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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board (the "Board") of directors (the "Directors") of K. H. Group Holdings Limited (the "Company") announces the condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2017, together with the comparative figures for the corresponding six months ended 30 September 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
REVENUE	*5*	**127,472**	68,471
Cost of sales		**(124,834)**	(68,368)
GROSS PROFIT		**2,638**	103
Other income		**235**	56
Administrative expenses		**(11,099)**	(19,050)
LOSS FROM OPERATIONS		**(8,226)**	(18,891)
Finance costs		**(632)**	(459)
LOSS BEFORE TAX		**(8,858)**	(19,350)
Income tax expense	*6*	**–**	–
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*	**(8,858)**	(19,350)
		HK$	*HK$*
LOSS PER SHARE			
– Basic	*9(a)*	**(2.2 cents)**	(4.8 cents)
– Diluted	*9(b)*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Note	30 September 2017 (Unaudited) *HK$'000*	31 March 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**67,803**	56,361
CURRENT ASSETS			
Inventories		**6,041**	4,965
Trade and retention receivables	*10*	**59,247**	49,242
Gross amounts due from customers for contract work		**96,927**	86,043
Prepayments, deposits and other receivables		**19,302**	15,898
Pledged bank deposits		**12,466**	12,436
Time deposits		**–**	7,501
Bank and cash balances		**19,913**	12,090
		213,896	188,175
CURRENT LIABILITIES			
Trade and retention payables	*11*	**59,392**	28,653
Gross amounts due to customers for contract work		**5,902**	3,057
Accruals and other payables		**5,609**	11,523
Finance lease payables		**25,494**	17,626
Bank borrowings		**37,598**	26,537
		133,995	87,396
NET CURRENT ASSETS		**79,901**	100,779
TOTAL ASSETS LESS CURRENT LIABILITIES		**147,704**	157,140
NON-CURRENT LIABILITIES			
Finance lease payables		**2,451**	3,029
Deferred tax liabilities		**3,907**	3,907
		6,358	6,936
NET ASSETS		**141,346**	150,204
CAPITAL AND RESERVES			
Share capital		**4,000**	4,000
Reserves		**137,346**	146,204
TOTAL EQUITY		**141,346**	150,204

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 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 condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee (the "Audit Committee") of the Company.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017. In addition, the Group has applied the revised accounting policy, as disclosed in note 3 to the condensed consolidated interim financial statements, during the current interim period which became relevant to the Group.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017 which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3. ADOPTION OF REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRSs	Amendments to HKFRS 12 included in annual improvements to HKFRSs 2014 – 2016 cycle
Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The adoption will result in relevant disclosures in the Group's annual consolidated financial statements for the year ending 31 March 2018.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the current interim period.

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 Six months ended 30 September		**Leasing Six months ended 30 September**		**Total Six months ended 30 September**	
	2017	2016	**2017**	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**127,472**	67,239	**–**	1,232	**127,472**	68,471
Reportable segment results	**1,993**	(5,521)	**(679)**	427	**1,314**	(5,094)
Unallocated corporate income					**–**	10
Central administrative expenses and Directors' remuneration					**(10,172)**	(14,266)
Loss before tax					**(8,858)**	(19,350)

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:

	30 September 2017 (Unaudited) *HK$'000*	31 March 2017 (Audited) *HK$'000*
SEGMENT ASSETS		
Foundation	**271,352**	233,083
Leasing	**10,120**	11,000
Total segment assets	**281,472**	244,083
Unallocated assets	**227**	453
Consolidated assets	**281,699**	244,536
SEGMENT LIABILITIES		
Foundation	**138,834**	91,154
Leasing	**1,432**	2,520
Total segment liabilities	**140,266**	93,674
Unallocated liabilities	**87**	658
Consolidated liabilities	**140,353**	94,332

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 Group's management.

Seasonality of operations

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

5. REVENUE

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Foundation	**127,472**	67,239
Leasing	**–**	1,232
	127,472	68,471

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

7. LOSS FOR THE PERIOD

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

		Six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Costs of construction materials	*(a)*	**53,355**	6,310
Depreciation	*(b)*	**3,703**	2,519
Employee benefits expense (including Directors' emoluments):			
– Salaries, bonuses and allowances		**25,006**	26,839
– Retirement benefits scheme contributions		**799**	734
	(c)	**25,805**	27,573
(Gain)/loss on disposals of property, plant and equipment		**(15)**	41
Impairment loss on gross amounts due from customers for contract work	*(a)*	**–**	6,053
Operating lease charges:			
– Hire of plant and equipment		**3,225**	3,552
– Land and buildings		**1,577**	1,307
	(d)	**4,802**	4,859

Notes:

(a) The amounts were included in cost of sales.

(b) The amounts included in cost of sales for the six months ended 30 September 2017 and 2016 amounted to approximately HK$1,441,000 and approximately HK$801,000 respectively.

(c) The amounts included in cost of sales for the six months ended 30 September 2017 and 2016 amounted to approximately HK$18,139,000 and approximately HK$15,454,000 respectively.

(d) The amounts included in cost of sales for the six months ended 30 September 2017 and 2016 amounted to approximately HK$3,969,000 and approximately HK$3,966,000 respectively.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend to the shareholders for the six months ended 30 September 2017.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the following:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(8,858)**	(19,350)

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**400,000**	400,000

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 September 2017 and 2016.

10. TRADE AND RETENTION RECEIVABLES

	Note	**30 September 2017 (Unaudited) *HK$'000***	31 March 2017 (Audited) *HK$'000*
Trade receivables	*(a)*	**28,478**	11,253
Retention receivables	*(b)*	**30,769**	37,989
		59,247	49,242

Notes:

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

	30 September 2017 (Unaudited) *HK$'000*	31 March 2017 (Audited) *HK$'000*
0 to 30 days	**26,144**	6,664
31 to 60 days	**2,334**	1,356
Over 60 days	**–**	3,233
	28,478	11,253

(b) As at 30 September 2017, the Group's retention receivables expected to be recovered after more than twelve months was approximately HK$3,006,000 (31 March 2017: approximately HK$2,538,000).

11. TRADE AND RETENTION PAYABLES

	Note	30 September 2017 (Unaudited) *HK$'000*	31 March 2017 (Audited) *HK$'000*
Trade payables	*(a)*	**48,901**	17,878
Retention payables	*(b)*	**10,491**	10,775
		59,392	28,653

Notes:

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

	30 September 2017 (Unaudited) *HK$'000*	31 March 2017 (Audited) *HK$'000*
0 to 30 days	**20,980**	9,990
31 to 60 days	**2,289**	2,350
61 to 90 days	**10,082**	456
Over 90 days	**15,550**	5,082
	48,901	17,878

(b) As at 30 September 2017, the Group's retention payables expected to be due after more than twelve months was approximately HK$695,000 (31 March 2017: approximately HK$745,000).

12. CONTINGENT LIABILITIES

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

	30 September 2017 (Unaudited) ***HK$'000***	31 March 2017 (Audited) *HK$'000*
Guarantees on performance bonds for construction contracts	**31,913**	13,060

(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 that the maximum liability on the claim would be approximately HK$7,734,000.

The management of the Group, 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.

13. CAPITAL COMMITMENTS

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

	30 September 2017 (Unaudited) ***HK$'000***	31 March 2017 (Audited) *HK$'000*
Contracted but not provided for:		
Property, plant and equipment	**–**	4,045

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2017, the Group were principally engaged in provision of foundation services and leasing of machinery in Hong Kong.

As at 30 September 2016, there were 6 active foundation projects in progress. All of them were practically completed during the six months ended 30 September 2017.

In addition, there were another 7 active foundation projects which were awarded after 30 September 2016 and one of them was practically completed during the six months ended 30 September 2017. As such, as at 30 September 2017, there were 6 active foundation projects in progress.

Subsequent to 30 September 2017, 2 new foundation projects were awarded to the Group.

FINANCIAL REVIEW

Revenue

The Group's overall revenue increased by approximately 86.2% from approximately HK$68,471,000 during the six months ended 30 September 2016 to approximately HK$127,472,000 during the six months ended 30 September 2017.

The increase in the Group's overall revenue was mainly attributable to the commencement of the new foundation projects during the six months ended 30 September 2017 after practically completion of most of the prior years' large-scaled foundation projects during the year ended 31 March 2016.

Gross Profit/Gross Profit Margin

The overall gross profit margin increased from approximately 0.2% during the six months ended 30 September 2016 to approximately 2.1% during the six months ended 30 September 2017.

The increase in both overall gross profit and gross profit margin were mainly due to:

1. The increase in the overall revenue during the six months ended 30 September 2017 as mentioned above; and

2. Unanticipated variations of approximately HK$6,053,000 arising from certain variation orders agreed at discounted rates after the practical completion stage of one of our foundation projects (representing approximately 2.0% of the awarded contract value of the project), was included in cost of sales as a one-off non-cash expense and treated as an impairment loss of gross amounts due from customers for contract work, for speeding up the final account drafting process and tapping into and accessing to a potential new clientele base during the six months ended 30 September 2016.

Administrative Expenses

The Group's administrative expenses decreased by approximately 41.7% from approximately HK$19,050,000 during the six months ended 30 September 2016 to approximately HK$11,099,000 during the six months ended 30 September 2017.

The decrease was mainly attributable to the decrease in staff costs of approximately HK$4,453,000 and the decrease in general operational cost for cost control purposes.

Net Loss

As a result of the abovementioned, during the six months ended 30 September 2017, the Group reported a net loss of approximately HK$8,858,000 (during the six months ended 30 September 2016: approximately HK$19,350,000).

PROSPECTS

It is generally believed that the overall business environment of the construction industry was very similar to last year. The construction industry was greatly affected by the prolonged debates in the Legislative Council in recent years which led to a large backlog in the funding approval process for public works. As the foundation industry is closely dependent on the construction industry, it is expected that the foundation industry would not regain momentum immediately. The foundation industry remains highly competitive and under fierce competition in 2017.

As supported by the latest 2017 policy address of the Hong Kong Special Administrative Region (the "2017 Policy Address") by our newly appointed Chief Executive of the Hong Kong Special Administrative Region, land and housing is still one of the most important agenda in the 2017 Policy Address. The Group believes that there will be more opportunities in the foundation industry in Hong Kong due to the boosting land supply for housing developments for both private and public sectors as well as fostering infrastructure development plans in the long term.

The Group has recently secured a business opportunity with a large-scaled private property developer. It is expected that there would be significant opportunities for our business development in this unique market segment in relation to large-scaled private property developers in the future.

In order to take on a more active and committed role in the construction industry in Hong Kong, the Group is 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.

Looking ahead, the Board still remains prudently optimistic about the prospects of the foundation industry in Hong Kong. The Group will continue to exercise due care in the pursuance of its existing core business and furtherance of its development plans so as to balance the risks and opportunities in the foundation industry in Hong Kong. The Group will also closely and carefully monitor the latest development in the global economy and foundation industry in Hong Kong and adjust its business strategies from time to time if required.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group, including bank loans and finance lease payables, increased from approximately HK$47,192,000 as at 31 March 2017 to approximately HK$65,543,000 as at 30 September 2017. As at 30 September 2017, these banking facilities were secured by (i) the Group's trade receivables of approximately HK$22,113,000 (31 March 2017: approximately HK$2,533,000); (ii) the Group's pledged bank deposits of approximately of HK$12,466,000 (31 March 2017: approximately HK$12,436,000); (iii) the Group's property, plant and equipment with total net carrying amounts of approximately HK$54,360,000 (31 March 2017: approximately HK$41,851,000); 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 30 September 2017, the Group had pledged bank deposits, time deposits and bank and cash balances of approximately HK$32,379,000 (31 March 2017: approximately HK$32,027,000). The gearing ratio of the Group as at 30 September 2017 (defined as the total borrowings divided by total equity) was approximately 46.4% (31 March 2017: approximately 31.4%). As at 30 September 2017, the current ratio of the Group was approximately 1.6 (31 March 2017: approximately 2.2).

During the six months ended 30 September 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 six months ended 30 September 2017, the Group did not have any significant investments, material acquisitions or disposals.

CAPITAL COMMITMENTS

As at 30 September 2017, the Group did not have any significant capital commitments (31 March 2017: approximately HK$4,045,000).

CONTINGENT LIABILITIES

Save as disclosed in note 12 to the condensed consolidated interim financial statements, the Group did not have any significant contingent liabilities as at 30 September 2017.

EVENT AFTER THE REPORTING PERIOD

There have been no other material events occuring after the reporting period and up to the date of this interim results announcement.

USE OF NET PROCEEDS FROM THE LISTING

The actual net proceeds from the placing and public offer (the "Share Offer") of approximately HK$77,100,000 (the "IPO Proceeds") have been utilised subsequent to the listing of the shares of the Company on the Main Board of the Stock Exchange 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$15,400,000 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	**Revised Allocation**	**Utilisation**	**Remaining Balances**
	HK$ million	***HK$ million***	***HK$ million***	***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 30 September 2017, the Group had 117 employees (31 March 2017: 119 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, salaries 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 six months ended 30 September 2017 were approximately HK$25,805,000 (during the six months ended 30 September 2016: approximately HK$27,573,000).

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to the shareholders for the six months ended 30 September 2017.

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

During the six months ended 30 September 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 six months ended 30 September 2017, the Company had complied with the code provisions of the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Listing Rules on the Stock Exchange.

(a) 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 six months ended 30 September 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, 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. Details of which were disclosed in the Company's annual report 2016/17.

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

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

(b) In respect of code provision A.6.7 of the CG Code, the independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to the typhoon and bad weather condition on 23 August 2017, the original annual general meeting held on 23 August 2017 was adjourned to 25 August 2017 (the "Adjourned AGM") and details of which were disclosed in the Company's announcement dated 22 August 2017. Two independent non-executive Directors were unable to attend the Adjourned AGM as a result of the sudden arrangement.

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 six months ended 30 September 2017.

SHARE OPTIONS

Share Option Scheme

The Company adopted a share option scheme on 19 February 2016 (the "2016 Share Option Scheme"). No share option has been granted under the 2016 Share Option Scheme since its adoption.

REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Audit Committee comprises four independent non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the condensed consolidated interim financial information of the Group for the six months ended 30 September 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report of the Company will be despatched to the shareholders and will also be published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the period.

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

Hong Kong, 24 November 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.