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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)**

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF ASSETS**

**THE DISPOSAL**

On 18 August 2023 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Disposal Assets for the Consideration.

**IMPLICATION UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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On 18 August 2023 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Disposal Assets for the Consideration. Details of the Agreement are summarised as follows:

## **THE AGREEMENT**

Date: 18 August 2023 (after trading hours of the Stock Exchange)

### **Parties**

Vendor: K. H. Foundations Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

Purchaser: Chiu & Lee Partners Construction Company Limited, a company incorporated in Hong Kong with limited liability

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

### **Subject matter**

The Disposal Assets to be disposed of by the Vendor being a set of bored pile machineries and accessories. Details of the Disposal Assets are set out in the Agreement.

### **Consideration**

Pursuant to the Agreement, the Consideration for the sale and purchase of the Disposal Assets shall be a total sum of HK\$13,000,000, which shall be (i) settled in cash by the Purchaser to the Vendor; or (ii) by negotiations and mutual agreement between the parties, settled by offsetting against any outstanding trade payable balances to the Purchaser by the Vendor and in case of any balance of the Consideration after such setoff, in cash, on the Completion Date.

The Consideration was determined after arm's length negotiations between the parties to the Agreement based on normal commercial terms with reference to (i) the net book value based on the unaudited financial statements of the Vendor attributable to the Disposal Assets as at 30 June 2023, after primarily taking into account the Disposal Assets mainly consist of used bored pile machineries and accessories that have already been operated for several years, which was approximately HK\$11,212,000; (ii) the quality and condition of the Disposal Assets; and (iii) valuation of the Disposal Assets of approximately HK\$12,157,000 as at 30 June 2023 prepared by an independent professional valuer.

### **Completion**

Completion of the sale and purchase of the Disposal Assets shall take place on the Completion Date.

## **Conditions**

The Completion is conditional upon the satisfaction of the following conditions:

- (a) the Vendor having complied with all relevant requirements under the Listing Rules and obtained all approvals and permission from the relevant regulatory bodies if and when necessary, in respect of the sale of the Disposal Assets; and
- (b) the Purchaser having inspected and accepted the Disposal Assets in accordance with the Agreement on the Completion Date.

## **INFORMATION ON THE COMPANY AND THE VENDOR**

The Group is principally engaged in the provision of foundation services and leasing of machinery in Hong Kong.

The Vendor is a wholly-owned subsidiary of the Company and is principally engaged in the provision of foundation services and leasing of machinery in Hong Kong.

## **INFORMATION ON THE DISPOSAL ASSETS**

The Disposal Assets are those assets of bored pile machineries and accessories operated by the Vendor. The audited and unaudited net book values of the Disposal Assets as at 31 March 2023 and 30 June 2023 were approximately HK\$11,654,000 and HK\$11,212,000 respectively.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in Hong Kong with limited liability and principally engaged in the provision of foundation services in Hong Kong. The Purchaser has been a subcontractor to the Vendor's projects since 2020.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

## **REASONS FOR AND BENEFIT OF THE DISPOSAL**

Subject to audit, it is currently expected that the Group will record a gain on the Disposal of approximately HK\$1,788,000 which is calculated with reference to the difference between the Consideration and the net book value based on the unaudited financial statements of the Vendor attributable to the Disposal Assets as at 30 June 2023.

It is expected that the estimated net proceeds from the Disposal of HK\$13,000,000 will be used for general working capital of the Group. As disclosed in the annual reports, the outbreak of the Covid-19 has created a challenging operating environment for the foundation industry since 2020. This resulted in unsatisfactory financial performance of the Group since 2021, which has exerted much pressure on the Group's cash flow position and profitability. Besides, high maintenance and storage cost and difficulties of having skillful and experienced staff to maintain the condition of plant and machineries also resulted in a burden on the Group, which has outweighed the benefits arising from keeping these Disposed Assets in foreseeable future. After careful consideration under the current difficult operating environment, the Board has come up with the decision to downsize the asset pool of plant and machineries of the Group. The Directors consider that the Disposal will enable the Group's resources to be more effectively allocated to and utilised by the Group thereafter, which they believe will be beneficial to the Group.

The terms of the Disposal were arrived at after arm's length negotiations between the parties to the Agreement. The Board (including the independent non-executive Directors) is of the view that the terms of the Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following terms have the meanings set out below:

“Agreement”	the asset purchase agreement dated 18 August 2023 and entered into between the Vendor and the Purchaser in respect of the Disposal Assets
“Board”	the board of Directors
“Company”	K. H. Group Holdings Limited (Stock Code: 1557), a company incorporated in Cayman Islands with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange

“Completion”	completion of the sale and purchase of the Disposal Assets in accordance with the Agreement
“Completion Date”	the date when the Completion takes place, which shall be 18 August 2023
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$13,000,000, being the consideration for the sale and purchase of the Disposal Assets
“Directors”	the directors of the Company
“Disposal”	the disposal of the Disposal Assets by the Vendor to the Purchaser pursuant to the Agreement
“Disposal Assets”	a set of the bored pile machineries and accessories
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Chiu & Lee Partners Construction Company Limited, a company incorporated in Hong Kong with limited liability
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”

K. H. Foundations Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“%”

per cent.

By Order of the Board  
**K. H. Group Holdings Limited**  
**劍虹集團控股有限公司**  
**Huang Yuan**  
*Chairman and Executive Director*

Hong Kong, 18 August 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 Nonexecutive Directors, namely, Mr. Liu Xin, Mr. Feng Zhidong and Mr. Wang Bo.*

*If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.*