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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 2018

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 2018, together with the comparative figures for the corresponding year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*5*	**225,579**	125,589
Cost of sales		**(222,759)**	(121,014)
Gross profit		**2,820**	4,575
Other income		**137**	171
Administrative expenses		**(30,624)**	(38,203)
Loss from operations		**(27,667)**	(33,457)
Finance costs	*6*	**(1,430)**	(936)
Loss before tax		**(29,097)**	(34,393)
Income tax credit	*7*	**3,907**	544
Loss and total comprehensive income for the year attributable to owners of the Company	*8*	**(25,190)**	(33,849)
		HK$	*HK$*
Loss per share			
— Basic	*10(a)*	**6.3 cents**	8.5 cents
— Diluted	*10(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**64,166**	56,361
Current assets			
Inventories		**4,212**	4,965
Trade and retention receivables	*11*	**52,000**	49,242
Gross amounts due from customers for contract work	*12*	**84,103**	86,043
Prepayments, deposits and other receivables		**10,320**	15,898
Pledged bank deposits		**10,138**	12,436
Time deposits		—	7,501
Bank and cash balances		**12,590**	12,090
		173,363	188,175
Current liabilities			
Trade and retention payables	*13*	**45,088**	28,653
Gross amounts due to customers for contract work	*12*	**2,225**	3,057
Accruals and other payables		**6,930**	11,523
Finance lease payables		**26,397**	17,626
Bank borrowings		**30,007**	26,537
		110,647	87,396
Net current assets		**62,716**	100,779
Total assets less current liabilities		**126,882**	157,140
Non-current liabilities			
Finance lease payables		**1,868**	3,029
Deferred tax liabilities		—	3,907
		1,868	6,936
NET ASSETS		**125,014**	150,204
Capital and reserves			
Share capital		**4,000**	4,000
Reserves		**121,014**	146,204
TOTAL EQUITY		**125,014**	150,204

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

With reference to the joint announcement made by the Company and Blessing Well Enterprise Limited ("Blessing Well") on 7 May 2018 (the "Joint Announcement"), the Company was notified by New Grace Gain Limited ("New Grace Gain") that after trading hours on 27 April 2018, Blessing Well (as the purchaser), New Grace Gain (as the vendor) and its ultimate beneficial owners, Mr. Yeung Sau Ming Boris, Mr. Yue Suen Leung and Mr. Lau Tai Wah Gilbert (as the guarantors), entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which New Grace Gain agreed to sell and Blessing Well agreed to purchase 300,000,000 shares of the Company, representing 75% of the issued shares of the Company as at the date of the Joint Announcement, for a total cash consideration of HK$596,250,000 (the "Event of the Change of Substantial Shareholders"). Completion of the abovementioned transaction took place on 30 April 2018. Details of which are set out in the Joint Announcement.

As a result of the Event of the Change of Substantial Shareholders, Blessing Well has become the controlling and substantial shareholder of the Company since 30 April 2018 while New Grace Gain, Mr. Yeung Sau Ming Boris, Mr. Yue Suen Leung and Mr. Lau Tai Wah Gilbert ceased to be the controlling and substantial shareholders of the Company on 30 April 2018.

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 2017 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 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 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements will be incorporated as additional disclosures in the 2018 annual report.

(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 2017. 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 HKFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4 Insurance Contracts: Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
Amendments to HKFRS 9 Financial Instruments: Prepayment Features with Negative Compensation	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15 Revenue from Contracts with Customers: Clarifications to HKFRS 15	1 January 2018
HKFRS 16 Leases	1 January 2019
HKFRS 17 Insurance Contracts	1 January 2021
Amendments to HKAS 19 Employee Benefits	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 40 Investment Property: Transfers of investment property	1 January 2018
Amendments to HKFRSs: Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2018
Amendments to HKFRSs: Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC)-Int 23 Uncertainty over Income Tax Treatments	1 January 2019

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. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVPL") and (3) fair value through other comprehensive income ("FVOCI") as follows:

- The standard introduces new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. 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 FVOCI. All other debt instruments are measured at FVPL.

- Equity instruments are generally measured at FVPL. 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 FVOCI.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets and financial liabilities.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 March 2018, there would be no significant impact to the Group's consolidated financial statements.

(c) *Hedge accounting*

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The changes in HKFRS 9 relating to hedge accounting will have no impact as the Group does not currently apply hedge accounting.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction Contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

Currently, revenue arising from the provision of construction contracts is recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of foundation services.

(b) Warranty obligations

The Group generally provides for warranties for repairs to any construction defects and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, and consistent with its current practice.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office properties, staff quarters 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$2,913,000 as at 31 March 2018 (31 March 2017: approximately HK$2,645,000). These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

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	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**225,579**	124,252	**—**	1,337	**225,579**	125,589
Reportable segment results	**(13,669)**	(7,658)	**(882)**	(220)	**(14,551)**	(7,878)
Unallocated corporate income					**—**	10
Central administrative expenses and directors' remuneration					**(14,546)**	(26,525)
Loss before tax					**(29,097)**	(34,393)
Reportable segment results include:						
Interest income	**61**	101	**—**	—	**61**	101
Finance costs	**1,946**	818	**38**	118	**1,984**	936
Depreciation	**7,552**	4,730	**753**	1,253	**8,305**	5,983
Additions to property, plant and equipment	**16,180**	16,194	**7,000**	—	**23,180**	16,194
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:

	2018	2017
	HK$'000	*HK$'000*
SEGMENT ASSETS		
Foundation	**226,841**	233,083
Leasing	**10,588**	11,000
Total segment assets	**237,429**	244,083
Unallocated assets	**100**	453
Consolidated assets	**237,529**	244,536
SEGMENT LIABILITIES		
Foundation	**106,386**	91,154
Leasing	**6,055**	2,520
Total segment liabilities	**112,441**	93,674
Unallocated liabilities	**74**	658
Consolidated liabilities	**112,515**	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 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 2018 and 2017 and the Group's revenue from external customers during the years ended 31 March 2018 and 2017 are located in and generated from 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 2018 and 2017 is set out as below:

	2018	2017
	HK$'000	*HK$'000*
Foundation		
Customer 1	**96,809**	N/A*
Customer 2	**28,914**	N/A*
Customer 3	**23,008**	37,057
Customer 4	**N/A***	22,143
Customer 5	**N/A***	21,174

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

5. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Foundation	**225,579**	124,252
Leasing	**—**	1,337
	225,579	125,589

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance lease charges	**996**	586
Interest on bank borrowings	**995**	723
	1,991	1,309
Less: Amount attributable to contract work	**(561)**	(373)
	1,430	936

7. INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	—	—
Over-provision in prior years	—	1,259
	—	1,259
Deferred tax	**3,907**	(715)
	3,907	544

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the year ended 31 March 2018 (2017: Nil).

8. LOSS FOR THE YEAR

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

	Note	2018	2017
		HK$'000	*HK$'000*
Auditor's remuneration		**638**	600
Costs of construction materials	*(a)*	**83,270**	11,636
Depreciation	*(b)*	**8,305**	5,983
Impairment loss on gross amounts due from customers for contract work	*(a)*	—	6,053
(Gain)/loss on disposals of property, plant and equipment, net	*(c)*	**(63)**	48
Operating lease charges	*(d)*		
— Hire of plant and equipment		**5,290**	4,990
— Land and buildings		**3,724**	2,813

Notes:

(a) The amounts included in cost of sales.

(b) The amounts included in cost of sales for the years ended 31 March 2018 and 2017 amounted to approximately HK$3,202,000 and approximately HK$1,640,000 respectively.

(c) The amounts included in cost of sales for the years ended 31 March 2018 and 2017 amounted to net gain of approximately HK$33,000 and net loss of approximately HK$42,000 respectively.

(d) The amounts included in cost of sales for the years ended 31 March 2018 and 2017 amounted to approximately HK$6,782,000 and approximately HK$6,107,000 respectively.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend to the shareholders for the year ended 31 March 2018 (2017: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share	**(25,190)**	(33,849)

	2018	2017
	'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 years ended 31 March 2018 and 2017.

11. TRADE AND RETENTION RECEIVABLES

		2018	2017
	Note	*HK$'000*	*HK$'000*
Trade receivables	*(a)*	**14,314**	11,253
Retention receivables	*(b)*	**37,686**	37,989
		52,000	49,242

Notes:

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**14,314**	6,664
31 to 60 days	**—**	1,356
Over 60 days	**—**	3,233
	14,314	11,253

(b) As at 31 March 2018, the amount of the Group's retention receivables expected to be recovered after more than twelve months was approximately HK$5,425,000 (2017: approximately HK$2,538,000).

12. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2018	2017
	HK$'000	*HK$'000*
Gross amounts due from customers for contract work *(Note)*	**84,103**	86,043
Gross amounts due to customers for contract work	**(2,225)**	(3,057)
	81,878	82,986

Note:

During the year ended 31 March 2018, the Group has been negotiating the final settlement amount of a completed contract with a customer. The customer indicated that it is seeking to deduct from the final settlement amount the sum of HK$23,450,000 for liquidated damages arising from delays in completion of contract (the "LD"). Up to the date of this announcement, the negotiations with the customer are still in progress.

The Directors are of the opinion that the negotiations with the customer are still in the initial stage and based on the opinion of an independent professional consultant, believe that such LD is unlikely to succeed and accordingly, the Group has not recognised any amounts in respect of the LD in the consolidated financial statements.

13. TRADE AND RETENTION PAYABLES

		2018	2017
	Note	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**33,498**	17,878
Retention payables	*(b)*	**11,590**	10,775
		45,088	28,653

Notes:

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**16,602**	9,990
31 to 60 days	**9,469**	2,350
61 to 90 days	**538**	456
Over 90 days	**6,889**	5,082
	33,498	17,878

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

(b) As at 31 March 2018, the amount of the Group's retention payables expected to be due after more than twelve months was approximately HK$2,073,000 (2017: approximately HK$745,000).

14. CONTINGENT LIABILITIES

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

	2018	2017
	HK$'000	*HK$'000*
Guarantees on performance bonds for construction contracts	**33,388**	13,060

(b) In May 2015, a subcontractor claimed against the Group for certain construction works (the "Dispute"). The total amount of claim by the subcontractor is approximately HK$20,329,000. The Group and the subcontractor agree to resolve the Dispute by arbitration or by other means of dispute resolution.

Up to the date of this announcement, the arbitration is still in the process and there is no decision to resolve the Dispute. 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 executed by the then controlling and substantial shareholders of the Company, New Grace Gain, Mr. Yeung Sau Ming Boris, Mr. Lau Tai Wah Gilbert and Mr. Yue Suen Leung, in favour of the Company, each of them had irrevocably and unconditionally, jointly and severally, agreed to indemnify the Group against, among others, all loss and damages arising from the Dispute.

Accordingly, no provision has been made for the claim.

15. CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any significant capital commitments (2017: approximately HK$4,045,000).

16. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the terms of the Sale and Purchase Agreement and at the request made by Blessing Well, on 25 May 2018, New Grace Gain provided an interest-free loan of HK$100,000,000 to the Company for a term of 30 months (the "Security Loan") for the purpose of repaying some or all of the outstanding indebtedness arising from the bank loans, finance leases, performance bonds, factoring and potential litigation liabilities with the intent that the corporate guarantees given by the Company for securing the payment obligation of the Group in respect of some of such outstanding indebtedness will be released and discharged if necessary and the Company can maintain sufficient cash flow when such indebtedness falls due and needs to be repaid. New Grace Gain shall not be entitled to demand early repayment and the Company has no right to make early repayment of the Security Loan. As such, the Security Loan will be treated as long term liabilities during the year ending 31 March 2019.

The Security Loan arrangement was to ensure that the Company would have sufficient cash for its continuous business operation even if some of the banks and financial institutions might withdraw their facilities granted to the Company due to a change of control and any contingent liabilities which was unforeseen by the Company. The arrangement also enabled the Company to restructure its debt financing by replacing its existing loans with a loan at lower cost and with less securities given.

BUSINESS REVIEW

During the year ended 31 March 2018, the Group was principally engaged in the provision of foundation services (the "Foundation") and the leasing of machinery ("the Leasing") in Hong Kong.

As at 31 March 2017, there were 4 active projects in progress and 4 projects yet to start. 5 of them were still in progress and the remaining 3 were practically completed during the year ended 31 March 2018. In addition, there were another 3 active projects which were awarded after 31 March 2017. All of them were still in progress during the year ended 31 March 2018. As such, as at 31 March 2018, there were 8 active projects in progress. Subsequent to 31 March 2018, there was 1 active project awarded to the Group.

FINANCIAL REVIEW

Revenue

Our Group's overall revenue is mainly generated by the Foundation business segment. Due to the increase in active projects in progress, the Group's overall revenue increased by approximately 79.6% from approximately HK$125,589,000 during the year ended 31 March 2017 to approximately HK$225,579,000 during the year ended 31 March 2018.

Gross Profit/Gross Profit Margin

The overall gross profit and gross profit margin decreased from approximately HK$4,575,000 and approximately 3.6% respectively during the year ended 31 March 2017 to approximately HK$2,820,000 and approximately 1.3% respectively during the year ended 31 March 2018. The decreases in both gross profit and gross profit margin were mainly due to:

1. unexpected additional construction costs were incurred towards the completion stage of certain foundation projects; and

2. the increase in the depreciation of approximately HK$1,562,000.

Administrative Expenses

The Group's administrative expenses decreased by approximately 19.8% from approximately HK$38,203,000 during the year ended 31 March 2017 to approximately HK$30,624,000 during the year ended 31 March 2018. The decrease was mainly attributable to the decrease in employee benefits expenses of approximately HK$8,512,000.

Net Loss

As a result of the abovementioned, during the year under review, the Group reported a net loss of approximately HK$25,190,000 (2017: HK$33,849,000).

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$58,272,000 as at 31 March 2018. As at 31 March 2018, these banking facilities were secured by (i) the Group's trade and retention receivables of approximately HK$16,992,000 (31 March 2017: approximately HK$2,533,000); (ii) the Group's pledged bank deposits of approximately HK$10,138,000 (31 March 2017: approximately HK$12,436,000); (iii) the Group's property, plant and equipment with total net carrying amounts of approximately HK$53,312,000 (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 certain borrowings were 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 and bank borrowings.

As at 31 March 2018, the Group had pledged bank deposits, time deposits and bank and cash balances of approximately HK$22,728,000 (31 March 2017: approximately HK$32,027,000). The gearing ratio of the Group as at 31 March 2018 (defined as the total borrowings divided by total equity) was approximately 46.6% (31 March 2017: approximately 31.4%). As at 31 March 2018, the current ratio of the Group was approximately 1.6 (31 March 2017: approximately 2.2).

During the year ended 31 March 2018, 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 2018, the Group did not have any significant investments, material acquisitions or disposals.

There was no formal plan authorised by the Board for any significant investments, material acquisitions or disposals as at 31 March 2018 and up to the date of this announcement.

Despite the Event of the Change of Substantial Shareholders, Blessing Well has no definitive intention and plans for any acquisition or disposal of assets and/or business of the Group as disclosed in the Joint Announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this annual results announcement, there have been no other material events occurring after 31 March 2018 and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend payment of final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 March 2018 (2017: Nil).

USE OF IPO PROCEEDS

The actual net proceeds from the placing and public offer (the "IPO proceeds") of shares of the Company for listing on the Stock Exchange (the "Listing") 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 by reallocating the net proceeds originally intended for hiring of additional staff to operation of prospective projects. Details of the original allocation of the IPO Proceeds (the "Original Allocation"), the revised allocation of the IPO Proceeds (the "Revised Allocation"), the utilisation of the IPO Proceeds as at the date of this announcement (the "Utilisation") and the remaining balances of the IPO 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 2018, the Group had 119 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, 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 2018 were approximately HK$46,844,000 (2017: approximately HK$51,382,000).

PROSPECTS

Due to the decrease in the number of foundation contracts available from both the public and private sectors, it is generally believed that the foundation industry remains tough with keen competition among the market players. During the difficult times, the Group tried to adjust the tendering strategies, widen the customer base and implement a tight cost control so as to maintain our competitiveness. In the short term, it is expected that the foundation industry would not regain momentum immediately.

As supported by the latest 2017 policy address of the Hong Kong Special Administrative Region (the "2017 Policy Address") by the 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 as a result of 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 secured a business opportunity with a large-scaled private property developer during the year ended 31 March 2018. 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.

The Group will also try to explore and identify any suitable investment opportunities in order to broaden the revenue base for maximisation of return to the Shareholders.

CORPORATE GOVERNANCE

Save as disclosed below, during the year ended 31 March 2018 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") in Appendix 14 to 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.

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.

Independent Non-executive Directors

In respect of code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term. Each of the independent non-executive Directors entered into an appointment letter (the "Letter") with the Company for a fixed term of two years commencing from 18 March 2016 unless terminated by either party thereto giving not less than three months' prior written notice. On 26 February 2018, the remuneration committee of the Company approved that the terms of the Letter of all the independent non-executive Directors remain unchanged starting from 18 March 2018 until further notice. However, the articles of association of the Company provide that every Director, including all the independent non-executive Directors, shall be subject to retirement at an annual general meeting at least once every three years. At each annual general meeting, one-third of the Directors for the time being will retire from office by rotation and be eligible for re-election by the Shareholders.

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 2018, 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.

Same as last year's practice, the Company engaged an external independent internal control adviser to conduct a review on the internal control procedures at both corporate level and business level. No significant areas of improvement are addressed on such review.

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.

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

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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 2018.

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 2018.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting (the "2018 AGM") of the Company for the year ended 31 March 2018 will be held on a date to be fixed by the Board, and a notice convening the 2018 AGM will be published and despatched to the Shareholders in due course.

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 2018 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 2018. 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 2018 will be despatched 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.

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

Hong Kong, 29 June 2018

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.