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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 2024**

**FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the Review Year amounted to approximately HK\$945.9 million (FY2023: approximately HK\$786.2 million).
- Gross profit margin for the Review Year was approximately 4.2% (FY2023: approximately 3.1%).
- Profit attributable to the equity holders of the Company for the Review Year amounted to approximately HK\$4.2 million (FY2023: approximately HK\$7.9 million).
- Basic and diluted earnings per share for the Review Year amounted to approximately HK cents 0.35 (FY2023: approximately HK cents 0.66).
- The Board has resolved not to recommend the declaration of a final dividend for the Review Year (FY2023: 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 2024 (the “**Review Year**”), together with the comparative figures for the corresponding year ended 31 March 2023 (the “**FY2023**”).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

		2024 HK\$'000	2023 HK\$'000
	Notes		
<b>Revenue</b>	4	<b>945,852</b>	786,209
Direct costs		<u>(906,389)</u>	<u>(762,014)</u>
Gross profit		<b>39,463</b>	24,195
Other (loss)/gain, net	5	<b>(177)</b>	7,127
Administrative expenses		<b>(27,759)</b>	(22,023)
Expected credit losses (“ECL”) allowance on trade receivables and contract assets, net		<b>(3,733)</b>	(74)
Finance costs	6	<u><b>(1,000)</b></u>	<u>(186)</u>
<b>Profit before income tax</b>	7	<b>6,794</b>	9,039
Income tax expense	8	<u><b>(2,626)</b></u>	<u>(1,116)</u>
<b>Profit for the year</b>		<u><b>4,168</b></u>	<u>7,923</u>
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		<b>4,188</b>	7,923
Non-controlling interests		<u><b>(20)</b></u>	<u>–</u>
		<u><b>4,168</b></u>	<u>7,923</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	10	<u><b>0.35</b></u>	<u>0.66</u>
<b>Profit for the year</b>		<b>4,168</b>	7,923
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of overseas operations		<u><b>27</b></u>	<u>–</u>
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>		<u><b>4,195</b></u>	<u>7,923</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2024*

	Notes	2024 HK\$'000	2023 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		21,712	35,179
Investment property		3,910	4,480
Trade and other receivables		–	168
Financial asset at fair value through profit and loss		1,000	–
		<u>26,622</u>	<u>39,827</u>
<b>Current assets</b>			
Trade and other receivables	11	30,377	39,867
Contract assets	12	228,219	132,070
Cash, bank balances and pledged deposits		133,962	96,261
		<u>392,558</u>	<u>268,198</u>
<b>Current liabilities</b>			
Trade and other payables	13	(85,673)	(40,490)
Contract liabilities	12	(464)	(99)
Borrowings		(58,505)	(1,883)
Lease liabilities	14	(806)	(876)
Income tax liabilities		(1,585)	–
		<u>(147,033)</u>	<u>(43,348)</u>
<b>Net current assets</b>		<u>245,525</u>	<u>224,850</u>
<b>Total assets less current liabilities</b>		<u>272,147</u>	<u>264,677</u>
<b>Non-current liabilities</b>			
Borrowings		(2,000)	–
Lease liabilities	14	(521)	(618)
Deferred tax liabilities		(1,791)	(777)
		<u>(4,312)</u>	<u>(1,395)</u>
<b>Net assets</b>		<u>267,835</u>	<u>263,282</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	12,000	12,000
Reserves		255,497	251,282
		<u>267,497</u>	<u>263,282</u>
Equity attributable to equity holders of the Company		338	–
Non-controlling interests		–	–
<b>TOTAL EQUITY</b>		<u>267,835</u>	<u>263,282</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2024*

## 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 Unit 09, 28/F, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company, and its subsidiaries are principally engaged in undertaking foundation works in Hong Kong as a subcontractor.

As at 31 March 2024, 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 material 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 and financial asset at fair value through profit and loss, which are 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) New and amended HKFRSs that are effective for annual periods beginning on 1 April 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except for those mentioned above, the adoption of the new and 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.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> 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 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 2024 and 2023 are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Contracting revenue	911,778	784,126
Sales of construction materials	<u>34,074</u>	<u>2,083</u>
	<u><b>945,852</b></u>	<u><b>786,209</b></u>
<b>Timing of revenue recognition under HKFRS 15</b>		
Services transferred over time	911,778	784,126
Good transferred at a point in time	<u>34,074</u>	<u>2,083</u>
	<u><b>945,852</b></u>	<u><b>786,209</b></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 goods to the customer.

##### (b) Segment information

The chief operating decision maker ("CODM") has been identified as the executive directors of the Company. The CODM regards the Group's business as a single operating segment and reviews the overall results of the Group as a whole to make decisions 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:

	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A <sup>1</sup>	<b>382,183</b>	N/A <sup>2</sup>
Customer B <sup>1</sup>	<b>333,580</b>	387,609
Customer C <sup>1</sup>	<b>N/A<sup>2</sup></b>	128,694
Customer D <sup>1</sup>	<b>N/A<sup>2</sup></b>	103,711

<sup>1</sup> The customer represents a collection of companies within a group.

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

## **5. OTHER (LOSS)/GAIN, NET**

	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net losses from changes in fair value on investment property	<b>(570)</b>	(310)
Rental income	<b>156</b>	156
Interest income	<b>1,457</b>	722
Net foreign exchange loss	<b>(978)</b>	(1,258)
Government grant and subsidies ( <i>note</i> )	<b>–</b>	7,817
Others	<b>(242)</b>	–
	<b>(177)</b>	7,127

*Note:*

During the year ended 31 March 2023, subsidies of HK\$7,817,000 from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund, set up by the Hong Kong Government was received by the Group.

## 6. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interests on borrowings	921	146
Finance charges on lease liabilities	79	40
	<u>1,000</u>	<u>186</u>

## 7. PROFIT BEFORE INCOME TAX

	2024 HK\$'000	2023 HK\$'000
Profit before tax is stated after charging:		
(a) Staff costs (including directors' remuneration)		
– Salaries, wages, bonus and other benefits	136,383	153,591
– Retirement scheme contributions (note a)	3,651	4,253
	<u>140,034</u>	<u>157,844</u>
Staff costs (including directors' remuneration) (note b)		
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	17,196	20,861
Administrative expenses		
– Owned assets	200	40
– Right-of-use assets	1,053	777
	<u>18,449</u>	<u>21,678</u>
Lease charges:		
– Short term lease of office	155	25
– Short term lease of machinery	24,091	27,339
	<u>24,246</u>	<u>27,364</u>
Total lease charges		
Subcontracting charges (included in direct costs)	156,750	172,637
Cost of sales of construction materials (included in direct costs)	32,934	2,050
Outgoings in respect of investment property	18	18
Auditor's remuneration	1,204	1,159
ECL allowance on trade receivables and contract assets, net	3,733	74
Donation	48	63



*Notes:*

- (a) During the years ended 31 March 2024 and 2023, 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 2024 and 2023, 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Direct costs	125,208	144,460
Administrative expenses	<u>14,826</u>	<u>13,384</u>
	<u><b>140,034</b></u>	<u><b>157,844</b></u>

## 8. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax ( <i>note a</i> )	1,590	–
Overseas tax ( <i>note b</i> )	22	–
Deferred tax	<u>1,014</u>	<u>1,116</u>
Income tax expense for the year	<u><b>2,626</b></u>	<u><b>1,116</b></u>

*Notes:*

- (a) Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities will be taxed at 8.25%, and the profits above HK\$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the years ended 31 March 2023 and 2024, Hong Kong profits tax of a subsidiary of the Company is calculated in accordance with the two-tiered profits tax regime.
- (b) Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation prevailing in the country in which the Group operates.

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:

	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
Profit before income tax	<b>6,794</b>	9,039
Tax at Hong Kong profits tax rates of 16.5% (2023: 16.5%)	<b>1,121</b>	1,491
Tax effect of non-deductible expenses	<b>1,901</b>	1,049
Tax effect of non-taxable income	<b>(236)</b>	(1,409)
Tax effect of tax losses not recognised	<b>64</b>	(5)
Tax effect of different tax rates of overseas operations	<b>(53)</b>	–
Tax effect of two-tiered profit tax regime	<b>(165)</b>	–
Others	<b>(6)</b>	(10)
Income tax expense for the year	<b><u>2,626</u></b>	<u>1,116</u>

## 9. DIVIDENDS

No dividend was paid or proposed for the years ended 31 March 2024 and 2023, 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:

	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to equity holders of the Company	<b><u>4,188</u></b>	<u>7,923</u>
	<b>'000</b>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<b><u>1,200,000</u></b>	<u>1,200,000</u>

There were no dilutive potential ordinary shares during the years ended 31 March 2024 and 2023 and therefore, diluted earnings per share equals to basic earnings per share.

# 11. TRADE AND OTHER RECEIVABLES

		2024	2023
	Notes	HK\$'000	HK\$'000
<b>Trade receivables</b>			
– from third parties	(a)	28,753	39,078
Less: ECL allowance, net		(27)	(262)
		<u>28,726</u>	<u>38,816</u>
<b>Deposit, prepayment and other receivables</b>			
Other receivables		480	361
Prepayment ( <i>note</i> )		879	500
Utility and other deposits		182	248
Amount due from the ultimate holding company	(b)	<u>110</u>	<u>110</u>
		<u>1,651</u>	<u>1,219</u>
		30,377	40,035
Portion classified as non-current assets		<u>–</u>	<u>(168)</u>
Current portion		<u><u>30,377</u></u>	<u><u>39,867</u></u>

*Note:*

Prepayment of HK\$408,000 was made for purchasing materials as at 31 March 2024 (2023: Nil).

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:

	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
0 – 30 days	<b>22,868</b>	26,692
31 – 60 days	<b>4,894</b>	12,124
61 – 90 days	<b>964</b>	–
	<u><b>28,726</b></u>	<u>38,816</u>

**(a) Trade receivables**

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

	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
Balance as at 1 April	<b>262</b>	509
ECL reversal recognised during the year, net	<u><b>(235)</b></u>	<u>(247)</u>
Balance as at 31 March	<u><b>27</b></u>	<u>262</u>

**(b) Amounts due from 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

	2024 HK\$'000	2023 HK\$'000
Unbilled revenue	161,438	76,655
Retention receivables	72,282	56,948
Less: ECL allowance, net	<u>(5,501)</u>	<u>(1,533)</u>
	<u>228,219</u>	<u>132,070</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 2024 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\$29,751,000 (2023: HK\$16,233,000), all of the remaining balances were expected to be recovered/settled within one year.

The details of ECL measurement for contract assets are set out in notes to the consolidated financial statements. Based on ECL assessment, ECL allowance of HK\$5,501,000 (2023: HK\$1,533,000) has been recognised as at 31 March 2024.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Balance as at 1 April	1,533	1,212
ECL allowance recognised during the year, net	<u>3,968</u>	<u>321</u>
Balance as at 31 March	<u><u>5,501</u></u>	<u><u>1,533</u></u>

## 12.2 Contract liabilities

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contract liabilities arising from construction contracts from billings in advance of performance	<u><u>464</u></u>	<u><u>99</u></u>

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

### *Revenue recognised in relation to contract liabilities*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u><u>99</u></u>	<u><u>45</u></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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	<u><u>985,204</u></u>	<u><u>991,538</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables ( <i>note (a)</i> )	80,159	36,702
Accruals and other payables ( <i>note (b)</i> )	<u>5,514</u>	<u>3,788</u>
	<u><b>85,673</b></u>	<u><b>40,490</b></u>

#### *Notes:*

- (a) Payment terms granted by suppliers are 0 to 90 days (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 30 days	72,258	29,509
31 – 60 days	6,667	7,166
61 – 90 days	<u>1,234</u>	<u>27</u>
	<u><b>80,159</b></u>	<u><b>36,702</b></u>

- (b) As at 31 March 2024, accruals and other payables mainly comprised of: (1) accrued professional fee which amounted to HK\$1,938,000 (2023: HK\$1,761,000); (2) accrued employee benefits of approximately HK\$1,247,000 (2023: HK\$1,058,000); and (3) amount due to a director which amounted to HK\$1,476,000 (2023: HK\$267,000). The amount due is unsecured, interest-free and repayable on demand.
- (c) 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Total minimum lease payments:		
Within one year	856	946
After one year but within two years	375	630
After two years but within five years	<u>196</u>	<u>–</u>
	1,427	1,576
Future finance charges	<u>(100)</u>	<u>(82)</u>
Present value of lease liabilities	<u><u>1,327</u></u>	<u><u>1,494</u></u>
Present value of minimum lease payment:		
Within one year	806	876
After one year but within two years	333	618
After two years but within five years	<u>188</u>	<u>–</u>
	1,327	1,494
Less: Portion due within one year included under current liabilities	<u>(806)</u>	<u>(876)</u>
Portion due after one year included under non-current liabilities	<u><u>521</u></u>	<u><u>618</u></u>

During the year ended 31 March 2024, the total cash outflows for the leases are HK\$1,194,000 (2023: HK\$808,000).



## 15. SHARE CAPITAL

	2024		2023	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
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 2024 and 2023, 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

2023 was a year of comprehensive economic recovery for Hong Kong, with the annual GDP growth rate reaching 3.2%, primarily attributed to the resumption of normal operations across various industries after the lifting of COVID-19 epidemic control measures.

The provisional data released by the Hong Kong Government's Department of Census and Statistics in March 2024 shows that the construction industry in Hong Kong has exhibited a robust growth trajectory. Overall, in 2023, the nominal total value of construction projects completed by major contractors reached HK\$271 billion, marking an 8.8% increase compared to the previous year. After accounting for the impact of price changes and calculating in real terms, the actual total value in 2023 showed a significant growth of 9.9% compared to 2022. Additionally, as of December 2023, the number of public construction sites in Hong Kong stood at 845, indicating a year-on-year increase of 9.0%.

The foundation industry in which our Group operates has experienced a significant recovery, influenced by favourable market conditions. Official data shows that in 2023, the nominal value of piling and foundation projects reached HK\$21,468 million, marking a 48.3% increase from HK\$14,477 million in 2022, far exceeding the overall level of the construction industry. This growth rate can be attributed to the increase in new construction sites, as foundation work is the initial phase of the construction process, thereby benefiting first from industry recovery.

### 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 8 projects with a total original contract sum of approximately HK\$1,255 million. The year's overall revenue reached HK\$945.9 million, an increase of 20.3% compared to the year ended 31 March 2023. The Group's gross profit amounted to HK\$39.5 million, an increase of approximately 63.2% compared to HK\$24.2 million for the year ended 31 March 2023.

Looking ahead, in addition to the integrated development of the Northern Metropolis in the northern New Territories, the Hong Kong Government has planned a series of new infrastructure projects in various districts of Hong Kong for different purposes, including transportation, housing, and education. The Development Bureau anticipates that approximately 3,370 hectares of land will be available for development in the next decade. Private construction projects may not be as extensive as Hong Kong Government initiatives, but new residential developments are still continuously being planned. These plans and data present favourable prospects for the future development of the foundation industry.

Although the overall volume of construction projects is expected to increase in the foreseeable future, the construction industry in Hong Kong is already well-developed, with a multitude of contractors at each stage of the construction process. Consequently, the competition for securing project contracts is highly intense. Additionally, the ageing population and a lack of interest among young people in pursuing careers in the construction industry have led to a shortage of labour, which is also a significant factor impacting the development of the construction industry. Data indicates that as of December 2023, there were a total of 2,397 vacant positions for construction workers. However, with the implementation of more lenient policies on importing foreign labour, this situation may potentially be mitigated in the future.

As a seasoned market player, our Group will seize the opportune moment of Hong Kong's booming construction industry to strive for more business opportunities. At the same time, we will actively expand our presence beyond Hong Kong, particularly by deepening cooperation with corporations in the PRC and other regions, aiming to broaden our influence and achieve higher returns. Simultaneously, the Group is expanding its business horizons to acquire more diversified sources of income, by venturing into the trading of construction materials such as silica, sand, cement, and steel, as well as modular integrated construction, and new energy sector. Leveraging the Group's capital strength and reputation as a listed company, the Board aims to create synergies across these related business lines and strengthen the Group's long-term growth.

## **FINANCIAL REVIEW**

### **Revenue**

For the Review Year, the revenue of the Group has increased by approximately HK\$159.7 million, or approximately 20.3% compared to FY2023, from approximately HK\$786.2 million to approximately HK\$945.9 million. The increase was primarily attributable to an increase in contract revenue due to an increase in the number of projects with revenue contribution during the Review Year.

The Board regards the Group's business as a single operating segment and reviews the overall results of the Group as a whole to make decisions 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 mainly attributable to a single geographical region, which is Hong Kong.

## **Gross Profit and Gross Profit Margin**

Our direct costs increased by approximately HK\$144.4 million or approximately 19.0% from approximately HK\$762.0 million for the FY2023 to approximately HK\$906.4 million for the Review Year.

The gross profit of the Group has increased by approximately HK\$15.3 million, or approximately 63.2% compared to FY2023, from approximately HK\$24.2 million to approximately HK\$39.5 million. The gross profit margin for the Review Year was approximately 4.2%, compared to that for the FY2023 of approximately 3.1%. The increase in gross profit margin was mainly due to relatively high profit margin for certain projects.

## **Other (Loss)/Gain, net**

Other (loss)/gain, net mainly included Hong Kong Government grants and subsidies, changes in fair value on investment property and exchange differences. For the Review Year, other loss, net amounted to approximately HK\$0.2 million as compared with other gain, net approximately HK\$7.1 million for FY2023. The decrease in other (loss)/gains, net for the Review Year was mainly due to the Hong Kong Government grants and subsidies under the Anti-epidemic Fund of approximately HK\$7.8 million recognised for the FY2023.

## **Administrative Expenses**

For the Review Year, the administrative expenses increased by approximately HK\$5.8 million or approximately 26.4% compared to FY2023, from approximately HK\$22.0 million to approximately HK\$27.8 million. The increase was primarily due to (1) an increase in staff costs included in administrative expenses of approximately HK\$1.4 million, (2) an increase in marketing expenses of approximately HK\$1.4 million and (3) an increase in consulting fees for new business development of approximately HK\$1.6 million for the Review Year.

## **ECL Allowance on Trade Receivables and Contract Assets, net**

For the Review Year, the impairment under ECL allowance on trade receivables and contract assets increased by approximately HK\$3.6 million compared to FY2023, from approximately HK\$0.1 million to approximately HK\$3.7 million. The increase was mainly due to the slow recovery of the local economic environment, the financial conditions and repayment abilities of the customers in the Group's business have been adversely affected.

## **Finance Costs**

For the Review Year, the finance costs amounted to approximately HK\$1.0 million as compared to FY2023 of approximately HK\$0.2 million. The increase was primarily due to the increase in balance of bank borrowings during the Review Year.

## **Income Tax Expense**

For the Review Year, the income tax expense increased by approximately HK\$1.5 million or approximately 136.4% compared to the FY2023, from approximately HK\$1.1 million to approximately HK\$2.6 million. Such increase was mainly due to the increase in taxable income for the Review Year.

## **Net Profit**

For the Review Year, the net profit decreased by approximately HK\$3.7 million or approximately 46.8% compared to the FY2023, from approximately HK\$7.9 million to HK\$4.2 million. Our net profit margin for the Review Year was approximately 0.4%, as compared with approximately 1% for FY2023. The decrease in the net profit margin for the Review Year was mainly due to the combined effect of the increase in ECL allowance on trade receivables and contract assets, net and the decrease in other (loss)/gain, net during the Review Year.

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

During the Review Year, there has been no change in capital structure of the Group. The Group continued to finance its working capital with internally generated cash flows and bank borrowings.

As at 31 March 2024, the Company's issued share 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 2024, the Group had total cash, bank balances and pledged deposits of approximately HK\$134.0 million (31 March 2023: approximately HK\$96.3 million).

## **Current Ratio**

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

Our Group's current ratio decreased from approximately 6.2 times as at 31 March 2023 to approximately 2.7 times as at 31 March 2024. The decrease was mainly due to the increase in bank borrowings as at 31 March 2024.

## **Gearing Ratio**

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

Our Group's gearing ratio increased from approximately 1.3% as at 31 March 2023 to approximately 23.1% as at 31 March 2024. The increase was primarily due to the increase in bank borrowings as at 31 March 2024.

## **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 2024, the Group had pledged (i) an investment property situated in Hong Kong of approximately HK\$3.9 million (31 March 2023: approximately HK\$4.5 million); (ii) approximately HK\$19.8 million and RMB13.0 million bank deposits (31 March 2023: approximately HK\$10.2 million and RMB13.0 million bank deposits); and (iii) corporate guarantee given by the Company in order to secure bank facilities granted to Kit Kee Engineering.

## **FOREIGN EXCHANGE EXPOSURE**

As the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were settled in Hong Kong dollars, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Review Year.

During the Review Year, the Group placed a portion of its cash reserves in RMB in certificates of deposit for interest return, and we incurred an exchange loss of approximately HK\$1.0 million (FY2023: approximately HK\$1.3 million).

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 March 2024 and 2023, the Group had no capital commitments for acquiring machine.

As at 31 March 2024 and 2023, 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:

	<b>Planned use of proceeds</b>	<b>Amount utilised up to 31 March 2024</b>	<b>Balance of unutilised amount up to 31 March 2024</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	4,761	—
Funding of general working capital	<u>7,596</u>	<u>7,596</u>	<u>—</u>
Total	<u>91,940</u>	<u>91,940</u>	<u>—</u>

As at 31 March 2024, the net proceeds were fully utilised.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, we employed a total of 338 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 304 full-time employees as at 31 March 2023. 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\$140.0 million compared to approximately HK\$157.8 million of FY2023.



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 (FY2023: 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 C1 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 C3 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 2024.

## **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 2024 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](http://www.kitkee.com.hk) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2024 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, 25 June 2024

*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.*