K. H. Group Holdings Limited
劍虹集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1557)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board (the "Board") of directors (the "Directors") of K. H. Group Holdings Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017, together with the comparative figures for the corresponding year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	*5*	**125,589**	494,135
Cost of sales		**(121,014)**	(416,341)
GROSS PROFIT		**4,575**	77,794
Other income		**171**	2,046
Administrative expenses		**(38,203)**	(28,139)
(LOSS)/PROFIT FROM OPERATIONS		**(33,457)**	51,701
Finance costs	*6*	**(936)**	(995)
(LOSS)/PROFIT BEFORE TAX		**(34,393)**	50,706
Income tax credit/(expense)	*7*	**544**	(10,403)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*	**(33,849)**	40,303
		HK$	*HK$*
(LOSS)/EARNINGS PER SHARE			
– Basic	*10(a)*	**(8.5 cents)**	13.3 cents
– Diluted	*10(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**56,361**	46,406
CURRENT ASSETS			
Inventories		**4,965**	1,228
Trade and retention receivables	*11*	**49,242**	93,584
Gross amounts due from customers for contract work		**86,043**	101,319
Prepayments, deposits and other receivables		**15,898**	9,918
Pledged bank deposits		**12,436**	12,378
Time deposits		**7,501**	50,000
Bank and cash balances		**12,090**	21,208
		188,175	289,635
CURRENT LIABILITIES			
Trade and retention payables	*12*	**28,653**	54,743
Gross amounts due to customers for contract work		**3,057**	3,967
Accruals and other payables		**11,523**	9,263
Finance lease payables		**17,626**	17,445
Current tax liabilities		**–**	6,475
Bank borrowings		**26,537**	56,618
		87,396	148,511
NET CURRENT ASSETS		**100,779**	141,124
TOTAL ASSETS LESS CURRENT LIABILITIES		**157,140**	187,530
NON-CURRENT LIABILITIES			
Finance lease payables		**3,029**	285
Deferred tax liabilities		**3,907**	3,192
		6,936	3,477
NET ASSETS		**150,204**	184,053
CAPITAL AND RESERVES			
Share capital		**4,000**	4,000
Reserves		**146,204**	180,053
TOTAL EQUITY		**150,204**	184,053

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 23 July 2015 under the Companies Law of the Cayman Islands. The address of its registered office is at P. O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is 10/F, Liven House, 61 King Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 March 2016 (the "Listing").

The Company is an investment holding company. The Group is principally engaged in the provision of foundation services and leasing of machinery in Hong Kong.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements have been prepared under the historical cost convention.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the 2016 annual consolidated financial statements.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2016. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Venture: Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS: Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
HK(IFRIC) – Int 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements and has identified the following areas that are likely to be affected:

- The Group currently recognises revenue from construction contracts over time by reference to the stage of completion of the contract activity in accordance with the requirements in HKAS 11 Construction Contracts. Under HKFRS 15 revenue is recognised over time only if specific criteria are met otherwise revenue is recognised at a point in time which may not be until completion.

- HKFRS 15 also introduces new requirements on accounting for contract modifications (variations) and variable consideration (such as claims and incentive payments) which may impact the timing of revenue recognition over the contract period.

- In addition, certain costs of obtaining construction contracts which are currently expensed may need to be capitalised.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements and is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office properties and warehouses leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16, the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties and warehouses amounted to approximately HK$2,645,000 as at 31 March 2017 (2016: approximately HK$897,000). The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Board considers that the Group manages its businesses by divisions, which are organised into business units based on their services provided, and has the reportable operating segments as follows:

(i) Foundation – provision of foundation services

(ii) Leasing – leasing of machinery

The reportable segments are identified in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

	Foundation		Leasing		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**124,252**	492,649	**1,337**	1,486	**125,589**	494,135
Reportable segment results	**(7,658)**	71,788	**(220)**	(565)	**(7,878)**	71,223
Unallocated corporate income					**10**	48
Central administrative expenses and directors' remuneration					**(26,525)**	(20,565)
(Loss)/profit before tax					**(34,393)**	50,706
Reportable segment results include:						
Interest income	**101**	63	**–**	–	**101**	63
Finance costs	**818**	801	**118**	194	**936**	995
Depreciation	**4,730**	3,361	**1,253**	1,230	**5,983**	4,591
Additions to property, plant and equipment	**16,194**	11,101	**–**	–	**16,194**	11,101
Impairment loss on gross amounts due from customers for contract work	**6,053**	–	**–**	–	**6,053**	–

All of the segment revenue reported above is from external customers.

Segment results represent profit or loss attributable to the segment without allocation of corporate income, central administrative expenses and directors' remuneration.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	2017	2016
	HK$'000	*HK$'000*
SEGMENT ASSETS		
Foundation	**233,083**	322,180
Leasing	**11,000**	13,127
Total segment assets	**244,083**	335,307
Unallocated assets	**453**	734
Consolidated assets	**244,536**	336,041

	2017	2016
	HK$'000	*HK$'000*
SEGMENT LIABILITIES		
Foundation	**91,154**	146,635
Leasing	**2,520**	5,229
Total segment liabilities	**93,674**	151,864
Unallocated liabilities	**658**	124
Consolidated liabilities	**94,332**	151,988

For the purposes of monitoring segment performance and allocating resources to segment:

(i) All assets are allocated to reportable segments other than the unallocated assets; and

(ii) All liabilities are allocated to reportable segments other than those unallocated liabilities which are centrally managed by the Group's management.

Seasonality of operations

The Group's operations are not subject to significant seasonal factors.

Geographical information

All non-current assets as at 31 March 2017 and 2016 and the Group's revenue from external customers during the years ended 31 March 2017 and 2016 are located in Hong Kong.

Revenue from major customers

The Group's customer base for whom transactions have exceeded 10% of its revenue during the years ended 31 March 2017 and 2016 is set out as below:

	2017	2016
	HK$'000	*HK$'000*
Foundation		
Customer 1	**37,057**	N/A*
Customer 2	**22,143**	N/A*
Customer 3	**21,174**	121,886
Customer 4	**N/A***	276,725

* Amount represented less than 10% of the revenue during the year.

5. REVENUE

An analysis of the Group's revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Foundation	**124,252**	492,649
Leasing	**1,337**	1,486
	125,589	494,135

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Finance lease charges	**586**	700
Interest on bank borrowings	**723**	1,350
	1,309	2,050
Less: Amount attributable to contract work	**(373)**	(1,055)
	936	995

7. INCOME TAX (CREDIT)/EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	8,798
Over-provision in prior years	**(1,259)**	–
	(1,259)	8,798
Deferred tax	**715**	1,605
	(544)	10,403

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the year ended 31 March 2017.

Hong Kong Profits Tax had been provided at a rate of 16.5% on the estimated assessable profits for the year ended 31 March 2016.

8. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	Note	**2017**	2016
		HK$'000	*HK$'000*
Auditor's remuneration		**600**	1,150
Costs of construction materials	*(a)*	**11,636**	137,700
Depreciation	*(b)*	**5,983**	4,591
Impairment loss on gross amounts due from customers for contract work	*(a)*	**6,053**	–
Listing expenses		**–**	8,736
Loss on disposals of property, plant and equipment	*(c)*	**48**	15
Operating lease charges	*(d)*		
– Hire of plant and equipment		**4,990**	8,746
– Land and buildings		**2,813**	1,863
		7,803	10,609
Derecognition of financial guarantees		**–**	(61)

Notes:

(a) The amounts included in cost of sales.

(b) The amounts included in cost of sales for the years ended 31 March 2017 and 2016 amounted to approximately HK$1,640,000 and approximately HK$4,304,000 respectively.

(c) The amounts included in cost of sales for the years ended 31 March 2017 and 2016 amounted to approximately HK$42,000 and approximately HK$3,000 respectively.

(d) The amounts included in cost of sales for the years ended 31 March 2017 and 2016 amounted to approximately HK$6,107,000 and approximately HK$8,746,000 respectively.

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Special dividend paid	**–**	25,200

During the year ended 31 March 2016, the Group declared and paid special dividend of HK$25,200,000 to its then shareholder.

The Board does not recommend the payment of a final dividend to the shareholders for the year ended 31 March 2017.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the following:

	2017	2016
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/Earnings for the purpose of calculating basic (loss)/earnings per share	**(33,849)**	40,303

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share *(Note)*	**400,000**	304,098

Note: In determining the number of shares in issue, the total of 300,000,000 shares issued (10,000 shares issued on the incorporation of the Company and 299,990,000 shares issued on capitalisation issue) were deemed to have been in issue since 1 April 2015.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 March 2017 and 2016.

11. TRADE AND RETENTION RECEIVABLES

		2017	2016
	Note	***HK$'000***	*HK$'000*
Trade receivables	*(a)*	**11,253**	49,484
Retention receivables	*(b)*	**37,989**	44,100
		49,242	93,584

Notes:

(a) The ageing analysis of trade receivables, based on the progress payment, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**6,664**	29,733
31 to 60 days	**1,356**	14,020
Over 60 days	**3,233**	5,731
	11,253	49,484

(b) As at 31 March 2017, the amount of the Group's retention receivables expected to be recovered after more than twelve months was approximately HK$2,538,000 (2016: approximately HK$17,342,000).

12. TRADE AND RETENTION PAYABLES

		2017	2016
	Note	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**17,878**	41,599
Retention payables	*(b)*	**10,775**	13,144
		28,653	54,743

Notes:

(a) The ageing analysis of trade payables, based on the date of receipt of goods/services, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**9,990**	24,998
31 to 60 days	**2,350**	11,537
61 to 90 days	**456**	333
Over 90 days	**5,082**	4,731
	17,878	41,599

(b) As at 31 March 2017, the amount of the Group's retention payables expected to be due after more than twelve months was approximately HK$745,000 (2016: approximately HK$9,119,000).

13. CONTINGENT LIABILITIES

(a) At the end of the reporting period, the Group has provided guarantees to an insurance company as follows:

	2017	2016
	HK$'000	*HK$'000*
Guarantees on performance bonds for construction contracts	**13,060**	19,155

(b) During the year ended 31 March 2016, a subcontractor claimed against the Group for certain construction works. The Group and the subcontractor agree to resolve their disputes by arbitration or by other means of dispute resolution. The Group assessed the maximum liability on the claim would be approximately HK$7,734,000.

The management, after taking external legal advice, considers that it is pre-mature to assess the outcome for the said claim.

Pursuant to the deed of indemnity, the controlling shareholders of the Company have irrevocably and unconditionally, jointly and severally, agreed to indemnify the Group against, among others, all loss and damages arising from the disputes.

Accordingly, no provision has been made for the claim.

14. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for:		
Property, plant and equipment	**4,045**	2,960

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation following the identification of the business segment of Leasing during the current year. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

BUSINESS REVIEW

During the year ended 31 March 2017, the leasing of machinery (the "Leasing") in Hong Kong is considered as a new business segment of the Group and regarded as another principal activity of the Group. As such, during the year ended 31 March 2017, the Group was principally engaged in the provision of foundation services (the "Foundation") and the Leasing in Hong Kong.

As at 31 March 2016, there were 7 active projects in progress. 1 of them was still in progress and the remaining 6 were practically completed during the year ended 31 March 2017. In addition, there were another 8 active projects which were awarded after 31 March 2016. Out of these 8 active projects, 1 of them was completed while another 3 were still in progress during the year ended 31 March 2017. The remaining 4 will commerce after 31 March 2017. As such, as at 31 March 2017, there were 4 active projects in progress.

FINANCIAL REVIEW

Revenue

As mentioned above, during the year ended 31 March 2017, the business segment of the Leasing is considered as a new business segment of the Group. As such, the rental income from this new business segment is regarded as revenue of the Group in the current year.

Our Group's overall revenue is mainly generated by the Foundation business segment. The Group's overall revenue decreased by approximately 74.6% from approximately HK$494,135,000 during the year ended 31 March 2016 to approximately HK$125,589,000 during the year ended 31 March 2017. The overall decrease was mainly attributable to the achievement of significant progress or practical completion for most of the foundation projects on hand during the year ended 31 March 2016.

Gross Profit/Gross Profit Margin

The overall gross profit and gross profit margin decreased from approximately HK$77,794,000 and approximately 15.7% respectively during the year ended 31 March 2016 to approximately HK$4,575,000 and approximately 3.6% respectively during the year ended 31 March 2017. The decreases in both gross profit and gross profit margin were mainly due to:

1. significant decline in revenue as most of the foundation projects were substantially completed during the year ended 31 March 2016;
2. unanticipated variations of approximately HK$6,053,000 arose in one of the foundation projects at the final stage which was included in cost of sales as one-off expense;
3. additional construction costs were incurred towards the completion stage of certain foundation projects; and
4. the gross profit margins for certain new foundation projects commenced during the year ended 31 March 2017 were generally lower than those undertaken in previous years as disclosed in the Company's annual report 2015/16.

If the one-off expense arising from the unanticipated variations of approximately HK$6,053,000 was excluded, the overall gross profit margin would be adjusted to approximately 8.5% during the year ended 31 March 2017 which remained comparable as compared to the overall adjusted gross profit margin as set out in our interim results for the six months ended 30 September 2016.

Administrative Expenses

The Group's administrative expenses increased by approximately 35.8% from approximately HK$28,139,000 during the year ended 31 March 2016 to approximately HK$38,203,000 during the year ended 31 March 2017. The increase was mainly attributable to (i) the increase in employee benefits expense of approximately HK$12,467,000 arising from increase in bonuses and salary increments; (ii) the increase in the Directors' remuneration of approximately HK$977,000 after the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 March 2016 (the "Listing"); and (iii) the increase in the general operational costs and administrative expenses of the Group after the Listing. During the year ended 31 March 2017, the overall increase in administrative expenses was partially offset by the decrease in the one-off Listing expenses of approximately HK$8,736,000 incurred during the year ended 31 March 2016.

Net Loss/Profit

As a result of the abovementioned, during the year under review, the Group reported a net loss of approximately HK$33,849,000 (2016: net profit of approximately HK$40,303,000).

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group, including bank loans and finance lease payables, decreased from approximately HK$74,348,000 as at 31 March 2016 to approximately HK$47,192,000 as at 31 March 2017. As at 31 March 2017, these banking facilities were secured by (i) the Group's trade receivables of approximately HK$2,533,000 (31 March 2016: approximately HK$23,930,000); (ii) the Group's pledged bank deposits of approximately HK$12,436,000 (31 March 2016: approximately HK$12,378,000); (iii) the Group's machinery with total net carrying amounts of approximately HK$41,851,000 (31 March 2016: approximately HK$31,049,000); and (iv) corporate guarantee executed by the Company.

Borrowings were denominated in Hong Kong Dollars ("HK$") and interests on borrowings were mainly charged at floating rates. The Group currently does not have any interest rate hedging policy while the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has normally funded the liquidity and capital requirements primarily through capital contributions from the shareholders, bank borrowings and net cash generated from operating activities.

As at 31 March 2017, the Group had pledged bank deposits, time deposits and bank and cash balances of approximately HK$32,027,000 (31 March 2016: approximately HK$83,586,000). The gearing ratio of the Group as at 31 March 2017 (defined as the total borrowings divided by total equity) was approximately 31.4% (31 March 2016: approximately 40.4%). As at 31 March 2017, the current ratio of the Group was approximately 2.2 (31 March 2016: approximately 2.0).

During the year ended 31 March 2017, the Group did not employ any financial instruments for hedging purpose.

FOREIGN EXCHANGE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in the functional currencies of the Group, i.e., HK$. As such, the Group currently does not have any foreign currency hedging policy in respect of foreign currency transactions and assets and liabilities as the Group's risk in foreign exchange is insignificant. The Group monitors its foreign currency exposure closely and will consider adopting hedging policy should the need arise.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 March 2017, the Group did not have any significant investments, material acquisitions or disposals.

Other than certain material capital assets for our Foundation business segment with an amount of HK$12,545,000 to be financed by part of the actual net proceeds from the placing and public offer (the "Share Offer") of approximately HK$77,100,000 (the "IPO Proceeds") and general working capital of the Group, there was no formal plan authorised by the Board for any significant investments, material acquisitions or disposals as at 31 March 2017 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

There have been no other material events occurring after 31 March 2017 and up to the date of this announcement.

USE OF IPO PROCEEDS

The IPO Proceeds have been utilised subsequent to the Listing in accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 8 March 2016 save as disclosed below.

As disclosed in the Company's announcement dated 20 March 2017, the Board has resolved to change the use of approximately HK$15.4 million out of the remaining unutilised IPO Proceeds from the Share Offer by reallocating the net proceeds originally intended for hiring of additional staff to operation of prospective projects. Details of the original allocation of the actual net proceeds (the "Original Allocation"), the revised allocation of the actual net proceeds (the "Revised Allocation"), the utilisation of the actual net proceeds as at the date of this announcement (the "Utilisation") and the remaining balances of the actual net proceeds as at the date of this announcement (the "Remaining Balances") are summarised below:

	Original Allocation *HK$ million*	**Revised Allocation** *HK$ million*	**Utilisation** *HK$ million*	**Remaining Balances** *HK$ million*
Operation of prospective projects	30.9	46.3	(46.3)	–
Hiring of additional staff	15.4	–	–	–
Purchase of machinery and equipment	23.1	23.1	(23.1)	–
General working capital	7.7	7.7	(7.7)	–
	77.1	77.1	(77.1)	–

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had 119 employees (31 March 2016: 127 employees). Most of the Group's employees are foundation workers in Hong Kong. The remuneration policy and package of the Group's employees were periodically reviewed. Apart from the Mandatory Provident Fund and in-house training programmes, salary increments and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total staff costs incurred by the Group during the year ended 31 March 2017 were approximately HK$51,382,000 (2016: approximately HK$46,259,000).

PROSPECTS

The saturation of the construction industry in Macau accelerates the keen competition in the foundation market in Hong Kong in 2016. Also, the persistent filibustering in recent years in relation to the funding approval process for certain planned public works further deteriorates the construction industry in Hong Kong. The foundation industry in Hong Kong is expected to continue to be very challenging in 2017 unless there are any sudden supportive economic policies and measures adopted by the government of the Hong Kong Special Administrative Region.

In order to take on a more active and committed role in the construction industry in Hong Kong, one of the subsidiaries of the Company was further included in the "Large Diameter Bored Pile (with Bellout)" piling system under the Development Bureau of the government of the Hong Kong Special Administrative Region in 2016. The Group is also considering to apply for inclusion into the registered piling contractor list under the Hong Kong Housing Authority. Upon being registered in the registered piling contractor list, the Group will be allowed to conduct a wider business scope in the construction industry in Hong Kong.

Housing and land use is one of the focused areas addressed in the recent 2017 policy address of the Hong Kong Special Administrative Region (the "2017 Policy Address"). As supported by the 2017 Policy Address and our newly elected Chief Executive of the Hong Kong Special Administrative Region, the Group believes that there will be more opportunities in the foundation industry in Hong Kong due to the boosting land supply for housing and commercial building developments for both private and public sectors as well as fostering infrastructure development plans in the long term.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 March 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

Save as disclosed below, during the year ended 31 March 2017 and up to the date of this announcement, the Company complied with all the code provisions, where applicable, as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Meetings and Attendance

In respect of code provision A.2.7 of the CG Code, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the presence of the executive Directors.

As Mr. Yu Shiu Tin Paul, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not practicable. The independent non-executive Directors could communicate with the chairman of the Board directly at any time through other means (such as telephone or email) to give their opinions and share their views on the Company's affairs. It is therefore considered that there are ample opportunities for the chairman of the Board to communicate with the independent non-executive Directors without the presence of the executive Directors.

Risk Management and Internal Controls

In respect of code provision C.2.5 of the CG Code, the Company should have an internal audit (the "IA") function. Although the Company did not establish a standalone IA department during the year ended 31 March 2017, the Board put in place adequate measures to perform the IA function at different aspects of the Group as the Company considers that the close and regular supervision by the executive Directors and senior management of the Group, and the maintenance of internal control guidance and procedures on the Group's critical operational cycles could provide sufficient and effective internal control and risk management functions.

The Board regularly reviews the effectiveness of the Group's internal control system at its Board meetings including its financial, operational and compliance controls, and its risk management functions.

As such, the Board is satisfied that the Group's internal control procedures including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and considers that the Group's internal control procedures and risk management functions are both effective and adequate.

The Board will review the need for the IA function on an annual basis.

Appointment of Company Secretary

In respect of code provision F.1.2 of the CG Code, a Board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical Board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution in September 2016. As all Directors were individually consulted on the matter without any dissenting opinion prior to the execution of the written resolution to appoint the current company secretary, it is considered that there was no need to approve the matter by a physical Board meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. All the Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code throughout the year ended 31 March 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors, namely, Mr. Chan Kee Huen Michael, Mr. Cheng Yan Kee, Mr. Cheung Chi Fai Frank and Professor Chung Hung Kwan Barnabas. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the year ended 31 March 2017.

ANNUAL GENERAL MEETING

The annual general meeting (the "2017 AGM") of the Company for the year ended 31 March 2017 is scheduled to be held on Wednesday, 23 August 2017. A notice convening the 2017 AGM will be issued and disseminated to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 August 2017 to Wednesday, 23 August 2017 (both days inclusive), during which no transfer of the shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all transfer of the shares accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Thursday, 17 August 2017.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in this annual results announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2017. The work performed by RSM Hong Kong 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this annual results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.kh-holdings.com. The annual report of the Company for the year ended 31 March 2017 will be dispatched to the Shareholders and published on the above websites in due course.

APPRECIATION

On Behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our Shareholders, customers and suppliers for their continuous support, as well as our management team and staff for their hard work and contributions in last year.

By Order of the Board
K. H. Group Holdings Limited
Yu Shiu Tin Paul
Chairman and executive Director

Hong Kong, 30 June 2017

As at the date of this announcement, the executive Directors are Mr. Yu Shiu Tin Paul (Chairman), Mr. Yeung Sau Ming Boris and Ms. Chan Lai Kuen; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Cheng Yan Kee, Mr. Cheung Chi Fai Frank and Professor Chung Hung Kwan Barnabas.