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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 2023**

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 2023, together with the comparative figures for the corresponding year ended 31 March 2022, as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>245,349</b>	751,767
Cost of sales and services rendered		<u>(274,332)</u>	<u>(722,019)</u>
<b>Gross (loss)/profit</b>		<b>(28,983)</b>	29,748
Other income	6	<b>10,239</b>	8,084
Administrative and other operating expenses		<b>(39,050)</b>	(46,441)
Provision for expected credit loss (“ECL”) on trade receivables, other receivables and contract assets, net of reversal of impairment loss		<u>(6,000)</u>	<u>(910)</u>
<b>Loss from operations</b>		<b>(63,794)</b>	(9,519)
Finance costs	7	<u>(10,321)</u>	<u>(8,825)</u>
<b>Loss before tax</b>		<b>(74,115)</b>	(18,344)
Income tax expense	8	<u>—</u>	<u>(2)</u>
<b>Loss and total comprehensive income for the year attributable to owners of the Company</b>	9	<u><b>(74,115)</b></u>	<u>(18,346)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>			
— Basic	11(a)	<u><b>(18.5)</b></u>	<u>(4.6)</u>
— Diluted	11(b)	<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		22,886	41,282
Deposits and prepayments for life insurance policies		19,502	19,163
Right-of-use assets		8,565	11,451
		<u>50,953</u>	<u>71,896</u>
<b>Current assets</b>			
Inventories		15,400	20,364
Trade receivables	12	4,729	94,672
Contract assets	13	249,316	283,789
Prepayments, deposits and other receivables		9,055	61,016
Pledged bank deposits		39,316	68,385
Bank and cash balances		58,758	57,898
		<u>376,574</u>	586,124
Non-current assets held for sale	14	12,508	—
		<u>389,082</u>	<u>586,124</u>
<b>Current liabilities</b>			
Trade and retention payables	15	165,112	240,570
Accruals and other payables		62,211	60,560
Lease liabilities		3,046	7,441
Bank borrowings, secured		114,466	181,027
Other borrowings, unsecured		28,763	—
		<u>373,598</u>	<u>489,598</u>
<b>Net current assets</b>		<u>15,484</u>	96,526
<b>Total assets less current liabilities</b>		<u>66,437</u>	168,422
<b>Non-current liabilities</b>			
Lease liabilities		385	387
Other borrowing, unsecured		65,026	92,894
		<u>65,411</u>	93,281
<b>NET ASSETS</b>		<u>1,026</u>	75,141
<b>Capital and reserves</b>			
Share capital		4,000	4,000
Reserves		(2,974)	71,141
<b>TOTAL EQUITY</b>		<u>1,026</u>	75,141

## 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 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.

At the end of the reporting period, the directors of the Company are of the opinion that, Blessing Well Enterprise Limited ("Blessing Well"), 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.

The Company is an investment holding company. The Group is principally engaged in the provision of foundation and construction services and leasing of machinery in Hong Kong and trading of electronic devices in the People's Republic of China ("PRC").

### 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with 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 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). Significant accounting policies adopted by the Group are disclosed below.

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

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

#### (a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

The application of the Amendments to HKFRSs 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 these consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2022. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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 it has concluded that the adoption of them is unlikely to have a significant impact on 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” 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.

	Foundation and construction		Others		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Reportable segment revenue	<u>245,349</u>	<u>707,392</u>	<u>—</u>	<u>44,375</u>	<u>245,349</u>	<u>751,767</u>
Reportable segment results	<u>(45,446)</u>	<u>14,143</u>	<u>(888)</u>	<u>(1,906)</u>	<u>(46,334)</u>	<u>12,237</u>
Unallocated finance cost					<b>(5,991)</b>	(5,967)
Unallocated depreciation on right-of-use assets					<b>(1,138)</b>	(377)
Unallocated gain on change in the repayment term of other borrowing					<b>5,096</b>	5,962
Other central administrative expenses and directors’ emoluments					<b>(25,748)</b>	(30,199)
Loss before tax					<b>(74,115)</b>	(18,344)
<i>Reportable segment results include:</i>						
Interest income	<b>1,776</b>	776	—	13	<b>1,776</b>	789
Finance costs	<b>8,714</b>	4,390	—	—	<b>8,714</b>	4,390
Depreciation on property, plant and equipment	<b>5,084</b>	4,209	<b>810</b>	1,871	<b>5,894</b>	6,080
Depreciation on right-of-use assets	<b>2,878</b>	3,337	—	—	<b>2,878</b>	3,337
Additions to property, plant and equipment	<b>6</b>	1,767	—	—	<b>6</b>	1,767
Additions to right-of-use assets	—	1,517	—	—	—	1,517
Provision for ECL on trade receivables and contract assets, net of reversal of impairment loss	<b>6,000</b>	2,000	—	—	<b>6,000</b>	2,000
Impairment of property, plant and equipment	—	2,436	—	—	—	2,436
Written off of contract assets	<b>4,602</b>	4,744	—	—	<b>4,602</b>	4,744

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

Segment results represent loss attributable to the segment without allocation of corporate income, 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>SEGMENT ASSETS</b>		
Foundation and construction	<b>351,873</b>	563,890
Others	<b>65,575</b>	71,918
	<hr/>	<hr/>
Total segment assets	<b>417,448</b>	635,808
Unallocated assets	<b>22,587</b>	22,212
	<hr/>	<hr/>
Consolidated assets	<b>440,035</b>	658,020
	<hr/>	<hr/>
<b>SEGMENT LIABILITIES</b>		
Foundation and construction	<b>298,815</b>	441,623
Others	<b>106</b>	5,732
	<hr/>	<hr/>
Total segment liabilities	<b>298,921</b>	447,355
Unallocated liabilities	<b>140,088</b>	135,524
	<hr/>	<hr/>
Consolidated liabilities	<b>439,009</b>	582,879
	<hr/> <hr/>	<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 deposits and prepayments for life insurance policies, certain right-of-use assets, other receivables and bank and cash balances; and
- (ii) All liabilities are allocated to reportable segments other than those unallocated liabilities which are centrally managed by the Group's management including other payables and other borrowings.

## Seasonality of operations

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

## Geographical information

All non-current assets of the Group as at 31 March 2023 and 2022 are located in Hong Kong. While the geographical information of the Group's revenue from external customers for the years ended 31 March 2023 and 2022, based on locations of customers, are set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	245,349	708,564
PRC	—	43,203
	<hr/>	<hr/>
Total	<b>245,349</b>	<b>751,767</b>
	<hr/> <hr/>	<hr/> <hr/>

## Revenue from major customers

The Group's customer base for whom transactions have exceeded 10% of its revenue during the years ended 31 March 2023 and 2022 is set out as below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Foundation and construction services		
Customer 1	151,422	98,609
Customer 2 ( <i>note</i> )	N/A	178,572
Customer 3 ( <i>note</i> )	N/A	138,020
Customer 4	32,292	193,551
Customer 5 ( <i>note</i> )	30,331	N/A
	<hr/> <hr/>	<hr/> <hr/>

*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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Recognised over time within the scope of HKFRS 15</b>		
Provision of foundation and construction services	245,349	707,392
<b>Recognised at point in time within the scope of HKFRS 15</b>		
Trading of electronic devices	—	43,203
<b>Revenue from other sources</b>		
Leasing of machinery	—	1,172
	<hr/>	<hr/>
	<b>245,349</b>	<b>751,767</b>
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2023, 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\$26,467,000 (2022: HK\$262,821,000). 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 (2022: 12 months).

## 6. OTHER INCOME

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grant income ( <i>note</i> )	<b>2,935</b>	212
Gain on change in the repayment term of other borrowing	<b>5,096</b>	5,962
Interest income	<b>1,776</b>	789
Sundry income	<b>432</b>	1,121
	<u><b>10,239</b></u>	<u>8,084</u>

*Note:* The amount represents the receipts from Employment Support Scheme and Construction Innovation and Technology Fund (2022: Construction Innovation and Technology Fund) provided by the Hong Kong government under which the conditions of the government grant were fulfilled during the years ended 31 March 2023 and 2022.

## 7. FINANCE COSTS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	<b>8,356</b>	3,823
Interest on lease liabilities	<b>358</b>	572
Imputed interest expenses on other borrowings	<b>5,991</b>	5,962
	<u><b>14,705</b></u>	<u>10,357</u>
Less: Amounts attributable to contract works	<u><b>(4,384)</b></u>	<u>(1,532)</u>
	<u><b>10,321</b></u>	<u>8,825</u>

## 8. INCOME TAX EXPENSE

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Current tax – PRC Enterprise Income Tax	<u>—</u>	<u>2</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% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 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% (2022: 16.5%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2023 and 2022.

No provision for PRC Enterprise Income Tax is required since the Group has no assessable profit for the year ended 31 March 2023 (2022: PRC Enterprise Income Tax has been provided at a rate of 25%).

The reconciliation of the income tax expense applicable to loss before tax at the statutory tax rates is as follows:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Loss before tax	<u>(74,115)</u>	<u>(18,344)</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	<b>(12,229)</b>	(3,027)
Tax effect of income that is not taxable	<b>(1,501)</b>	(1,023)
Tax effect of difference in tax rate of a subsidiary	—	(12)
Tax effect of expenses that are not deductible	<b>1,699</b>	1,934
Tax effect of temporary differences not recognised	<b>(827)</b>	1,013
Tax effect of tax losses not recognised	<b>12,858</b>	1,117
Income tax expense	<u>—</u>	<u>2</u>

## 9. LOSS FOR THE YEAR

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

		2023	2022
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Auditor's remuneration		790	750
Cost of construction materials	<i>(a)</i>	69,380	242,756
Cost of inventories recognised	<i>(a)</i>	–	43,092
Depreciation on property, plant and equipment	<i>(b)</i>	5,894	6,080
Depreciation on right-of-use assets	<i>(b)</i>	4,016	3,714
Written off of contract assets		4,602	4,744
Provision for ECL on trade receivables, contract assets and other receivables, net of reversal of impairment loss		6,000	910
Impairment of property, plant and equipment		–	2,436
Short-term lease payments not included in the measurement of lease liabilities	<i>(c)</i>	7,821	15,922
		<u>7,821</u>	<u>15,922</u>

*Notes:*

- (a) The amounts 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 2023 and 2022 amounting to approximately HK\$7,435,000 and HK\$8,232,000 respectively.
- (c) The amounts included in cost of sales and services rendered for the years ended 31 March 2023 and 2022 amounting to approximately HK\$5,965,000 and HK\$12,812,000 respectively.

## 10. DIVIDENDS

The Board does not recommend the payment of any dividend to the shareholders for the year ended 31 March 2023 (2022: Nil).

## 11. LOSS PER SHARE

### (a) BASIC LOSS PER SHARE

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

	2023	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss for the purpose of calculating basic loss per share	<u>(74,115)</u>	<u>(18,346)</u>

	2023 '000	2022 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>400,000</u>	<u>400,000</u>

**(b) DILUTED LOSS PER SHARE**

No diluted loss per share to be presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 March 2023 and 2022.

**12. TRADE RECEIVABLES**

	2023 HK\$'000	2022 HK\$'000
Trade receivables	9,890	95,089
Less: Allowance for doubtful debts under ECL	<u>(5,161)</u>	<u>(417)</u>
	<u>4,729</u>	<u>94,672</u>

*Notes:*

- (a) The Group's trade receivables represent progress billings receivables from contract customers. The general credit terms of trade receivables were within 14 to 45 days (2022: 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:

	2023 HK\$'000	2022 HK\$'000
0 to 30 days	4,070	89,315
Over 60 days	<u>659</u>	<u>5,357</u>
	<u>4,729</u>	<u>94,672</u>

The carrying amounts of the Group's trade receivables are denominated in HK\$.

- (b) As at 31 March 2023, approximately HK\$2,165,000 (2022: HK\$82,115,000) of trade receivables were pledged to banks to secure bank borrowings.

### 13. CONTRACT ASSETS

<b>Contract assets</b>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Arising from performance under construction contracts	<b>255,155</b>	288,372
Less: Allowance for contract asset under ECL	<b>(5,839)</b>	(4,583)
	<u><b>249,316</b></u>	<u>283,789</u>
Receivables from contract with customers within the scope of HKFRS 15, which are included in “Trade receivables”	<u><b>4,501</b></u>	<u>93,417</u>

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 (2022: decrease) in contract assets was result of the certain construction projects completed and finalised during the years ended 31 March 2023 and 2022.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous period is approximately HK\$3,562,000 (2022: HK\$8,097,000), mainly due to the changes in estimate of the stage of completion of certain construction contracts.

The amount of contract assets that is expected to be recovered after more than one year is approximately HK\$13,863,000 (2022: HK\$22,748,000).

As at 31 March 2023, approximately HK\$50,974,000 (2022: HK\$70,668,000) of retention receivables under contract assets were pledged to banks to secure bank borrowings.

In addition, New Grace Gain Limited (“New Grace Gain”), the former ultimate holding company has agreed to provide guarantees on the recoverability of Group’s project of the Company receivables (“Guaranteed Receivables”), under which New Grace Gain is unconditionally obligated to pay the difference should the final settlement of the Guaranteed Receivables is lower than the gross carrying amount as at 31 March 2023 and incur loss to the Group, if any, up to HK\$70,000,000.

#### 14. NON-CURRENT ASSETS HELD FOR SALE

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Non-current assets held for sale – Plant and machinery	<b>12,508</b>	–

In March 2023, the Group intended to sell certain plant and machinery which was originally acquired for the foundation and construction services. The plant and machinery is presented within total assets of foundation and construction segment in note 4. Plant and machinery classified as non-current assets held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification.

During the year ended 31 March 2023, the plant and machinery with carrying amount of approximately HK\$12,508,000 reclassified as non-current assets held for sale were measured at the lower of carrying amount and fair value less costs of sell. The fair value was measured at approximately HK\$12,710,000 less estimated cost of sell of approximately HK\$30,000. Therefore the plant and machinery were measured at their carrying amount at approximately HK\$12,508,000. No written-down was required. The fair value of the plant and machinery was determined using the market comparison approach within level 3 measurement.

#### 15. TRADE AND RETENTION PAYABLES

		<b>2023</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Trade payables	<i>(a)</i>	<b>126,742</b>	200,237
Retention payables	<i>(b)</i>	<b>38,370</b>	40,333
		<b>165,112</b>	240,570

*Notes:*

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>70,204</b>	107,798
31 to 60 days	<b>16,256</b>	31,286
61 to 90 days	<b>4,824</b>	46,531
Over 90 days	<b>35,458</b>	14,622
	<b>126,742</b>	200,237

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

As at 31 March 2023, the Group's trade payables of approximately HK\$Nil (2022: HK\$17,192,000) are guaranteed by a director of a subsidiary of the Company.

- (b) As at 31 March 2023, the amount of the Group's retention payables expected to be due after more than twelve months was approximately HK\$6,185,000 (2022: HK\$12,476,000).

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

## 16. PERFORMANCE BONDS

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Guarantees on performance bonds for construction contracts	<b>13,778</b>	83,248

As at 31 March 2023, the securities for the Group's performance bonds for construction contracts are as follows:

- (i) guarantees on performance bonds amounting to approximately HK\$13,778,000 (2022: HK\$77,336,000) are secured by (i) the Group's other receivables of HK\$5,981,000 (2022: HK\$48,216,000); (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.
- (ii) guarantee on a performance bond amounting to approximately HK\$Nil (2022: HK\$5,912,000) is secured by (i) the Group's pledged bank deposits of approximately HK\$Nil (2022: HK\$10,355,000); (ii) a personal guarantee executed by a director of a subsidiary of the Company and (iii) the corporate guarantee executed by the Company.

## 17. CONTINGENT LIABILITIES

In May 2015, a subcontractor claimed against the Group for certain construction works (the "Dispute"). The total amount of claim made by the subcontractor is approximately HK\$20,329,000 and the Group had made a security deposit into court in November 2020.

Pursuant to the deed of indemnity executed by the then controlling and substantial shareholder of the Company, New Grace Gain and its ultimate beneficial owners, Mr. Yeung Sau Ming, Boris, Mr. Lau Tai Wah, Gilbert and Mr. Yue Suen Leung, in favour of the Company, each of them has irrevocably and unconditionally, jointly and severally, agreed to indemnify the Group against, among others, all loss and damages arising from the Dispute.

In September 2021, the Group settled the Dispute by releasing the court security deposit so deposited into the court to the subcontractor. Such payment has been reimbursed and borne by New Grace Gain pursuant to the deed of indemnity as mentioned above. Up to the approval of these consolidated financial statements, the relevant claimed legal fee is still pending for agreement of both parties. Since the above mentioned parties indemnified this claim, no provision has been made for the claim.

## 18. CAPITAL COMMITMENTS

At the end of reporting period, the Group did not have any capital commitments (2022: Nil).

## **BUSINESS REVIEW**

During the year ended 31 March 2023, the Group was principally engaged in the provision of foundation and construction services (the “Foundation and Construction”) and the leasing of machinery (the “Leasing”) in Hong Kong.

### **FOUNDATION AND CONSTRUCTION SERVICES**

There were 7 active projects as at 31 March 2022. As at 31 March 2023, 4 of these projects have been practically completed while the other 3 projects remain in progress. As such, there were a total of 3 projects in progress as at 31 March 2023.

Subsequent to 31 March 2023 and up to date of this annual results announcement, there were 2 new projects awarded to the Group.

## **FINANCIAL REVIEW**

### **REVENUE**

The Group’s overall revenue decreased by 67.4% from approximately HK\$751,767,000 during the year ended 31 March 2022 to approximately HK\$245,349,000 during the year ended 31 March 2023. The decrease in the Group’s overall revenue was mainly attributable to decrease in workdone after completion of certain large projects during the year ended 31 March 2023.

### **GROSS PROFIT/(LOSS)/GROSS PROFIT/(LOSS) MARGIN**

The overall gross profit decreased by 197.4% from approximately HK\$29,748,000 during the year ended 31 March 2022 to gross loss of approximately HK\$28,983,000 during the year ended 31 March 2023. The overall gross profit margin decreased from approximately 4.0% during the year ended 31 March 2022 to gross loss margin of approximately 11.8% during the year ended 31 March 2023 and such were mainly attributable to the combined effects of the followings:

- i. decrease in gross profit due to decrease in workdone after the completion of certain large project during the year ended 31 March 2023, especially for the projects located at the Kai Tak development area;
- ii. increase in construction costs incurred during the completion stage of certain projects during the year ended 31 March 2023; and
- iii. increase in project costs incurred to due to the unexpected changes in on-site arrangements and works schedules of certain projects because of the outbreak of COVID-19 during the year ended 31 March 2023.

## **OTHER INCOME**

The Group's other income increased from approximately HK\$8,084,000 during the year ended 31 March 2022 to approximately HK\$10,239,000 during the year ended 31 March 2023. Such increase was mainly attributable to the fact that the Group received a non-recurring government grant of approximately HK\$2,935,000 under the Employment Support Scheme and Construction Innovation and Technology Fund launched by the Hong Kong Government during the year ended 31 March 2023 while the Group only received a government grant of approximately HK\$212,000 during the year ended 31 March 2022.

## **ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

The Group's administrative and other operating expenses decreased by 15.9% from approximately HK\$46,441,000 during the year ended 31 March 2022 to approximately HK\$39,050,000 during the year ended 31 March 2023. Such decrease was mainly attributable to 1) the decrease in payments of professional expenses of approximately HK\$7,606,000 during the year ended 31 March 2022 to approximately HK\$5,332,000 during the year ended 31 March 2023, 2) recognition of impairment loss of approximately HK\$2,436,000 on property, plant and equipment during the year ended 31 March 2022 but no such impairment was recognised during the year ended 31 March 2023; and 3) the decrease in payments of rent and rates from approximately HK\$3,110,000 during the year ended 31 March 2022 to approximately HK\$1,856,000 during the year ended 31 March 2023.

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

Increase in net provision for ECL on trade receivables, other receivables and contract assets from approximately HK\$910,000 during the year ended 31 March 2022 to approximately HK\$6,000,000 during the 31 March 2023 as a result of the deteriorating operating environment in the construction industry in Hong Kong.

## **FINANCE COSTS**

The Group's finance costs increased from approximately HK\$8,825,000 during the year ended 31 March 2022 to approximately HK\$10,321,000 during the year ended 31 March 2023. Such increase was mainly attributable to the increase in interests payment to banks from approximately HK\$2,451,000 during the year ended 31 March 2022 to approximately HK\$4,015,000 during the year ended 31 March 2023.

## **NET LOSS**

As a result of the abovementioned, the Group reported a net loss of approximately HK\$74,115,000 (2022: HK\$18,346,000) during the year ended 31 March 2023.

## DEBTS AND CHARGE ON ASSETS

As at 31 March 2023, the total debts of the Group, including bank borrowings, lease liabilities and other borrowings is approximately HK\$211,686,000 (2022: HK\$281,749,000).

As at 31 March 2023, the Group's banking facilities were secured by (i) the Group's trade receivables and retention receivables under contract assets or contract liabilities of approximately HK\$53,139,000 (2022: HK\$152,783,000); (ii) the Group's pledged bank deposits of approximately HK\$39,316,000 (2022: HK\$68,385,000); (iii) the Group's right-of-use assets and property, plant and equipment with total net carrying amounts of approximately HK\$15,565,000 (2022: HK\$17,249,000); (iv) the Group's deposits and prepayments for life insurance policies of approximately HK\$19,502,000 (2022: HK\$19,163,000); (v) receivable rights of gross income from certain projects; (vi) a personal guarantee executed by a director of a subsidiary of the Company; and (vii) the corporate guarantees executed by the Company and the subsidiaries of the Company.

As at 31 March 2023, the guarantees on performance bonds amounting to approximately HK\$13,778,000 (2022: HK\$77,336,000) are secured by (i) the Group's other receivables of approximately HK\$5,981,000 (2022: HK\$48,216,000); (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.

As at 31 March 2022, the guarantees on a performance bond amounting to approximately HK\$5,912,000 is secured by (i) the Group's pledged bank deposits of approximately HK\$10,355,000; (ii) a personnel guarantee executed by a director of a subsidiary of the Company; and (iii) the corporate guarantee executed by the Company. As at 31 March 2023, such guarantees were released.

Besides, pursuant to the terms of the sales and purchase agreement entered into between New Grace Gain and 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 2022, New Grace Gain and the Company have entered into 5 supplemental agreements ("Agreements") to extend the repayment period of the Unsecured Loan for a total of 30 months. This extended the repayment term from 30 months to 60 months.

During the year ended 31 March 2023, New Grace Gain and the Company further entered into two additional supplemental agreements ("Agreement 6 and Agreement 7") to further extend the repayment period for part of the Unsecured Loan of HK\$70,000,000 (the "70 Million Loan") for 12 months, extending the repayment term from 60 months to 72 months. The remaining Unsecured Loan of HK\$30,000,000 (the "30 Million Loan") has been extended for 6 months, extending the repayment term from 60 months to 66 months.

Save as the extension of the repayment period under the Agreements, Agreement 6 and Agreement 7, other terms and conditions of the Unsecured Loan remain unchanged.

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

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group normally meets its liquidity and capital requirements primarily through capital contributions from the shareholders and bank and other borrowings.

As at 31 March 2023, the Group had pledged bank deposits, and bank and cash balances of approximately HK\$98,074,000 (2022: HK\$126,283,000). The gearing ratio of the Group as at 31 March 2023 (defined as the total borrowings divided by total equity) was approximately 20,632.2% (2022: approximately 375.0%). As at 31 March 2023, the current ratio of the Group was approximately 1.0 (2022: approximately 1.2).

During the year ended 31 March 2023, the Group did not employ any financial instruments for hedging purpose.

## **FOREIGN EXCHANGE EXPOSURE**

The Group has minimal exposure to foreign currency risk, as except for United States Dollar (“US\$”) denominated deposits and prepayments for life insurance policies and Renminbi (“RMB”) denominated bank 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 2023, 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 2023 would have been approximately HK\$2,504,000 (2022: HK\$2,504,000) higher, arising mainly as a result of the foreign exchange loss on bank balances denominated in RMB. If HK\$ 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\$2,504,000 (2022: HK\$2,504,000) lower, arising mainly as a result of the foreign exchange gain on bank balances denominated in RMB.

Sensitivity analysis on life insurance policies will not be performed as US\$ is pegged against HK\$ and the risk of movements in exchange rates between US\$ and HK\$ is insignificant.

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

The Group did not have any significant investments, material acquisitions or disposals during the year ended 31 March 2023.

In March 2023, the Group intended to sell certain plant and machinery which was originally acquired for the foundation and construction services. Up to the date of this announcement, the disposal plan remains at negotiating stage and no final sale and purchase agreement has been entered with any parties. Save as above, the Group does not have any other material acquisitions or disposal plans.

## **EVENT AFTER THE REPORTING PERIOD**

There have been no material events occurring after 31 March 2023 and up to the date of this announcement.

## **DIVIDEND**

The Board does not recommend payment of any dividend to the Shareholders for the year ended 31 March 2023 (2022: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2023, the Group had 98 employees (2022: 160 employees). Most of the Group's employees are foundation and construction workers in 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 2023 were approximately HK\$50,259,000 (2022: HK\$69,290,000).

## **PROSPECTS**

On behalf of the board (the "Board") of directors (the "Directors") of K. H. Group Holdings Limited (the "Company"), I am pleased to present to our shareholders the 2022/23 Annual Report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2023.

The Group's overall revenue decreased by approximately 67.4% to approximately HK\$245,349,000 during the year ended 31 March 2023 (2022: HK\$751,767,000). The loss and total comprehensive income for the year ended 31 March 2023 attributable to owners of the Company amounted to approximately HK\$74,115,000 (2022: HK\$18,346,000).

The year 2022/23 proved to be a challenging period for the Group, characterised by the repeated spread of the COVID-19 pandemic, significant increases in raw material prices, and a surge in interest rates and labor costs. However, as the epidemic situation gradually stabilised, the Government of the Hong Kong Special Administrative Region (“HKSAR”) relaxed certain pandemic-related restrictions and reinstated cross-border activities between Hong Kong, Macau, and Mainland China in early 2023. As a result, there are expectations of a gradual recovery in the economic environment and resumption of social activities in Hong Kong.

As supported by the 2022 Policy Address of Hong Kong, land and housing are still the most important agendas. The Government of the HKSAR introduces new public housing policies and targets to supply additional land for private housing development. The Group remains optimistic towards the foundation and construction industry in Hong Kong as a result of the boosting of land supply for housing developments for both the private and the public sectors as well as fostering infrastructure development plans.

Apart from abovementioned services, the Group will continue to explore and identify suitable investment opportunities in order to broaden our revenue base to maximise the return to our shareholders. The Group will also closely and carefully monitor the latest development in the global economy and foundation and construction industry in Hong Kong and adjust its business strategies from time to time if required. Additionally, in order to increase the profitability of the Group and have a diversified development, the Group is also actively looking for different development opportunities in sectors such as new energy and new raw material.

## **CORPORATE GOVERNANCE**

Save as disclosed below, during the year ended 31 March 2023 and up to the date of this announcement, 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.

Mr. Chen Rongshen and Dr. Huang Yuan is the Chairman of the Board on or before 31 March 2023 and on or after 1 April 2023 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.

## **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 2023, 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.

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. 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 2023, 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 2023.

## **AUDIT COMMITTEE**

The Audit Committee is currently made up of three Independent Non-executive Directors, including Mr. Liu Xin (chairman of the Audit Committee), Mr. Feng Zhidong and Mr. Wang Bo. 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 audited consolidated financial statements of the Group for the year ended 31 March 2023.

The Audit Committee held 2 committee meetings during the year ended 31 March 2023.

## **ANNUAL GENERAL MEETING**

It is proposed that the annual general meeting (the “2023 AGM”) of the Company for the year ended 31 March 2023 be held on a date to be fixed by the Board, and a notice convening the 2023 AGM will be published and despatched to the Shareholders in due course in accordance with the Listing Rules.

## **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 2023 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 audited 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 2023 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**  
**Huang Yuan**  
*Chairman and Executive Director*

Hong Kong, 30 June 2023

*As at the date of this announcement, the Board comprises three Executive Directors, namely, Dr. Huang Yuan (Chairman), Mr. Bu Youjun and Mr. Yang Xuefeng and three Independent Non-executive Directors, namely, Mr. Feng Zhidong, Mr. Wang Bo and Mr. Liu Xin.*