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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6829)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period amounted to approximately HK\$331.3 million (six months ended 30 September 2022: approximately HK\$325.3 million).
- Profit attributable to the equity holders of the Company for the Reporting Period amounted to approximately HK\$5.4 million (six months ended 30 September 2022: profit approximately HK\$5.0 million).
- Basic and diluted earnings per share for the Reporting Period amounted to approximately HK cents 0.45 (six months ended 30 September 2022: earnings per share approximately HK cents 0.42).
- The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended 30 September 2022: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Dragon Rise Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2023 (the “**Reporting Period**”), together with the comparative unaudited figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	331,316	325,270
Direct costs		<u>(308,086)</u>	<u>(309,668)</u>
Gross profit		23,230	15,602
Other (loss)/gain, net	7	(1,286)	1,106
Administrative expenses		(13,856)	(10,061)
Expected credit losses (“ECL”) allowance on trade receivables and contract assets, net		(676)	(345)
Finance costs	8	<u>(140)</u>	<u>(79)</u>
Profit before income tax	9	7,272	6,223
Income tax expense	10	<u>(1,885)</u>	<u>(1,240)</u>
Profit and total comprehensive income for the period		<u>5,387</u>	<u>4,983</u>
Profit and total comprehensive income for the period attributable to:			
Equity holders of the Company		5,388	4,983
Non-controlling interests		<u>(1)</u>	<u>–</u>
		<u>5,387</u>	<u>4,983</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	12	<u>0.45</u>	<u>0.42</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		24,897	35,179
Investment property		4,040	4,480
Trade and other receivables	13	168	168
		29,105	39,827
Current assets			
Trade and other receivables	13	50,251	39,867
Contract assets	14	126,628	132,070
Financial asset at amortised cost		14,980	–
Cash, bank balances and pledged deposits		97,459	96,261
		289,318	268,198
Current liabilities			
Trade and other payables	15	(39,100)	(40,490)
Contract liabilities		(562)	(99)
Borrowings		(4,009)	(1,883)
Lease liabilities		(906)	(876)
Current tax liabilities		(205)	–
		(44,782)	(43,348)
Net current assets		244,536	224,850
Total assets less current liabilities		273,641	264,677

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current liabilities			
Borrowings		(2,000)	–
Lease liabilities		(157)	(618)
Deferred tax liabilities		<u>(2,457)</u>	<u>(777)</u>
		<u>(4,614)</u>	<u>(1,395)</u>
Net assets		<u>269,027</u>	<u>263,282</u>
CAPITAL AND RESERVES			
Share capital	16	12,000	12,000
Reserves		<u>256,670</u>	<u>251,282</u>
Equity attributable to equity holders of the Company		268,670	263,282
Non-controlling interests		<u>357</u>	–
TOTAL EQUITY		<u>269,027</u>	<u>263,282</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. GENERAL INFORMATION

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

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

As at 30 September 2023, the Directors considered the Company’s immediate and ultimate holding company to be Fame Circle Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) and wholly owned by Mr. Yip Yuk Kit (“**Mr. Yip**”, Mr. Yip and Fame Circle Limited each being a “**Controlling Shareholder**”).

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial statements do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2023.

The condensed consolidated interim financial information is unaudited.

The condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), except when otherwise indicated, which was approved for issue by the Board of Directors on 30 November 2023.

3. ADOPTION OF NEW OR AMENDED HKFRSs

The condensed consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following new or amended HKFRSs which are effective as of 1 April 2023.

HKAS 17	Insurance Contracts with 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 Models Rules

The adoption of these 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.

4. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 March 2023.

5. REVENUE

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

Revenue recognised for the six months ended 30 September 2023 and 2022 are as follows:

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Contracting revenue	331,316	323,187
Sales of construction materials	–	2,083
	<u>331,316</u>	<u>325,270</u>
Timing of revenue recognition under HKFRS 15		
Services transferred over time	331,316	323,187
Good transferred at a point in time	–	2,083
	<u>331,316</u>	<u>325,270</u>

Contracting revenue

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

Sales of construction materials

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

6. SEGMENT INFORMATION

The chief operating decision-maker (the “CODM”) has been identified as the executive Directors of the Company. The CODM regard the Group’s business of foundation construction services as a single operating segment and review the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

Geographical information

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

Information about major customers

Revenue from customers which individually contributed over 10% of the Group’s revenue are as follows:

	Six months ended	
	30 September	
	2023	2022
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Customer A	68,918	N/A *
Customer B	171,877	139,924
Customer C	43,594	44,624
Customer D	N/A *	67,680

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

7. OTHER (LOSS)/GAIN, NET

	Six months ended	
	30 September	
	2023	2022
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Net losses from changes in fair value on investment property	(440)	(130)
Rental income	78	78
Interest income	438	235
Exchange difference, net	(1,141)	(1,693)
Government grant and subsidies (<i>note</i>)	–	2,616
Others	(221)	–
	<u>(1,286)</u>	<u>1,106</u>

Note: During the six months ended 30 September 2023, no subsidies (six months ended 30 September 2022: HK\$2,616,000) in relation to COVID-19 Anti-epidemic Fund under the Employment Support Scheme (“ESS”) launched by the Government of the Hong Kong Special Administrative Region was received by the Group.

8. FINANCE COSTS

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank loans interest	98	76
Finance charges on lease liabilities	42	3
	<u>140</u>	<u>79</u>

9. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit before income tax is stated after charging:		
(a) Staff costs (including Directors' remuneration)		
– Salaries, wages and other benefits	60,159	47,214
– Retirement scheme contributions (note (i))	3,105	1,514
Staff costs (including Directors' remuneration) (note (ii))	<u>63,264</u>	<u>48,728</u>
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	9,861	10,330
Administrative expenses		
– Owned assets	120	–
– Right-of-use assets	443	361
	<u>10,424</u>	<u>10,691</u>
Lease charges:		
– Short term lease of office	72	–
– Short term lease of machinery	12,045	10,842
	<u>12,117</u>	<u>10,842</u>
Subcontracting charges (included in direct costs)	49,290	94,087
Cost of sales of construction materials (included in direct costs)	–	2,050
Outgoings in respect of investment property	11	8
Auditor's remuneration	685	616
ECL allowance on trade receivables and contract assets, net	676	345
Donation	48	63

Notes:

- (i) During the six months ended 30 September 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 30 September 2023 and 2022, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.
- (ii) Staff costs (including Directors' remuneration)

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Direct costs	56,846	42,741
Administrative expenses	6,418	5,987
	63,264	48,728

10. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for Hong Kong Profits Tax (<i>note</i>)	205	–
Deferred tax	1,680	1,240
Total income tax expense	1,885	1,240

Note:

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 six months ended 30 September 2023, Hong Kong profits tax of a subsidiary of the Company is calculated in accordance with the two-tiered profits tax rates regime.

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

11. DIVIDENDS

No interim dividend was paid or declared by the Company during the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

12. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company	<u>5,388</u>	<u>4,983</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares	<u>1,200,000</u>	<u>1,200,000</u>

The calculation of the basic earnings per share for the six months ended 30 September 2023 is based on the profit for the period attributable to equity holders of the Company of HK\$5,388,000 (six months ended 30 September 2022: profit of HK\$4,983,000) and the weighted average number of ordinary shares of 1,200,000,000 in issue during the period (six months ended 30 September 2022: 1,200,000,000 in issue during the period).

There were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2023 and 2022 and therefore, diluted earnings per share equals to basic earnings per share.

13. TRADE AND OTHER RECEIVABLES

	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables		
– from third parties	49,140	39,078
Less: ECL allowance, net	<u>(840)</u>	<u>(262)</u>
	48,300	38,816
Deposit, prepayment and other receivables		
Other receivables	357	361
Prepayment	1,468	500
Utility and other deposits	184	248
Amount due from the ultimate holding company	<u>110</u>	<u>110</u>
	<u>2,119</u>	<u>1,219</u>
Portion classified as non-current assets	<u>50,419</u>	40,035
	<u>(168)</u>	<u>(168)</u>
Current portion	<u>50,251</u>	<u>39,867</u>

The Directors of the Group 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.

Trade receivables

The Group usually provides customers with a credit term of 28 to 45 days (31 March 2023: 28 to 45 days). For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

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

The ECL allowance on trade receivables are estimated by reference to historical observed default experience of the debtors and an analysis of the debtor's current financial position, adjusted for forward-looking information that is available without undue cost or effort. As at 30 September 2023, ECL allowance of HK\$840,000 (31 March 2023 (audited): HK\$262,000) was recognised on these debtors.

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

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
0–30 days	44,509	26,692
31–60 days	<u>3,791</u>	<u>12,124</u>
	<u>48,300</u>	<u>38,816</u>

14. CONTRACT ASSETS

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
Unbilled revenue	59,312	76,655
Retention receivables	68,947	56,948
Less: ECL allowance, net	<u>(1,631)</u>	<u>(1,533)</u>
	<u>126,628</u>	<u>132,070</u>

Notes:

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

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

The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The amount of contract assets expected to be recovered/settled over one year is HK\$29,013,000 (31 March 2023 (audited): HK\$16,233,000), all of the remaining balances were expected to be recovered/settled within one year.

As at 30 September 2023, ECL allowance of HK\$1,631,000 was recognised against the gross amount of contract assets (31 March 2023 (audited): HK\$1,533,000).

15. TRADE AND OTHER PAYABLES

	As at 30 September 2023 <i>HK\$'000</i> (unaudited)	As at 31 March 2023 <i>HK\$'000</i> (audited)
Trade payables (<i>note (a)</i>)	34,576	36,702
Accruals and other payables (<i>note (b)</i>)	<u>4,524</u>	<u>3,788</u>
	<u>39,100</u>	<u>40,490</u>

Notes:

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

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
0-30 days	34,418	29,509
31-60 days	158	7,166
61-90 days	<u>–</u>	<u>27</u>
	<u>34,576</u>	<u>36,702</u>

(b) As at 30 September 2023, accruals and other payables mainly comprised of: (1) accrued professional fee of HK\$1,461,000 (31 March 2023 (audited): HK\$1,761,000); (2) accrued employee benefits of approximately HK\$1,045,000 (31 March 2023 (audited): HK\$1,058,000); and (3) amount due to a director which amounted to HK\$1,405,000 (31 March 2023: HK\$267,000). The amount due is unsecured, interest-free and repayable on demand.

16. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
As at 30 September 2023 (unaudited) and 31 March 2023 (audited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 30 September 2023 (unaudited) and 31 March 2023 (audited)	<u>1,200,000,000</u>	<u>12,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, Hong Kong's foundation industry witnessed a notable surge in activity, reflecting the region's economic recovery. Supported by a steady recovery in the Chinese economy, Hong Kong had managed to shake off the disruptions caused by the novel coronavirus ("COVID-19") pandemic. The government's proactive measures and initiatives aimed at boosting the economy had yielded positive results, with a 2.2% year-on-year increase in the city's real GDP during the first half of the year.

The construction sector, a vital component of Hong Kong's economic landscape, was a significant contributing sector to this growth. According to the provisional data from the Hong Kong government's Census and Statistics Department, the total nominal value of construction projects completed by main contractors in the first half of 2023 amounted to HK\$129,302 million, marking an 8.0% increase compared to the same period in the previous year. Of particular note was the surge in piling and related foundation works, with a substantial 89.3% year-on-year increase, totalling HK\$10,885 million for the first half of 2023.

This substantial growth in foundation projects underscored the positive momentum in the industry, reflecting the region's resilience and economic strength. In a globally recognised report, the "2023 World Competitiveness Yearbook" by the International Institute for Management Development, Hong Kong had once again been recognised as one of the world's most competitive economies, ranking seventh globally, with a notable upswing in the "infrastructure" category. Hong Kong's construction foundation industry, with its remarkable performance, played a pivotal role in the region's continued economic growth and competitiveness on the global stage.

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**"), its principal operating subsidiary, is registered with the Construction Industry Council under the Subcontractor Registration Scheme under the sub-register of the structural and civil trade group.

During the Reporting Period, the Group had been awarded 4 projects with an original contract sum of approximately HK\$505.3 million. The Group's revenue during the Reporting Period amounted to approximately HK\$331.3 million, representing an increase of approximately HK\$6.0 million, or 1.8%, compared to that of the corresponding period last year. With continuous improvements in cost control measures, the Group's gross profit recorded an approximately 48.7% or HK\$7.6 million increase, amounting to HK\$23.2 million for the Reporting Period. The Group's net profit amounted to approximately HK\$5.4 million, representing an increase of approximately HK\$0.4 million, or 8.0%.

Looking ahead, the Group maintains a positive business outlook, supported by promising economic and market indicators. As of August 2023, the Hong Kong government forecasted a 4.0% to 5.0% real GDP growth for the year, with a 2.0% underlying inflation rate. External price pressures are expected to recede, while domestic business costs are projected to remain moderately stable, creating a favourable economic environment for the Group.

Notably, the construction sector is on an upward trajectory. According to the latest data from the government's Business Outlook Quarterly Survey, conducted between June and July 2023, large enterprises in the construction industry had expressed increased optimism about the future compared to the previous quarter.

Furthermore, the 2023 Policy Address from the Hong Kong Government emphasised its commitment to creating a more vibrant and livable city. This commitment included a significant increase in public housing units over the next five years, enhanced land supplies, expedited urban renewal projects, and stabilised private housing supplies.

The positive industry sentiment and the influx of project opportunities align seamlessly with the Group's expertise in construction works and related services. In line with its aim to provide more comprehensive construction solutions, the Group is expanding into various supplementary or related businesses. This expansion encompasses cross-border trading of construction materials such as silica pebbles, sand, cement and steel. Additionally, the Group is initiating engagement in modular integrated construction in Hong Kong in cooperation with its partners. Going forward, the Group will proactively pursue new business opportunities with an aim to further develop and grow its customer base and business operations in the future.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the revenue of the Group had increased by approximately HK\$6.0 million or approximately 1.8% compared to the corresponding period in 2022, from approximately HK\$325.3 million to approximately HK\$331.3 million. The increase was primarily attributable to the increase in number of projects.

Gross profit and gross profit margin

For the Reporting Period, the direct costs of the Group had decreased by approximately HK\$1.6 million or approximately 0.5% compared to the corresponding period in 2022, from approximately HK\$309.7 million to approximately HK\$308.1 million. The gross profit of the Group had increased by approximately HK\$7.6 million or approximately 48.7% compared to the corresponding period in 2022, from approximately HK\$15.6 million to approximately HK\$23.2 million. The Group's gross profit margin for the Reporting Period was approximately 7.0%, as compared with approximately 4.8% in the corresponding period in 2022. The increase in gross profit margin was mainly due to improving costs control and efficiency.

Other loss/gain

Other loss/gain mainly included government grant and subsidies, net loss from changes in fair value on investment property, interest income and net exchange difference. For the Reporting Period, other losses had increased by approximately HK\$2.4 million or approximately 218.2% compared to the corresponding period in 2022, from gains of approximately HK\$1.1 million to losses of approximately HK\$1.3 million. The increase in losses was mainly due to the government grant and subsidies approximately HK\$2.6 million recognised in the corresponding period in 2022.

Administrative expenses

Administrative expenses mainly included staff costs, professional fee and general office expense. For the Reporting Period, administrative expenses had increased by approximately HK\$3.8 million or approximately 37.6% compared to the corresponding period in 2022, from approximately HK\$10.1 million to approximately HK\$13.9 million. The increase was primarily attributable to the increase in marketing expenses and consulting fee.

Finance costs

For the Reporting Period, finance costs increased by approximately HK\$61,000 or approximately 77.2% compared to the corresponding period in 2022, from approximately HK\$79,000 to approximately HK\$140,000. The increase in finance costs was mainly due to the increase in borrowings during the Reporting Period.

Income tax expense

For the Reporting Period, income tax expense increased by approximately HK\$0.7 million or approximately 58.3% compared to the corresponding period in 2022, from approximately HK\$1.2 million to approximately HK\$1.9 million. Such increase was driven by the increase in deferred tax expense for the Reporting Period.

Net profit

For the Reporting Period, profit and total comprehensive income attributable to owners of the Company increased by approximately HK\$0.4 million or approximately 8.0% compared to the corresponding period in 2022, from approximately HK\$5.0 million to approximately HK\$5.4 million. The increase was primarily due to the impact of the increase in gross profit as discussed above.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2018 (the “**Listing**”) and there has been no change in the capital structure of the Group since then. As at 30 September 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 30 September 2023, the Group had total cash, bank balances and pledged bank deposits of approximately HK\$97.5 million (31 March 2023: approximately HK\$96.3 million). The increase was mainly due to the settlement of trade receivable for completed projects during the Reporting Period.

As at 30 September 2023, the Group had short-term bank borrowings and corporate bond amounting to approximately HK\$6.0 million (31 March 2023: approximately HK\$1.9 million). The gearing ratio of the Group as at 30 September 2023, calculated by dividing total borrowings (including lease liabilities) by total equity was approximately 2.6% (31 March 2023: approximately 1.3%).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

CHARGE ON GROUP ASSETS

As at 30 September 2023, the Group had pledged (i) an investment property situated in Hong Kong of approximately HK\$4.0 million (31 March 2023: approximately HK\$4.5 million); and (ii) bank deposits of approximately HK\$19.8 million and certificates of deposit of approximately RMB13.0 million (31 March 2023: approximately HK\$10.2 million bank deposits and RMB13.0 million bank deposits) in order to secure bank facilities granted to Kit Kee Engineering.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

Although the Group had certificate of deposit in RMB, the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollars, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group had not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Reporting Period.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK\$0.1 million in the purchase of property, plant and equipment. All of these capital expenditures were financed by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2023, the Group had no material capital commitments (31 March 2023: nil).

As at 30 September 2023 and 31 March 2023, the Group was involved in a number of claims, litigations and potential claims against the Group in relation to work-related injuries and non-compliances. The Directors are of the opinion that the claims, litigations and non-compliances are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision had been made to the interim results.

SEGMENT INFORMATION

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended 30 September 2022: nil).

USE OF PROCEEDS

The net proceeds received by the Group, after deducting related expenses, were approximately HK\$91.9 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Such uses include: (i) enhancing the construction machinery fleet; (ii) strengthening the workforce and manpower; (iii) reinforcing sales and marketing efforts; and (iv) funding of general working capital. Details of the use of the proceeds are listed as below:

	Planned use of proceeds	Amount utilised up to 30 September 2023	Balance of unutilised amount up to 30 September 2023	Expected timeline of full utilisation of the remaining proceeds as at 30 September 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	4,733	28	Expect to be fully utilised by 31 December 2023 ^(Note)
Funding of general working capital	<u>7,596</u>	<u>7,596</u>	<u>–</u>	<u>–</u>
Total	<u>91,940</u>	<u>91,912</u>	<u>28</u>	

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

As at 30 September 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 were used and expected to be used according to the intentions previously disclosed in the Prospectus and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus. After the COVID-19 pandemic, the Company resumed sponsoring business events and charity functions. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, we employed a total of 277 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 total staff costs incurred by the Group for the Reporting Period was approximately HK\$63.3 million compared to approximately HK\$48.7 million for the corresponding period in 2022. Various on-the-job trainings were provided to the employees.

The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE/OTHER INFORMATION

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

As at 30 September 2023, the interests and short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, were entered in the register referred to therein, or were, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), notified to the Company and the Stock Exchange, were as follows:

i. Long Position in the Shares

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

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

ii. Long Position in the Shares of Associated Corporation

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

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, were entered in the register referred to therein, or were, pursuant to the Model Code, notified to the Company and the Stock Exchange.

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

As at 30 September 2023, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

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

Notes:

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

Save as disclosed above, as at 30 September 2023, no other person had or were deemed to have any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Share Option Scheme

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

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 18 January 2018, and there is no outstanding share option as at 30 September 2023.

Purchase, Sale or Redemption of the Company’s Securities

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

Directors’ Interests in Contracts of Significance

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

Sufficiency of Public Float

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

Competing Interests

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

Corporate Governance Practices

Compliance with the Corporate Governance Code

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

The Company has adopted the corporate governance code (the “**CG code**”) contained in Appendix 14 to the Listing Rules. Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and should not be performed by the same individual. Mr. Yip was the Chairman and Chief Executive Officer during the Reporting Period. As Mr. Yip has been assuming day-to-day responsibilities in operating and managing Kit Kee Engineering since August 1993, the Board is of the view that it is in the best interest of the Group to have Mr. Yip taking up both roles for effective management and business development.

Save for the above deviation, the Board considers that during the Reporting Period, the Company had complied with all of the code provisions set out in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, all Directors confirmed that they complied with the Model Code and its code of conduct regarding directors' securities transactions at all applicable times during the Reporting Period.

Audit Committee

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

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

Review of Interim Results

The interim financial results of the Group for the Review Period are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

Appreciation

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

PUBLICATION OF THE UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 30 November 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.