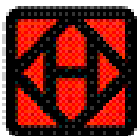


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K. H. Group Holdings Limited

劍虹集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1557)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of K. H. Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 8 March 2016 (the “**Prospectus**”) in relation to the placing and public offer (the “**Share Offer**”) of the Company’s shares for the listing on the Main Board of The Stock Exchange of Hong Kong Limited. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

It was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus that the Company intended to use the net proceeds of the Share Offer (assuming the net proceeds, being the mid-point of the Offer Price, was approximately HK\$69.2 million) for the following purposes:

- approximately HK\$27.7 million or approximately 40% of the net proceeds will be used for the operation of prospective projects;
- approximately HK\$13.8 million or approximately 20% of the net proceeds will be used for hiring of additional 15 staff including project managers and experienced engineering staff by year ending 31 March 2019;
- approximately HK\$20.8 million or approximately 30% of the net proceeds will be used for purchasing machinery and equipment in the next five to six years; and
- approximately HK\$6.9 million or approximately 10% of the net proceeds will be used as the general working capital of our Group.

The actual net proceeds from the Share Offer was approximately HK\$77.1 million (the “**IPO Proceeds**”). An amount of approximately HK\$23.1 million of the IPO Proceeds remains unutilised as at the date of this announcement.

CHANGE IN USE OF PROCEEDS

The Board has resolved to change the use of approximately HK\$15.4 million out of the remaining unutilised IPO Proceeds from the Share Offer by reallocating the net proceeds originally intended for hiring of additional staff to operation of prospective projects (the “**Proposed Change**”). Details of the original allocation of the actual net proceeds (the “**Original Allocation**”), the revised allocation of the actual net proceeds (the “**Revised Allocation**”), the utilisation of the actual net proceeds as at the date of this announcement (the “**Utilisation**”) and the remaining balances of the actual net proceeds as at the date of this announcement (the “**Remaining Balances**”) are summarised below:

	Original Allocation HK\$ million (approximately)	Revised Allocation HK\$ million (approximately)	Utilisation HK\$ million (approximately)	Remaining Balances HK\$ million (approximately)
Operation of prospective projects	30.9	46.3	(30.9)	15.4
Hiring of additional staff	15.4	-	-	-
Purchase of machinery and equipment	23.1	23.1	(15.4)	7.7
General working capital	<u>7.7</u>	<u>7.7</u>	<u>(7.7)</u>	<u>-</u>
	<u><u>77.1</u></u>	<u><u>77.1</u></u>	<u><u>(54.0)</u></u>	<u><u>23.1</u></u>

REASONS FOR THE CHANGE IN USE OF PROCEEDS

In the Company’s interim results announcement dated 28 November 2016 and interim report despatched on 22 December 2016, it was disclosed that, among other things, it is expected that the foundation industry in Hong Kong will continue to be very challenging in 2017. After consideration of the existing conditions of the foundation industry in Hong Kong and the current capacity of the Group, the Board is of the view that there is no urgent need to hire additional staff, including project managers and experienced engineering staff, currently and up to the year ending 31 March 2019. Accordingly, the Board believes that the Proposed Change will enable the Group to deploy its financial resources more effectively and efficiently and is more in line with the current needs of the Group.

The Board also considers that the Proposed Change is in the best interest of the Company and its shareholders as a whole.

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

Hong Kong, 20 March 2017

As at the date of this announcement, the executive Directors are Mr. Yu Shiu Tin Paul (Chairman), Mr. Yeung Sau Ming Boris and Ms. Chan Lai Kuen; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Cheng Yan Kee, Mr. Cheung Chi Fai Frank and Professor Chung Hung Kwan Barnabas.