pressing issue. Additionally, facing increasing competition from peers in the construction industry, the Group shall focus on differentiating itself through quality, innovation, and efficient project execution. As a seasoned player in Hong Kong's dynamic construction market, the Group remains cautiously optimistic about securing its leading position and shall strive to maximise its business growth potential.

Moving forward, the Group will actively pursue new business opportunities and explore options for expanding our geographic reach beyond the Hong Kong market. This will help us to further develop and grow our business in the future. To facilitate this expansion, we are currently seeking external funding for long-term debt.

FINANCIAL REVIEW

Revenue

For the Review Year, the revenue of the Group has increased by approximately HK\$172.6 million, or approximately 28.1% compared to the year ended 31 March 2022, from approximately HK\$613.6 million to approximately HK\$786.2 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 Profit and Gross Profit Margin

Our direct costs increased by approximately HK\$167.8 million or approximately 28.2% from approximately HK\$594.2 million for the year ended 31 March 2022 to approximately HK\$762.0 million for the Review Year.

The gross profit of the Group has increased by approximately HK\$4.8 million, or approximately 24.7% compared to the year ended 31 March 2022, from approximately HK\$19.4 million to approximately HK\$24.2 million. The gross profit margin for the Review Year was approximately 3.1%, compared to that for the year ended 31 March 2022 of approximately 3.2%. The slight decrease in gross profit margin was mainly due to low profit margin for certain projects.

Other Gains, Net

Other gains, net mainly included government grant and subsidies, change in fair value on investment property and exchange difference. For the Review Year, other gains, net amounted to approximately HK\$7.1 million as compared with approximately HK\$1.8 million for the year ended 31 March 2022. The increase in other gains, net for the Review Year was mainly due to the government grant and subsidies under Anti-epidemic Fund of approximately HK\$7.8 million recognised for the Review Year.

Administrative Expenses

For the Review Year, the administrative expenses increased by approximately HK\$3.0 million or approximately 15.8% compared to the year ended 31 March 2022, from approximately HK\$19.0 million to approximately HK\$22.0 million. The increase was primarily due to the increase in staff costs included in administrative expenses of approximately HK\$2.3 million for the Review Year.

Finance Costs

For the Review Year, the finance costs amounted to approximately HK\$186,000, as compared to the year ended 31 March 2022 of approximately HK\$547,000. The decrease was primarily due to the decrease in average balance of bank borrowings during the Review Year.

Income Tax Expense/Credit

For the Review Year, the income tax expense increased by approximately HK\$6.5 million or approximately 120.4% compared to the year ended 31 March 2022, from the income tax credit of approximately HK\$5.4 million to the income tax expense of approximately HK\$1.1 million. Such change was mainly due to the increase in taxable income for the Review Year.

Net Profit

For the Review Year, the net profit amounted to approximately HK\$7.9 million, as compared to the year ended 31 March 2022 of approximately HK\$7.4 million. Our net profit margin for the Review Year was approximately 1.0%, as compared with approximately 1.2% for the year ended 31 March 2022. The slight decrease in the net profit margin for the Review Year was mainly due to the slightly lower gross profit margin during the Review Year.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

During the Review Year, there had 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 2023, 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 2023, the Group had total cash, bank balances and pledged deposits of approximately HK\$96.3 million (31 March 2022: approximately HK\$120.4 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 5.8 times as at 31 March 2022 to approximately 6.2 times as at 31 March 2023. The increase was mainly due to the increase in contract assets as at 31 March 2023.

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 2.8% as at 31 March 2022 to approximately 1.3% as at 31 March 2023. The decrease was primarily due to the decrease in bank borrowings as at 31 March 2023.

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 2023, the Group had pledged (i) an investment property situated in Hong Kong of approximately HK\$4.5 million (31 March 2022: approximately HK\$4.8 million); (ii) approximately HK\$10.2 million and RMB13.0 million bank deposits (31 March 2022: approximately HK\$5.2 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 incurred an exchange loss of approximately HK\$1.3 million (For the year ended 31 March 2022: gain of approximately HK\$0.6 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2023 and 2022, the Group had no capital commitments for acquiring machine.

As at 31 March 2023 and 2022, the Group had 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	Amount utilised up to 31 March 2023	Balance of unutilised amount up to 31 March 2023	Expected timeline of full utilisation of the remaining proceeds as at 31 March 2023
	<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	3,264	1,497	Expect to be fully utilised by 31 December 2023 (Note 1)
Funding of general working capital	<u>7,596</u>	<u>7,596</u>	<u>–</u>	<u>–</u>
Total	<u>91,940</u>	<u>90,443</u>	<u>1,497</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 31 March 2023 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 was 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 maximise 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 31 March 2023, we employed a total of 304 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 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\$157.8 million compared to approximately HK\$96.2 million in the year ended 31 March 2022.

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 2022: 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 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 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 date of listing of the Company’s shares on the Main Board of the Stock Exchange and up to the date of this announcement.

SHARE OPTION SCHEME

The Company 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 or part-time), Directors, consultants, advisors, substantial shareholder, 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 was no outstanding share option as at 31 March 2023.

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 been no material events occurring after 31 March 2023 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 the Audit Committee include, but are not limited to, (a) making recommendations to the 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 the 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 the financial controls, internal control 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 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 2023 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, 27 June 2023

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.