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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 2025**

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 2025, together with the comparative figures for the corresponding year ended 31 March 2024, as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2025

		2025	2024
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	5	<b>129,580</b>	175,174
Cost of sales and services rendered		<u>(173,318)</u>	<u>(206,213)</u>
<b>Gross loss</b>		<b>(43,738)</b>	(31,039)
Other income	6	<b>5,383</b>	90,925
Gain on bargain purchase on acquisition of subsidiaries		<b>40,947</b>	—
Administrative and other operating expenses		<b>(35,376)</b>	(33,584)
Impairment of property, plant and equipment		<b>(842)</b>	(1,983)
Impairment of right-of-use assets		<b>(1,840)</b>	—
Write-off of contract assets		<b>(18,008)</b>	(65,932)
Provision for expected credit loss (“ECL”) on trade receivables and contract assets, net of reversal of impairment loss		<b>(2,627)</b>	(768)
		<u>                    </u>	<u>                    </u>
<b>Loss from operations</b>		<b>(56,101)</b>	(42,381)
Finance costs	7	<u><b>(946)</b></u>	<u>(9,179)</u>
<b>Loss before tax</b>		<b>(57,047)</b>	(51,560)
Income tax expense	8	<u><b>(545)</b></u>	<u>—</u>
<b>Loss for the year</b>	9	<u><b>(57,592)</b></u>	<u><b>(51,560)</b></u>
<b>Other comprehensive loss after tax:</b>			
Item that may be reclassified to profit or loss:			
Exchange difference on translating foreign operation		<u><b>(848)</b></u>	<u>(4,930)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(58,440)</b></u>	<u><b>(56,490)</b></u>
		<b>HK cents</b>	<b>HK cents</b>
<b>Loss per share</b>			
– Basic	11(a)	<u><b>(12.0)</b></u>	<u>(12.2)</u>
– Diluted	11(b)	<u><b>N/A</b></u>	<u><b>N/A</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Note	2025 HK\$'000	2024 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		131,093	10,642
Right-of-use assets		26,375	2,025
		<u>157,468</u>	<u>12,667</u>
<b>Current assets</b>			
Inventories		2,974	1,314
Trade receivables	12	30,120	31,942
Contract assets	13	20,613	65,679
Prepayments, deposits and other receivables		14,291	5,890
Bank and cash balances		48,481	84,497
		<u>116,479</u>	<u>189,322</u>
<b>Current liabilities</b>			
Trade and retention payables	14	183,860	149,721
Contract liabilities	13	162	11,961
Accruals and other payables		116,203	40,404
Lease liabilities		943	1,866
Bank borrowings, secured		6,436	13,645
Other borrowings, unsecured		—	10,000
Tax payables		507	—
		<u>308,111</u>	<u>227,597</u>
<b>Net current liabilities</b>		<u>(191,632)</u>	<u>(38,275)</u>
<b>Total assets less current liabilities</b>		<u>(34,164)</u>	<u>(25,608)</u>
<b>Non-current liabilities</b>			
Lease liabilities		828	156
Bank borrowings, secured		45,854	—
Deferred tax liabilities		3,358	—
		<u>50,040</u>	<u>156</u>
<b>NET LIABILITIES</b>		<u>(84,204)</u>	<u>(25,764)</u>
<b>Capital and reserves</b>			
Share capital		4,800	4,800
Reserves		(89,004)	(30,564)
<b>DEFICIENCIES IN EQUITY</b>		<u>(84,204)</u>	<u>(25,764)</u>

## NOTES

### 1. GENERAL INFORMATION

K.H. Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability on 23 July 2015 under the Companies Act of the Cayman Islands. The address of its registered office is P.O. Box 1350, Grand Cayman KY1-1108 Cayman Islands. The address of its principal place of business is Unit 01, 86/F., International Commerce Centre, 1 Austin Road West, 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 Date”).

At the end of the reporting period, the directors of the Company are of the opinion that, Blessing Well Enterprise Limited, a company incorporated in the British Virgin Islands (“BVI”), is the immediate holding company of the Company; and Sendlink Limited, a company incorporated in the BVI, is the ultimate holding company of the Company. Mr. Chen Rongsheng (“Mr. Chen”), the ultimate controlling party of the Company.

The Company is an investment holding company. The Group is principally engaged in the provision of foundation and construction services and sales of chemical products in the People’s Republic of China (“PRC”).

### 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRS Accounting Standards 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.

The Group incurred a loss of approximately HK\$57,592,000 for the year ended 31 March 2025. As at 31 March 2025, the Group had net current liabilities of approximately HK\$191,632,000 and net liabilities of approximately HK\$84,204,000 respectively. In addition to above, a winding-up petition (the “Petition”) was filed by a sub-contractor, King Topwell International Limited (the “Substituting Petitioner”) against a subsidiary of the Company for unsettled sub-contracting charges which was detailed in note 18. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the management has given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to achieve positive cash flows from operations in immediate and long terms. The directors have reviewed the Group's cash flow forecast prepared by management, which cover the period up to 31 March 2026. The directors are of the opinion that, taking into account of the plans and measures below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within next twelve months. In order to strengthen the Group's capital base and maintain sufficient financing necessary for future business development, the directors have taken the following measures:

- (i) The Company has obtained a letter of financial support from Mr. Chen, the ultimate controlling party of the Company, who has agreed to further provide adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its businesses for at least 12 months from 31 March 2025;
- (ii) The Group will consider fund raising activities to strengthen the Group's capital base to meet the financial obligations as and when they fall due within next twelve months from 31 March 2025;
- (iii) The Group will expand its construction and chemical material business in the PRC to enhance the Group's revenue; and
- (iv) the Group shall implement cost-saving measures to maintain adequate cash flows necessary to finance the working capital requirements for the next twelve months from 31 March 2025.

Therefore, the directors of the Company are of the view that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

Should the Group be unable to continue as a going concern in the foreseeable future, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

### **3. ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS**

#### **(a) APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS**

The Group has applied the following new and amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 ("HK Int 5") (Revised)	Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the new and amendments to HKFRS Accounting Standards and interpretation in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**(b) NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE**

The Group has not applied any new and amendment to HKFRS Accounting Standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 April 2024. These new and revised HKFRS Accounting Standards include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 21 and HKFRS 1–Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7–Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7–Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards–Volume 11	1 January 2026
HKFRS 18–Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19–Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5–Presentation of Financial Statements–Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28–Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company are in the process of making an assessment of what the impact of these new and amendments to HKFRS Accounting Standards and interpretation is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements, except for HKFRS 18 – Presentation and Disclosure in Financial Statements, which is detailed as follows:

HKFRS 18 will replace HKAS 1 – Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss; (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures); and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

#### **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, being the directors of the Company, in order to allocate resources to the segment and to assess its performance.

The directors consider that the Group manages its businesses by divisions, which are organised into business units based on their services provided, and has identified “Foundation and Construction – provision of foundation and construction services” and “Chemical materials – sales of chemical products” as the reportable operating segment.

In addition to the above segment, the Group has other operating segments which mainly include leasing of machinery and trading of electronic devices. These operating segments individually do not meet any of the quantitative thresholds of determining reportable segments. Accordingly, these operating segments are grouped as “Others”.

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.

	Provision of foundation and construction services		Sales of chemical products		Others		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	<u>125,885</u>	<u>171,856</u>	<u>3,695</u>	<u>3,318</u>	<u>—</u>	<u>—</u>	<u>129,580</u>	<u>175,174</u>
Reportable segment results	<u>(94,311)</u>	<u>(32,615)</u>	<u>173</u>	<u>(3,089)</u>	<u>—</u>	<u>(217)</u>	<u>(94,138)</u>	<u>(35,921)</u>
Unallocated gain on bargain purchase	—	—	—	—	—	—	40,947	—
Unallocated finance costs							(77)	(6,323)
Unallocated depreciation on property, plant and equipment							(39)	(18)
Unallocated depreciation on right-of-use assets							(1,404)	(1,306)
Other central administrative expenses and directors' emoluments							<u>(2,336)</u>	<u>(7,992)</u>
Loss before tax							<u>(57,047)</u>	<u>(51,560)</u>
<i>Reportable segment results include:</i>								
Interest income	1	361	—	—	1	—	2	361
Finance costs	869	2,830	—	26	—	—	869	2,856
Depreciation on property, plant and equipment	1,077	1,969	7	2	—	112	1,084	2,083
Unallocated depreciation on property, plant and equipment							<u>39</u>	<u>18</u>
							1,132	2,101
Depreciation on right-of-use assets	330	1,048	—	—	—	—	330	1,048
Additions to property, plant and equipment	4	144	131,868	34	—	—	131,872	178
Additions to right-of-use assets	2,008	—	26,401	—	—	2,906	28,409	2,906
Provision/(reversal of provision) for ECL on trade receivables and contract assets, net of reversal of impairment loss	2,623	(2,223)	4	2,929	—	62	2,627	768
Impairment of property, plant and equipment	777	1,983	—	—	65	—	842	1,983
Impairment of right-of-use assets	1,840	—	—	—	—	—	1,840	—
Compensation for write-off of contract assets by the former ultimate holding company	5,000	90,000	—	—	—	—	5,000	90,000
Write-off of contract assets	<u>18,008</u>	<u>65,932</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,008</u>	<u>65,932</u>

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

Segment results represent loss attributable to the segment without allocation of corporate income, gain on bargain purchase, central administrative expenses and directors' emoluments.

## SEGMENT ASSETS AND LIABILITIES

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>SEGMENT ASSETS</b>		
Provision of foundation and construction services	47,323	122,208
Sales of chemical products	178,169	6,680
Others	42,289	45,450
	<hr/>	<hr/>
Total segment assets	267,781	174,338
Unallocated assets	6,166	27,651
	<hr/>	<hr/>
Consolidated assets	273,947	201,989
	<hr/>	<hr/>
<b>SEGMENT LIABILITIES</b>		
Provision of foundation and construction services	207,059	192,897
Sales of chemical products	69,358	7,818
Others	—	1,928
	<hr/>	<hr/>
Total segment liabilities	276,417	202,643
Unallocated liabilities	81,734	25,110
	<hr/>	<hr/>
Consolidated liabilities	358,151	227,753
	<hr/>	<hr/>

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 including certain right-of-use assets, certain other receivables and certain bank and cash balances; and
- (ii) All liabilities are allocated to reportable segments other than those unallocated liabilities which are centrally managed by the Company's management including certain other payables and other borrowings.

## SEASONALITY OF OPERATIONS

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

## GEOGRAPHICAL INFORMATION

The geographical information of the Group's revenue from external customers and non-current assets for the years ended 31 March 2025 and 2024, based on locations of customers, are set out below:

	Revenue from external customers		Non-current assets	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Hong Kong	95,423	171,856	–	12,636
PRC	34,157	3,318	157,468	31
Total	<u>129,580</u>	<u>175,174</u>	<u>157,468</u>	<u>12,667</u>

## REVENUE FROM MAJOR CUSTOMERS

The Group's customer base for whom transactions have exceeded 10% of its revenue during the years ended 31 March 2025 and 2024 is set out as below:

	2025 HK\$'000	2024 HK\$'000
Foundation and construction services		
Customer 1	55,588	100,009
Customer 2 (note)	N/A	41,209
Customer 3 (note)	39,835	N/A
Customer 4 (note)	16,254	N/A
	<u>129,580</u>	<u>175,174</u>

*Note:* These customers did not contribute over 10% of the total revenue of the Group for the respective years presented above.

## 5. REVENUE

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

	2025 HK\$'000	2024 HK\$'000
<b>Recognised over time within the scope of HKFRS 15</b>		
Provision of foundation and construction services	125,885	171,856
<b>Recognised at point in time within the scope of HKFRS 15</b>		
Sales of chemical products	<u>3,695</u>	<u>3,318</u>
	<u>129,580</u>	<u>175,174</u>

As at 31 March 2025, the aggregated amount of revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date is approximately HK\$18,199,000 (2024: HK\$305,204,000). The Group will recognise the expected revenue in future when or as the work is completed which is expected to occur over the next 12 months (2024: 12 months).

## 6. OTHER INCOME

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Gain on termination of lease	—	7
Compensation for write-off of contract assets by the former ultimate holding company (note a & b)	5,000	90,000
Interest income	2	361
Sundry income	381	557
	<u>5,383</u>	<u>90,925</u>

*Notes:*

- (a) The amount represents the compensation for loss on certain foundation projects by the former ultimate holding company. New Grace Gain Limited (“New Grace Gain”). New Grace Gain has agreed to provide guarantee up to HK\$5,000,000 (2024: HK\$95,000,000) on the performance and recoverability of Company’s receivables of certain foundation projects (the “Project Performance Guarantee”). Under this arrangement, New Grace Gain is unconditionally obligated to undertake the loss arising from any shortfall of final performance of these foundation projects. During the year ended 31 March 2025, New Grace Gain has undertaken a loss totaling of HK\$5,000,000 (2024: HK\$90,000,000) by discharging the same amount of unsecured other borrowing advanced to the Group under the Project Performance Guarantee, including compensation of loss on written off of contract assets of approximately HK\$5,000,000 (2024: HK\$65,932,000) and contract cost payments of approximately Nil (2024: HK\$24,068,000) respectively.
- (b) As at 31 March 2025, the remaining unutilised guaranteed amount under Project Performance Guarantee was Nil (2024: HK\$5,000,000).

## 7. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest expense on bank borrowings	906	6,154
Interest expense on lease liabilities	77	233
Imputed interest expenses on other borrowings	—	6,211
	<u>983</u>	<u>12,598</u>
Less: Amounts attributable to contract works	<u>(37)</u>	<u>(3,419)</u>
	<u><u>946</u></u>	<u><u>9,179</u></u>

## 8. INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
PRC–Enterprise Income Tax		
–Provision for current year	<u><u>545</u></u>	<u><u>—</u></u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2024: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2024: 16.5%). The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% (2024: 16.5%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2025 and 2024.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") and the Implementation Rules of the CIT Law in the PRC, the standard tax rate is 25% (2024: 25%) for the Group's subsidiaries and operations in the PRC.

## 9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	<i>Note</i>	<b>2025</b> <b>HK\$'000</b>	<b>2024</b> <b>HK\$'000</b>
Auditor's remuneration			
Audit services		<b>880</b>	830
Non-audit services		<b>600</b>	—
Cost of construction materials recognised as cost of service	(a)	<b>33,140</b>	59,080
Cost of inventories recognised as cost of sales	(a)	<b>3,515</b>	3,153
Depreciation on property, plant and equipment	(b)	<b>1,123</b>	2,101
Depreciation on right-of-use assets	(b)	<b>1,734</b>	2,354
Loss on redemption of life insurance policies		—	3,228
Loss on disposal of non-current assets held for sale		—	753
Loss on disposal of property, plant and equipment		<b>4,956</b>	510
Loss on termination of lease		<b>59</b>	—
Write-off of contract assets		<b>18,008</b>	65,932
Provision for ECL on trade receivables and contract assets, net of reversal of impairment loss		<b>2,627</b>	768
Impairment of property, plant and equipment		<b>842</b>	1,983
Impairment loss of right-of-use assets		<b>1,840</b>	—
Short-term lease payments not included in the measurement of lease liabilities	(c)	<b>2,701</b>	6,126

*Notes:*

- (a) The amounts are included in cost of sales and services rendered.
- (b) The amounts included in cost of sales and services rendered for the years ended 31 March 2025 and 2024 amounting to approximately HK\$847,000 and HK\$2,188,000 respectively.
- (c) The amounts included in cost of sales and services rendered for the years ended 31 March 2025 and 2024 amounting to approximately HK\$2,200,000 and HK\$5,223,000 respectively.

## 10. DIVIDENDS

The Board does not recommend the payment of any dividend to the shareholders for the year ended 31 March 2025 (2024: Nil).

## 11. LOSS PER SHARE

### (a) BASIC LOSS PER SHARE

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

	2025 HK\$'000	2024 HK\$'000
Loss for the purpose of calculating basic loss per share	<u>(57,592)</u>	<u>(51,560)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>480,000</u>	<u>424,044</u>

The calculation of basic loss per share is based on the loss for the year attributable of owners of the Company and weighted average number of shares in issue.

### (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 2025 and 2024.

## 12. TRADE RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	41,218	40,513
Less: Allowance for doubtful debts under ECL	<u>(11,098)</u>	<u>(8,571)</u>
	<u>30,120</u>	<u>31,942</u>

*Notes:*

The Group's trade receivables mainly represent progress billings receivables from contract customers. The general credit terms of trade receivables were within 14 to 60 days (2024: 14 to 45 days). Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

The ageing analysis of the Group's trade receivables, based on the invoice date of progress billing, and net of allowance is as follows:

	<b>2025</b> <b>HK\$'000</b>	2024 <i>HK\$'000</i>
0 to 30 days	<b>18,188</b>	30,466
31 to 60 days	<b>5,181</b>	—
Over 60 days	<b>6,751</b>	1,476
	<u><b>30,120</b></u>	<u>31,942</u>

Trade receivables are denominated in the following currencies:

	<b>2025</b> <b>HK\$'000</b>	2024 <i>HK\$'000</i>
HK\$	<b>13,788</b>	30,639
RMB	<b>16,332</b>	1,303
	<u><b>30,120</b></u>	<u>31,942</u>

### 13. CONTRACT ASSETS/CONTRACT LIABILITIES

<b>Contract assets</b>	<b>2025</b> <b>HK\$'000</b>	2024 <i>HK\$'000</i>
Arising from performance under construction contracts	<b>23,798</b>	68,831
Less: Allowance for contract asset under ECL	<b>(3,185)</b>	(3,152)
	<u><b>20,613</b></u>	<u>65,679</u>
Receivables from contract with customers within the scope of HKFRS 15, which are included in "Trade receivables"	<u><b>30,120</b></u>	<u>27,218</u>

Contract assets are denominated in the following currencies:

	<b>2025</b> <b>HK\$'000</b>	2024 <i>HK\$'000</i>
HK\$	<b>7,355</b>	64,938
RMB	<b>13,258</b>	741
	<b>20,613</b>	65,679

The contract assets primarily related to the Group's rights to consideration for work completed but not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts at the reporting date. The contract assets are transferred to trade receivables where the rights become unconditional. The Group also typically agrees to a defects liability period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The decrease in contract assets was the result of the certain construction projects that were completed and finalised during the years ended 31 March 2025 and 2024. In addition, contract assets of approximately HK\$18,008,000 (2024: \$65,932,000) were written off and partially (2024: fully) recovered through compensation from the former ultimate holding company of the Company under Project Performance Guarantee.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is approximately Nil (2024: HK\$26,467,000, mainly due to the completion of certain construction contracts).

The amount of contract assets that is expected to be recovered after more than one year is approximately HK\$1,451,000 (2024: HK\$1,597,000).

As at 31 March 2025, approximately Nil (2024: HK\$18,013,000) of retention receivables under contract assets were pledged to banks to secure bank borrowings.

#### **Contract liabilities**

	<b>2025</b> <b>HK\$'000</b>	2024 <i>HK\$'000</i>
Billings in advance of performance obligation		
–Construction contracts	<b>162</b>	11,961

Contract liabilities are denominated in the following currencies:

	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
HK\$	–	11,961
RMB	<u>162</u>	<u>–</u>
	<u><b>162</b></u>	<u><b>11,961</b></u>

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

Movement in contract liabilities:

	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
Balance as at 1 April	<b>11,961</b>	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	<b>(11,961)</b>	–
Increase in contract liabilities as a result of billing in advance of construction services	<b>163</b>	11,961
Exchange realignment	<u><b>(1)</b></u>	<u>–</u>
Balance as at 31 March	<u><b>162</b></u>	<u><b>11,961</b></u>

The decrease (2024: increase) in contract liabilities in 2025 was mainly due to the decrease (2024: increase) in advances received from customers in relation to the provision of construction services during the year ended 31 March 2025.

None of billings in advance of performance received that is expected to be recognised as income after more than one year (2024: Nil).

## 14. TRADE AND RETENTION PAYABLES

	<i>Note</i>	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
Trade payables	(a)	<b>148,795</b>	120,340
Retention payables	(b)	<b>35,065</b>	29,381
		<b>183,860</b>	149,721

*Notes:*

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

	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
0 to 30 days	<b>42,930</b>	32,298
31 to 60 days	<b>4,253</b>	11,487
61 to 90 days	<b>1,506</b>	1,829
Over 90 days	<b>100,106</b>	74,726
	<b>148,795</b>	120,340

Trade payables are denominated in the following currencies:

	<b>2025</b> <b>HK\$'000</b>	2024 HK\$'000
HK\$	<b>135,261</b>	118,855
RMB	<b>13,534</b>	1,485
	<b>148,795</b>	120,340

- (b) As at 31 March 2025, the amount of the Group's retention payables expected to be due after more than twelve months was approximately Nil (2024: HK\$2,659,000).

The carrying amounts of the Group's retention payables are denominated in HK\$.

## 15. PERFORMANCE BONDS

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

	2025 HK\$'000	2024 HK\$'000
Guarantees on performance bonds for construction contracts	<u>—</u>	<u>10,158</u>

As at 31 March 2024, the securities for the Group's performance bonds for construction contracts are as follows:

- (i) guarantees on performance bonds amounting to approximately HK\$10,158,000 are secured by (i) the Group's other receivables of approximately HK\$2,361,000; (ii) a personal guarantee executed by a director of a subsidiary of the Company; and (iii) corporate guarantees executed by the Company and a subsidiary of the Company.

## 16. CAPITAL COMMITMENTS

Commitments outstanding at 31 March 2025 not provided for in the consolidated financial statements were as follows:

	2025 HK\$'000	2024 HK\$'000
Contracted for acquisition of property, plant and equipment	<u>1,057</u>	<u>—</u>

## 17. LITIGATIONS

On 21 June 2024, winding up petitions (the "Petition(s)") were filed by The Bank of East Asia, Limited (the "Original Petitioner") at the High Court of the Hong Kong Special Administrative Region (the "Court") against each of the Company and K. H. Foundations Limited ("KHF"), a wholly-owned subsidiary of the Company, under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "CWUMPO"). The Petitions were filed against the Company and KHF, in relation to the non-repayment of credit facilities granted by the Original Petitioner to KHF in the principal amount of approximately HK\$11.6 million, plus accrued interest; and the guarantee executed by the Company in favour of the Original Petitioner for amounts outstanding under the credit facilities granted by the Original Petitioner to KHF.

After negotiation, the Company and the Original Petitioner have reached an agreement. The Original Petitioner has made joint applications with each of the Company and KHF by way of consent summons to the Court to dismiss the Petitions.

For the hearing of the Petitions on 30 September 2024, the Petition against the Company was dismissed by the Court. The Company settled the loan from the Original Petitioner on 8 October 2024.

Meanwhile, China Geo-Engineering Corporation (the “Substituting Petitioner”), a supporting creditor of the Petition against KHF had made an application to the Court to substitute the Original Petitioner as the petitioner of the Petition against KHF for unsettled sub-contracting charges which was fully recorded in trade and retention payables of approximately HK\$20.3 million (the “Sub-contracting Charges”), and the Court has granted leave for such application. The Substituting Petitioner was also granted leave to file and serve an amended petition (the “Amended Petition”) against KHF. The hearing of the Amended Petition has been adjourned to 30 December 2024.

The Company settled the unsettled Sub-contracting Charges from the Substituting Petitioner on 27 December 2024.

On 30 December 2024, the Amended Petition against the Company was dismissed by the Court.

On 7 February 2025, winding up petition (the “2nd Petition”) dated 27 January 2025 was filed by Ince & Co (the “2nd Petitioner”) at the Court against KHF, under the CWUMPO, in relation to the non-payment of legal costs of approximately HK\$2.1 million (the “Legal Cost”) plus interest. The 2nd Petition are scheduled to be heard on 21 May 2025.

The Company settled the Legal Cost plus interest on 28 April 2025 and the 2nd Petition against the Company was dismissed by the Court on 21 May 2025.

## **18. EVENTS AFTER THE REPORTING PERIOD**

On 21 May 2025, King Topwell International Limited (the “2nd Substituting Petitioner”), a supporting creditor of the 2nd Petition made an application to the Court to substitute the 2nd Petitioner as the petitioner of the petition, and the Court has granted leave for such application. The 2nd Substituting Petitioner was also granted leave to file and serve an amended petition (the “2nd Amended Petition”) against KHF in relation to the non-payment of outstanding amount of approximately HK\$2.7 million. The hearing of the 2nd Amended Petition has been adjourned to 16 July 2025.

Since the filing of the 2nd Amended Petition, the Company has been seeking legal advice and taking appropriate actions as advised.

Details of above is set out in the Company’s announcement dated 21 May 2025.

## **BUSINESS REVIEW**

During the year ended 31 March 2025, the Group was principally engaged in the provision of foundation and construction services (the “Foundation and Construction”) and sales of chemical products (the “Trading”).

### **FOUNDATION AND CONSTRUCTION SERVICES**

There were 3 active projects as at 31 March 2024. As at 31 March 2025, 1 of these projects have been practically completed while the other 2 projects were discontinued after negotiation with employers. During the year ended 31 March 2024, 4 new projects have been awarded to the Group. As such, there were a total of 4 projects in progress as at 31 March 2025.

## **FINANCIAL REVIEW**

### **REVENUE**

The Group’s overall revenue decreased by 26.0% from approximately HK\$175,174,000 during the year ended 31 March 2024 to approximately HK\$129,580,000 during the year ended 31 March 2025. The decrease in the Group’s overall revenue was mainly attributable to:

- 1) a reduction in revenue recognised after the discontinuation of two large projects during the year ended 31 March 2025;
- 2) in response to persistent challenges in the Hong Kong construction sector, the Group adopt a more selective and prudent approach to tendering for new construction contracts, resulting in less large active projects during the year ended 31 March 2025; and
- 3) the Group recorded a substantial increase in revenue from the PRC segment from approximately HK\$3,318,000 for the year ended 31 March 2024 to approximately HK\$34,157,000 for the year ended 31 March 2025 which partially offset the revenue decline in the Hong Kong Segment.

### **GROSS LOSS/GROSS LOSS MARGIN**

The overall gross loss increased by 40.9% from approximately HK\$31,039,000 during the year ended 31 March 2024 to approximately HK\$43,738,000 during the year ended 31 March 2025. The overall gross loss margin increased from approximately 17.7% during the year ended 31 March 2024 to approximately 33.8% during the year ended 31 March 2025 and such increase was mainly attributable to increase in construction costs incurred during the completion stage of certain projects during the year ended 31 March 2025.

## **OTHER INCOME**

The Group's other income decreased from approximately HK\$90,925,000 during the year ended 31 March 2024 to approximately HK\$5,383,000 during the year ended 31 March 2025. Such decrease was mainly attributable to the Group recognised the compensation from the former ultimate holding company, New Grace Gain Limited ("New Grace Gain") of HK\$90,000,000 under the Project Performance Guarantee (as defined in note 6 to the annual results announcement) during the year ended 31 March 2024 as compared to HK\$5,000,000 recognised during the year ended 31 March 2025.

## **ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

The Group's administrative and other operating expenses was approximately HK\$35,376,000 during the year ended 31 March 2025 which is comparable to the administrative and other operating expenses of approximately HK\$33,584,000 during the year ended 31 March 2024.

## **PROVISION FOR EXPECTED CREDIT LOSS ON TRADE RECEIVABLES AND CONTRACT ASSETS, NET OF REVERSAL OF IMPAIRMENT LOSS**

Increase in net provision for ECL on trade receivables and contract assets from approximately HK\$768,000 during the year ended 31 March 2024 to approximately HK\$2,627,000 during the 31 March 2025 as a result of the deteriorating operating environment.

## **WRITTEN-OFF OF CONTRACT ASSETS**

The Group recognised written-off of contract assets decreased from approximately HK\$65,932,000 during the year ended 31 March 2024 to approximately HK\$18,008,000 during the year ended 31 March 2025. Such decrease was mainly attributable to certain long outstanding contract assets were written off during the year ended 31 March 2024.

## **FINANCE COSTS**

The Group's finance costs decreased from approximately HK\$9,179,000 during the year ended 31 March 2024 to approximately HK\$946,000 during the year ended 31 March 2025. Such decrease was mainly attributable to the decrease in interests payment to banks from approximately HK\$6,154,000 during the year ended 31 March 2024 to approximately HK\$906,000 during the year ended 31 March 2025.

## NET LOSS

As a result of the abovementioned, the Group reported a net loss of approximately HK\$57,592,000 (2024: HK\$51,560,000) during the year ended 31 March 2025.

## DEBTS AND CHARGE ON ASSETS

As at 31 March 2025, the total debts of the Group, including bank borrowings, lease liabilities and other borrowings is approximately HK\$54,061,000 (2024: HK\$25,667,000).

As at 31 March 2025, the Group's banking facilities were secured by (i) the Group's property, plant and equipment of approximately HK\$130,342,000 and (ii) the Group's right-of-use assets of approximately HK\$26,375,000.

As at 31 March 2024, the Group's banking facilities were secured by (i) the Group's retention receivables under contract assets of approximately HK\$18,013,000; (ii) receivable rights for certain construction projects; (iii) a personal guarantee executed by a director of a subsidiary of the Company; and (iv) the corporate guarantees executed by the Company.

As at 31 March 2025, no guarantees in respect of performance bonds were executed.

As at 31 March 2024, the guarantees on performance bonds amounting to approximately HK\$10,158,000 are secured by (i) the Group's other receivables of approximately HK\$2,361,000; (ii) a personal guarantee executed by a director of a subsidiary of the Company; and (iii) corporate guarantees executed by the Company and a subsidiary of the Company.

Besides, pursuant to the terms of the sales and purchase agreement entered into between New Grace Gain and Blessing Well Enterprise Limited ("Blessing Well") on 27 April 2018, New Grace Gain provided an unsecured, interest-free loan of HK\$100,000,000 to the Company on 25 May 2018 for a term of 30 months (the "Unsecured Loan"). New Grace Gain shall not be entitled to demand early repayment and the Company has no right to make early repayment of the Unsecured Loan.

Up to 31 March 2023, New Grace Gain and the Company have entered into 7 additional supplemental agreements (the "Agreements") to extend the repayment period for the Unsecured Loan. HK\$70,000,000 of the Unsecured Loan (the "70 Million Loan") extended from 30 months to 72 months. The remaining Unsecured Loan of HK\$30,000,000 (the "30 Million Loan") extended from 30 months to 66 months.

During the year ended 31 March 2024, New Grace Gain agreed to discharge a portion of the Unsecured Loan amounting to HK\$90,000,000 to recover an equivalent amount of loss arising from certain foundation projects of the Group under the Project Performance Guarantee.

As at 31 March 2024, the carrying amount of the unsecured loan after settlement under the Project Performance Guarantee amounted to approximately HK\$10,000,000, and out of which, amounting to approximately HK\$5,000,000 can be further offset against any future project loss under the Project Performance Guarantee.

During the year ended 31 March 2025, New Grace Gain agreed to discharge a further HK\$5,000,000 of the Unsecured Loan to recover an equivalent amount of loss arising from certain foundation projects of the Group under the Project Performance Guarantee and repaid the remaining loan balance in accordance with the terms of the Agreements.

As at 31 March 2025, the carrying amount of the Unsecured Loan after settlement under the Project Performance Guarantee and repayment amounted to Nil (2024: HK\$10,000,000) which was unsecured, interest-free and repayable on demand.

Borrowings were denominated in RMB (2024: HK\$) and interests on bank borrowings were mainly charged at fixed rate (2024: floating rate). 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 normally meets its liquidity and capital requirements primarily through capital contributions from the shareholders and bank and other borrowings.

As at 31 March 2025, the Group had bank and cash balances of HK\$48,481,000 (2024: approximately HK\$84,497,000). The gearing ratio of the Group as at 31 March 2025 and 2024 (defined as the total borrowings divided by total equity) was not applicable since the Group recorded a deficit attributable to owners of the Company as at 31 March 2025 and 2024. As at 31 March 2025, the current ratio of the Group was 0.4 (2024: 0.8).

During the year ended 31 March 2025, the Group did not employ any financial instruments for hedging purpose.

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

In order to strengthen the Company's financial position by broadening the Company's capital base and raise additional funds to facilitate the Group's business operations and seek other business development opportunities, the Company and Alpha Financial Group Limited entered into a placing agreement on 30 November 2023 regarding the placing of 80,000,000 new ordinary Shares (the "Placing Shares") to not less than six independent placees under the general mandate at a placing price of HK\$0.375 per Placing Share (the "Placing"). The net proceeds (after deducting the actual expenses relating to the Placing) (the "Net Proceeds") from the Placing was approximately HK\$29.6 million. The closing price of the Shares as quoted on the Stock Exchange on 30 November 2023 was HK\$0.440 per Share, the aggregate nominal value of the Placing Shares was HK\$800,000, and the net placing price was HK\$0.370 per Placing Share.

## USE OF PROCEEDS

In view of the winding-up petition dated 21 June 2024 filed by The Bank of East Asia, Limited (the “Petitioner”) at the High Court of the Hong Kong Special Administrative Region against the Company and K. H. Foundations Limited, a wholly-owned subsidiary of the Company, the Board has decided to prioritise the repayment of debts owed to the Petitioner which were overdue, and as a result, the Company has made adjustments to the use of the Net Proceeds.

After considering the reasons set out above, the Board has resolved on 30 September 2024 to change the use of the unutilised Net Proceeds.

As at 31 March 2025, the Net Proceeds had been utilised as follows:

	Balance	Utilisation	Unutilised	Revised	Utilisation	Unutilised
	available	from 1 April	Net Proceeds	allocation	since the	Net Proceeds
	as at	immediately	immediately	of the	reallocation	as at 31
	1 April	before the	before the	unutilised	to 31 March	March
	2024	reallocation	reallocation	Net Proceeds	2025	2025
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Business development opportunities, i.e. to develop and extend the Group’s construction business	9.6	–	9.6	–	–	–
General working capital	14.8	0.8	14.0	11.1	6.8	4.3
Repayment of bank borrowings	–	–	–	12.5	12.5	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	24.4	0.8	23.6	23.6	19.3	4.3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

As at the date of this annual results announcement, the Directors are not aware of any circumstances which will lead to a material change to the intended use of the unutilised Net Proceeds.

## FOREIGN EXCHANGE EXPOSURE

The Group has minimal exposure to foreign currency risk, as except for RMB denominated balances, most of its business transactions, assets and liabilities are principally denominated in HK\$, the functional currencies of the Group’s entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As at 31 March 2025, if HK\$ had strengthened 5 percent against the RMB with all other variables held constant, consolidated loss after tax for the year ended 31 March 2025 would have been approximately HK\$1,297,000 (2024: HK\$2,197,000) lower, arising mainly as a result of the net foreign exchange gain on bank balances denominated in RMB. If Hong Kong Dollar had weakened 5 percent against RMB with all other variables held constant, the consolidated loss after tax for the year would have been approximately HK\$1,297,000 (2024: HK\$2,197,000) higher, arising mainly as a result of the net foreign exchange loss on bank balances denominated in RMB.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS**

During the year ended 31 March 2025, the Group had the following material acquisition and disposal:

1. acquisition of subsidiaries of approximately HK\$68,614,000;
2. addition of right-of-use assets of approximately HK\$2,008,000; and
3. disposed off of property, plant and equipment of approximately HK\$8,666,000.

Save as above, the Group did not have any other significant investments, material acquisitions or disposals during the year ended 31 March 2025.

## **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed in note 18 to this annual results announcement, there have been no other material events occurring after 31 March 2025 and up to the date of this annual results announcement.

## **DIVIDEND**

The Board does not recommend the payment of any dividend to the shareholders for the year ended 31 March 2025 (2024: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2025, the Group had 63 employees (2024: 81 employees). Most of the Group's employees are construction workers in the PRC (2024: Hong Kong). The remuneration policy and package of the Group's employees are periodically reviewed. Apart from the Mandatory Provident Fund and in-house training programmes, salary increments and discretionary bonuses may be awarded to the employees according to the assessment of individual performance. The total staff costs incurred by the Group during the year ended 31 March 2025 were approximately HK\$32,928,000 (2024: HK\$39,575,000).

## PROSPECTS

The Group's overall revenue decreased by approximately 26.0% to approximately HK\$129,580,000 during the year ended 31 March 2025 (the "Year") (during the year ended 31 March 2024 (the "Comparative Year"): HK\$175,174,000). The loss and total comprehensive loss during the Year attributable to owners of the Company amounted to approximately HK\$57,592,000 (during the Comparative Year: HK\$51,560,000).

The Group operated under considerable pressure throughout the Year amid a complex operating environment in the Hong Kong construction industry. Industry-wide challenges included persistent labour shortages, an aging workforce and cooling property market. Externally, elevated interests rates, continued U.S. trade protectionist policies and a generally sluggish global economy also have significant impact on investor sentiment and business performance. These conditions significantly constrained project activity and compressed profit margins, particularly in the Group's core foundation segment in Hong Kong. In light of these developments, the Group has prudently adopted a more conservative approach by prioritizing liquidity management, reducing capital expenditures, accelerating recovery of receivables, and lowering finance costs through disposal of non-performing assets and repayment of interest-bearing debts.

Despite the implementation of these measures, our Hong Kong foundation business continued to record significant losses during the Year. Following a comprehensive strategic review of our operations and the market outlook, the Board concluded that the long-term prospects in Hong Kong construction segment remain uncertain. As such, the Board is actively evaluating a potential divestment of its foundation business in Hong Kong and exploring new business opportunities in other sectors. This strategic move is aimed at streamlining operations, reducing exposure to structurally challenged segments, and redeploying capital towards markets with stronger growth potential.

Concurrently, our strategic review identified more promising opportunities in Mainland China. Infrastructure activity and policy support on the Mainland remain relatively robust. Last year, the Group completed the acquisition of a construction company in Mainland China, marking a significant step in broadening our revenue base and strengthening our operational capabilities. With the investment and support of shareholders resources, the construction business of the Group is expected to experience new growth.

Further strengthening our diversification, on 21 March 2025, the Group completed the acquisition of 100% equity interests of Changzhou Yonghong Group. Changzhou Yonghong Group owns an NMP recycling and integrated utilization facilities with an annual capacity of 60,000 tons, which is an important step for the Group's layout in the chemical and environmental protection sector, as well as a significant initiative to expand its business scope into the new chemical materials sector and promote diversified business development. Revenue from the fields of hazardous waste neutralisation and recycling of renewable resources is expected to bring new growth to the Group's performance in the next fiscal year.

In the short term, the Group adopts a cautious stance in response to continued macroeconomic uncertainty and sector-specific challenges. Efforts are concentrated on optimising operational efficiency, managing expenditures, and maintaining focus on key business segments to preserve stability and cash flow resilience.

From a longer-term perspective, the Group will continue to reallocate resources toward the Mainland market, where sustained infrastructure development and supportive economic policies are expected to underpin growth. The Group's strategic approach will remain focused on disciplined project evaluation, selective market participation, and operational agility, with the objective of strengthening our market position and delivering sustainable shareholder returns.

On behalf of the Board, I wish to take this opportunity to express my deep gratitude to our shareholders, investors and business partners for their continuous trust and support. I would also like to express our sincere appreciation to the fellow Directors and staff for their contribution and dedication to the continuous business development of the Group.

## **CORPORATE GOVERNANCE PRACTICES**

To create a long term value for the interests of the shareholders of the Company (the "Shareholders") is the Board's main objective. As such, the Board is highly committed to achieving a high standard of corporate governance and striving to maintain the management practices in a transparent and responsible way. The Board reviews and improves the Group's corporate governance practices and business ethics on an ongoing basis.

During the year ended 31 March 2025 and up to the date of this annual report, save as disclosed in the following paragraph, the Company has 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").

Under the code provision C.2.1 of the CG Code, the roles of the chairman of the board and the chief executive ("CE") should be separate and should not be performed by the same individual.

Dr. Huang Yuan and Mr. Chang Chih-Chia is the Chairman of the Board on or before 18 April 2024 and on or after 6 May 2024 respectively. There is not a post of the CE in the Company. The responsibilities of the Chairman of the Board and the CE of the Company are currently taken up by the Chairman of the Board and the other members of the Board. The Board will continuously review and improve the corporate governance practices and standards of the Group to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

## **NON-COMPLIANCE WITH THE LISTING RULES**

Following the resignation of Mr. Wang Bo as the independent non-executive Directors on 21 January 2025, the Company is not able to comply with (i) Rules 3.10(1) of the Listing Rules, the board of a listed issuer should include at least three independent non-executive directors; (ii) Rule 3.21 of the Listing Rules, the Audit Committee should comprise of a minimum of three members; and (iii) Rule 3.27A of the Listing Rules, the Nomination Committee should comprise a majority of independent non-executive directors.

Rule 3.10(1), Rule 3.21 and Rule 3.27A of the Listing Rules has been complied following the appointment of Ms. Situ Danni as the independent non-executive director and as a member of each of the Audit Committee, the Remuneration Committee and Nomination Committee on 17 April 2025.

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

In respect of code provision D.2.5 of the CG Code, the Company should have an internal audit (the “IA Function”). Although the Company did not establish a standalone Internal Audit Department during the year ended 31 March 2025, the Board has put in place adequate measures to perform the IA Function at different aspects of the Group as the Company considers that 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.

The Company has further engaged an external professional firm in view of facilitating the internal audit function. The professional firm is arranged to conduct internal control of the Group annually (who reports to the Audit Committee) with a view to facilitating adequate resources and quality review to satisfy the Group’s internal audit function as required by the Stock Exchange and to assist the Board in identifying and assessing the risks through a series of interviews, and perform annual reviews on the effectiveness of the Group’s material internal control systems. The Audit Committee and the Board have discussed and reviewed the relevant results of the review. The Group will continuously enhance its risk management and internal control systems according to findings therein and recommendations made to the Group.

The Group’s risk management and internal control procedures include a management structure with clearly defined lines of responsibility and limits of authority. It primarily aims to provide a reasonable, but not absolute, assurance that assets are properly safeguarded against misappropriations, transactions are executed in accordance with the management’s authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The procedure is designed to identify, evaluate and manage risks effectively rather than to eliminate all risks of failure.

There are also regular meetings held between the Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and progress payments from the customers, the efficiency in the use of the Group's resources in comparison to the budgets, and the operational matters to ensure the Group has complied with the regulations that have material impact to the Group's business. The aim is to enhance the communication and accountability of the Directors and senior management so that significant strategic, financial, operational and compliance risks or potential deviations are timely and properly identified and dealt with in a proper manner.

The Board is responsible for maintaining adequate procedures of risk management and internal control for the Group and the Board had conducted an annual review of its effectiveness during the year ended 31 March 2025 through the Audit Committee. Same as last year's practice, the Company has engaged an external independent internal control adviser to conduct a review on the internal control procedures of the Group at both corporate level and business level (as agreed by the Audit Committee). The review covered material controls, including financial, operational and compliance controls and risk management functions during the year ended 31 March 2025. The internal control report has been circulated to the Audit Committee for review and discussion. No significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

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 2025, 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 2025.

## **AUDIT COMMITTEE**

The Audit Committee is currently made up of three Independent Non-executive Directors, including Ms. Liu Yixing (chairman of the Audit Committee), Mr. Feng Zhidong and Ms. Situ Danni. All members of the Audit Committee possess the appropriate professional qualifications or accounting or related financial management expertise as required. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the draft consolidated financial statements of the Group for the year ended 31 March 2025.

## **ANNUAL GENERAL MEETING**

It is proposed that the annual general meeting (the “2025 AGM”) of the Company for the year ended 31 March 2025 be held on a date to be fixed by the Board, and a notice convening the 2025 AGM will be published and despatched to the Shareholders in due course in accordance with the Listing Rules.

## **EXTRACT FROM INDEPENDENT AUDITOR’S REPORT PREPARED BY THE AUDITOR OF THE COMPANY**

The Company would like to provide an extract from the independent auditor’s report prepared by McMillan Woods (Hong Kong) CPA Limited on the Group’s consolidated financial statements for the year ended 31 March 2025 as set out below:

### **Material Uncertainty Related to Going Concern**

We draw attention to note 2 to the consolidated financial statements which reveals that the Group incurred a loss of approximately HK\$57,592,000 for the year ended 31 March 2025 and as at 31 March 2025, the Group had net current liabilities and net liabilities of approximately HK\$191,632,000 and HK\$84,204,000 respectively. In addition to above, a winding-up petition (the “Petition”) was filed by a supporting creditor of the Petition against a subsidiary of the Company in relation to the non-payment of outstanding amount of approximately HK\$2.7 million which has recorded in the books of the Group already (details were set out in note 41 to the consolidated financial statements). The liquidity position of the Group along with the Petition indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## **SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED**

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 2025 as set out in the preliminary announcement have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement has been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.kh-holdings.com](http://www.kh-holdings.com). The annual report of the Company for the year ended 31 March 2025 will be despatched to the Shareholders and published on the above websites in due course in accordance with the Listing Rules.

## **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**  
**Chang Chih-Chia**  
*Chairman and Executive Director*

Hong Kong, 27 June 2025

*As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Chang Chih-Chia (Chairman), Dr. Wang Lei and Mr. Yang Xuefeng and three Independent Non-executive Directors, namely, Mr. Feng Zhidong, Ms. Liu Yixing and Ms. Situ Danni.*